

## **A STUDY ON HOUSING FINANCE SERVICE QUALITY WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANKS IN TAMILNADU**

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### **ABSTRACT**

Housing finance as a financial service is relatively young in India . The growth in housing and housing finance activities in recent years reflect the buoyant state of the housing finance market in India . The real estate sector is the second largest employment generator in the country. In 1970, the state set up the Housing and Urban Development Corporation (HUDCO) to finance housing and urban infrastructure activities, in 1977, the Housing Development Finance Corporation (HDFC) was the first housing finance company in the private sector to be set up in India . For the success and survival in the banking sector, provision of high service quality is necessary in meeting several requirements such as customer satisfaction and its consequent loyalty, attracting new customers and to increase the market share and profitability. Services are intangible and are also not easily duplicated.

**Keywords:** Awaaz, Green homes, Housing finance, Hudco, Housing loans

### **INTRODUCTION**

The basic needs of mankind are food, clothing and shelter. Of these, housing is not only a basic need but it also provides a sustainable base for the up gradation of the economic status and quality of the life of people. The arithmetic progression of population and also the migration of people from rural areas to urban for employment have increased the housing demand day by day. Against the milieu of rapid urbanization and a changing socio- economic scenario, the demand for housing has grown explosively, due to change in economic and social status, people now have a desire to own a house. A house is generally the single largest investment an individual makes in his life time. Moreover, the emotional dimension of a house makes it intrinsically safer for lender. Another factor that adds to the safety of the loan is that most borrowers have a

significant level of personal money invested in a house. Housing financing helps to provide employment opportunities to a large number of people who are skilled, semi- skilled and unskilled in the construction industry of unorganized sector. It also provides a very good fillip to the business opportunities of people who supply construction materials of all kinds. The repayment of housing loans is satisfactory when compared to all other types of lending. Almost all the commercial banks, development banks provide wide range of funds to the needy people according to their repayment capacity. Our country witnesses spectacular growth in this field, which acts as a catalyst in the growth and development of economy. Housing financing has become a powerful mechanism of economic development.

Banks are the most important service institutions in the economy of any country and the backbone of any financial and economy. Commercial banks play an important role in the development of underdeveloped and developing economies by mobilization of resources and their better allocation. The Indian Banking System is regulated by the Central Bank of the country i.e. Reserve Bank of India (RBI), which was nationalized in 1949. The Indian banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers. Banks are also encouraging their customers to manage their finances using mobile phones.

### **Public sector banks**

Banks which are owned by government are as public sector banks. Banks which are owned by government are known as public sector banks. At present in India, there are 26 largest public sector banks.

- SBI
- Canara Bank

### **State Bank Of India (SBI)**

The state bank of India was established on 18<sup>th</sup> July 1955, under the state bank of India act to take over the business of the imperial bank of India. SBI is owned

by the government of India and is the largest bank in the India sub continent. SBI is the second largest bank in the world. SBI has been awarded “The Most Preferred Home Loan Provider” by AWAAZ Consumer Awards. SBI home loans give concession on interest rates on GREEN HOMES under its environment protection program. SBI offers SBI-optimal additional home

loans and SBI-Home line special personal loans for existing home loan borrowers who have a repayment record of 3years, etc.

**Table1: Highlights**

|                                |                       |
|--------------------------------|-----------------------|
| <b>Interest rate</b>           | 10.50 %               |
| <b>Loan amount</b>             |                       |
|                                | Minimum – 5,00,000    |
|                                | Maximum-<br>25,00,000 |
| <b>Tenure</b>                  | Minimum – 5 years     |
| <b>Maximum</b>                 | 25 years              |
| <b>Time of processing loan</b> | 7 days                |

**Table 2: Interest Rate**

| Tenure     | Interest Type | Interest Rate | offer              |
|------------|---------------|---------------|--------------------|
| 1-25 years | Floating      | 10.50%        | Upto<br>23,00,000  |
|            |               |               | Above<br>25,00,000 |

### **Canara Bank (CB)**

The canara bank is a government of India undertaking, and carries on all banking business. The bank was brought into existence by an ordinance passed on the 19th July 1969 by the Central Government. In terms of the ordinance the undertaking of the Canara bank was rested to and transferred to the new bank. This ordinance was replaced by the banking companies (Acquisition and Transfer of Undertaking) Act, 1969. This act was declared null & void by the Supreme Court on the 10th of February 1970 and subsequently the ordinance was promulgated. Then the banking companies act, 1970 was passed and it was made effective retrospectively from 19th July 1969.

**Table 3: Highlights**

|                         |                    |
|-------------------------|--------------------|
| Interest Rate           | 10.50%             |
| Loan amount             | Minimum – 1,00,000 |
|                         | Maximum- 10,00,000 |
| Tenure                  | Minimum – 5 years  |
|                         | Maximum- 25 years  |
| Time of processing loan | 7 days             |

**Table 4: Interest Rate**

| Tenure years | Interest Type | Rate   | Offer                    |
|--------------|---------------|--------|--------------------------|
| 1-25         | Floating      | 10.50% | Regular                  |
|              |               |        | (up to 30 Lakhs- 10.25 % |
|              |               |        | >75 Lakhs- 10.50 %)      |

### **The Housing Finance System in India**

The following institutes are providing different Home Loan product to the different class of the people in the society and conduct the activity of financing and refinancing in the sector.

- Scheduled Commercial Banks
- Housing Finance Companies
- Scheduled Cooperative Banks (Scheduled State Co-operative Banks, Scheduled District Cooperative Banks and Scheduled Urban Cooperative Banks)
- Agriculture and Rural Development Banks
- State Level Apex Co-operative Housing Finance Societies

### **Scope of the study**

This study is undertaken to measure the customer service rendered by housing finance of public sector banks. The study will provide details of customer services rendered by housing finance and the factors that contribute to the utilization of housing loans. It is hoped that the results of this study will propose policy measures for the betterments of the housing finance sector to achieve the aim of "Housing for all".

### **Importance of Service Quality in public sector Banks**

Increased competition, highly educated consumers, and increase in standard of living are forcing many businesses to review their customer service strategy. Many business firms are channeling more efforts to retain existing customers rather than to acquire new ones since the cost of acquiring new customer is greater than cost of retaining existing customers. There is enough evidence that demonstrates the strategic benefits of quality in contributing to market share and return on investment. Maximizing customer satisfaction through quality customer service has been described as 'the ultimate weapon' by Davidow and Vital (1989). According to them, in all industries, when competitors are roughly matched, those with stress on customer's service will win.

### **Purpose of the study**

The purpose of the study is to identify the fragments in quality of service delivery, how the public sector bank has the capability to market the services, whether the public sector banks competent enough to combat the competition and fulfill expectations of the customers. Since, service quality has become an important factor among the customers in retail banking. For the success and survival in the banking sector, provision of high service quality is necessary in meeting several requirements such as customer satisfaction and its consequent loyalty, attracting new customers and to increase the market share and profitability.

### **Objectives of the study**

1. To study the customer services rendered by the various housing loan in public sector banks
2. To ascertain the factors that contributes to the utilization of the housing loans of various public sector banks.
3. To measure and analyze the level of customer satisfaction in housing loans in various Public sector banks.

## **METHODOLOGY**

This section describes the methodology which includes the collection of data, the construction of interview schedule and data collection, frame work of analysis.

### **Sources of the Data**

Both the Secondary and primary data utilized for the study purpose, Secondary sources collated from the various annual report of banks. Primary data collected from the customers of bank through systematic interview schedule.

### **Secondary data**

The sources of data, sampling frame, method of data collection and the non-sampling error of the study are presented in this section. The present study is based on primary as well as secondary data.

## **REVIEW OF LITERATURE**

K.L. Srinivasan (2000)<sup>1</sup> in his thesis entitled “A project on Housing Finance How SBI can establish leadership” has concluded that simplification of the documentation process, careful and friendly approach systems and procedures, good customer service and non insistence in collateral securities are the most important variable in the marketing of housing loan schemes by banks.

Arunodayam and Thangavel (2007) reviewed the problems of Housing policies, performance of selected housing finance institutions and banks, identified the role and method of supplying credit through housing finance companies. The study was conducted in the city of Chennai on a sample of 300 home loan borrowers of HDFC, LIC housing finance ltd, ICICI bank ltd. It was observed that average number of family members opting for home loan is 4. Higher educated people, respondents with middle and higher income avail more loans. The average loan amount availed by respondents is Rs. 4.6 lakhs and it is seen that spouse income also supports the household.

Berstein David (2009) examined increasing use of home loans as compared to private mortgage insurance (PMI) during the period from 2001 to 2008. In the same line the sharp rise and then suddenly drop down home prices from the period 1998- 2008. The housing boom was concentrated in those markets with significant supply-side restrictions, which tend to be more price-volatile; he problem was not in the excess supply of credit in aggregate, or the increase in subprime per se, but rather in the increased or reduced presence of certain other mortgage products.

Kaur R (2013) conducted the study to analyze the level of customer satisfaction in regard to services provided by HDFC (private sector) and GIC housing finance (public sector) institutions. The data was collected through questionnaire administered to 100 respondents selected conveniently, 50 from each institution. It was observed maximum amount of loan was disbursed by HDFC and maximum loan taken by businessmen followed by government employees.

**DATA ANALYSIS**

**Table 5: Classification Of The Respondents Based On Gender**

| Particulars | No. of respondents | Percentage |
|-------------|--------------------|------------|
| Male        | 23                 | 46         |
| Female      | 27                 | 54         |
| Total       | 50                 | 100        |

**Sources:** primary data

**Interpretation:**

The table shows that 46% of the respondents belongs to male categories and 54% of the respondents belongs to female categories.

**Table 6: Classification Of The Respondents Based On customer occupation**

| Particulars  | No. of respondents | Percentage |
|--------------|--------------------|------------|
| Business     | 15                 | 30         |
| Employed     | 12                 | 24         |
| Professional | 13                 | 26         |
| Student      | 10                 | 20         |
| Total        | 50                 | 100        |

**Sources:** primary data

**Interpretation:**

The table shows that 30% of the respondents are business , 24% of the respondents are employed, 26% of the respondents are professional and 20% of the respondents are student.

**Table 7: Classification Of The Respondents Based On customer perception of assurance**

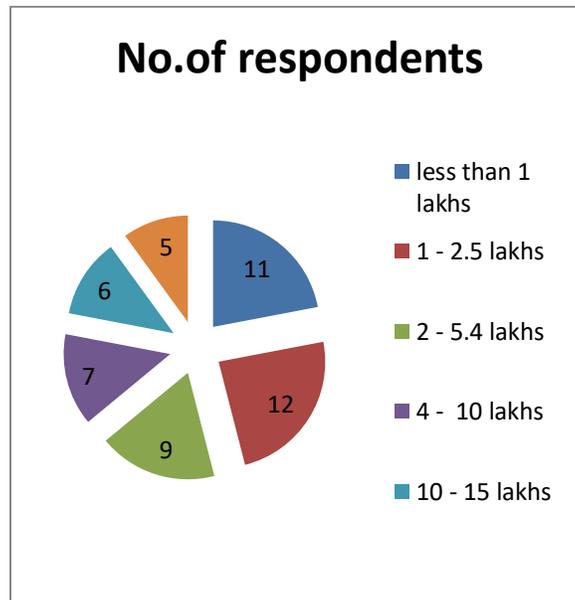
| Particulars         | No. of respondents | Percentage |
|---------------------|--------------------|------------|
| Public sector bank  | 22                 | 44         |
| Foreign bank        | 20                 | 40         |
| Private sector bank | 8                  | 16         |
| Total               | 50                 | 100        |

Sources: primary data

**Interpretation:**

The table shows that 44% of the respondents are assurance for Public sector bank, 40% of the respondents are assurance for Foreign bank and 16% of the respondents are assurance for Private sector bank.

**Chart 1: Classification Of The Respondents Based On annual income of consumer**



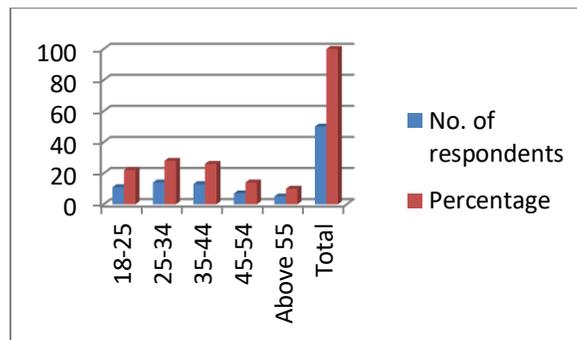
**Table 8: Classification Of The Respondents Based On customer age group**

| Particulars | No. of respondents | Percentage |
|-------------|--------------------|------------|
| 18-25       | 11                 | 22         |
| 25-34       | 14                 | 28         |
| 35-44       | 13                 | 26         |
| 45-54       | 7                  | 14         |
| Above 55    | 5                  | 10         |
| Total       | 50                 | 100        |

**Sources:** primary data

**Interpretation:**

The table shows that 22% of the respondents are age between 18 to 25, 28% of the respondents are age between 25 to 34, 26% of the respondents are age between 35 to 44 ,14% of the respondents are age between 45 to 54 and 22% of the respondents are above 55 age .



**Table 9: Classification Of The Respondents Based On account type of consumer**

| Particulars     | No. of respondents | Percentage |
|-----------------|--------------------|------------|
| Saving account  | 15                 | 30         |
| Current         | 13                 | 26         |
| Deposit account | 12                 | 24         |
| Loan account    | 10                 | 20         |
| Total           | 50                 | 100        |

**Sources:** primary data

**Interpretation:**

The table shows that 30% of the respondents are Saving account , 26% of the respondents are current, 24% of the respondents are Deposit account and 20% of the respondents are Loan account.

**FINDINGS**

1. The majority of (54%) of the respondents are Female category
2. The majority of (30%) of the respondents occupation is Business
3. The majority of (44%) of the respondents assurance for Public sector bank
- 4 .The majority of (12%) of the respondents annual income is 1 – 2.5 lakhs.
5. The majority of (28%) of the respondents of age group between 25-34.
6. The majority of (30%) of the respondents Saving account type.

**SUGGESTION:**

- The booklet and attractive advertisement should be provided to the customer for awareness about different housing loan schemes offered by the banks
- The behavior of the staff of the bank towards the customer should be more personalized.
- The need for retail banking services provided by public sector banks is to improve their speed and efficiency of service delivery in a secure environment

**CONCLUSION:**

The present study concludes that there are various satisfactory factors which affect the satisfaction level of customers of housing loan. The customers in PRSCs are poor rating the services and service quality offered by the company, there is a higher need for the continuous enrichment of interactive service quality of the housing finance company especially in the case of service convenience. The private sector housing finance companies are advised to focus on the decision, access, transaction, benefit and post benefit convenience offered to their customers.

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