



AN EMPIRICAL STUDY ON THE CUSTOMERS' SATISFACTION LEVELS TOWARDS HOUSING FINANCE BANKS IN INDIA

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Abstract

Customer satisfaction levels towards housing finance banks play a crucial role in assessing the effectiveness and trustworthiness of these financial institutions. Homeownership is a significant milestone in many people's lives, and the role of housing finance banks in facilitating this achievement cannot be overstated. When customers are satisfied with their housing finance bank, it indicates that the institution is meeting their financial needs, providing fair and competitive terms, and offering quality customer service. High levels of customer satisfaction often correlate with various positive outcomes for housing finance banks. Satisfied customers are more likely to remain loyal, which can reduce churn and lead to long-term relationships. Customers are also more inclined to refer their friends and family to the bank, thereby contributing to organic growth. Moreover, satisfied customers are less likely to file complaints or disputes, reducing the operational burden and associated costs for the bank.

Keywords:

Transparency, fair and competitive terms, efficient and responsive customer service, personalized service and Feedback Mechanisms.

Introduction

The provision of adequate housing is a prerequisite for the growth and welfare of humans. It offers protection, safety, comforts, and privacy to human beings, making it possible for them to live decently. Good housing is a reflection of the overall wellbeing of the community as a whole. In point of fact, denying people access to housing that is up to standard poses a risk to both social cohesion and economic growth [1]. Additionally, it may be used for either consumption or as an investment. Housing is regarded an investment good due to the fact that it has a value in the market and is thus an economic asset. Rental income is obtained when a residence is rented out to tenants. In addition, housing has a beneficial effect on human growth, notably on a person's physical and mental health as well as their happiness, which eventually contributes to an increase in human efficiency and output. It has a positive effect on people's economic well-being as well as their social and political standing [9]. Because of this, housing is seen as an essential component of fundamental social infrastructure, which plays a role in the evolution of the human race as a whole. The majority of the revenue is sent to Maharashtra and the other southern states. There is a mismatch between demand and supply, geographical imbalance in disbursements, a split between rural and urban areas, and insufficient outreach to disadvantaged parts of the society, notwithstanding the amazing rise in housing financing by commercial banks in India. In addition to this, they are confronted with the challenge of an expanding NPA as well as legal issues.

Background of the study

It is also essential to keep in mind that the primary driver of the ongoing global financial crisis is the home finance industry in the United States. Competition among financial institutions reached previously unheard-of heights as a direct result of the boom in the real estate market and the subsequent appreciation in home prices [2]. On loan applications, a significant proportion of borrowers, brokers, and appraisers lied about the accuracy of home values and the applicants' incomes. The decline in the prices of assets finally resulted in a crisis in the subprime lending industry that was caused by mortgage credit provided by banks. From the standpoint of housing finance policy, India may learn something from the home finance subprime problem that has been going on recently. The rising prevalence of subprime home finance in India has already attracted the attention of policymakers, to the efforts of the Tarapore Committee. On the demand side, the rising population has a fundamental requirement for housing, which means that the strategic significance that the home building sector plays and the surging demand for housing financing cannot be underestimated [7]. A significant portion of the population living in rural and semi-urban regions is still out of reach for financial institutions like banks. The need for house financing is significantly supported by the construction industry in urban and metropolitan centers, which is attracting the concentration of banks in these areas. When it comes to the provision of housing financing, the primary provider is the public sector, which accounts for 63 percent of the total. The percentage of private sector banks, including those owned by older generations as well as those owned by younger generations, is 26 percent. Even while foreign banks are extremely engaged in the process of providing house finance, their contribution only accounts for roughly 9 percent. Gramin banks own a stake that is insignificant, coming in at less than 2 percent. Only 45.21 lakh are included in the overall number of home loans that are being serviced by the banking industry. This number can be regarded as irrefutable evidence of the significant distance that banks still need to go in order to fulfil their mission of providing adequate housing for the world's burgeoning population. The disbursal of home finance in India has one distinctive aspect, and that is the unusual concentration of housing financing in the country's urban centers. According to the data that is currently available, only metropolitan centers receive lending for 51% of the total amount of home financing. Housing programmes that are supported and subsidized by the government are vital to the economically disadvantaged segments of the community [9]. The vast majority of people who work in the informal sector are unable to secure house financing from banks and other financial organisations. The distribution of housing financing is marked by glaring regional disparities that are difficult to ignore. Housing financing has not showed any evidence of growth in the states that are less developed, including those states. The table that is attached as an appendix reveals that there is a significant gap between the national average and the number of home loans that are serviced by banks in each area.

Previous notable studies

In its most literal sense, the term "housing" refers to a physical building that is intended to offer shelter and basic amenities, which may include a supply of clean drinking water, a sewage system, electricity, and other essential components of the basic infrastructure needed to lead a life of acceptable quality [1]. A simple place to lay one's head is not the only thing that is meant by the term "housing." Because of its permanent position, it immediately becomes an essential component of the surrounding community as well as the social, cultural, and economic environment. It creates a space for social reproduction, which must always represent gender dynamics, family dynamics, and other sorts of social interactions. It protects a household's goods from ever-shifting weather conditions and serves as a safeguard for the inhabitants of the home. It is also possible for it to serve as a location for contact, leisure, educational, and religious observance, as well as for social interactions that are organized [6]. Therefore, quality housing is a reflection of the overall welfare of the community, while substandard housing may have major repercussions, including risks to people's health, increased rates of juvenile delinquency and social discord, and it can even pose a danger to the economic growth of the area. Not only is having a place to live one of the most fundamental requirements for human existence, but it may also serve as a barometer of how far a country has come in terms of human welfare and social advancement. People are unable to live up to their full potential and pursue the life they wish to lead if they do not have access to adequate accommodation [5]. As a result, the issue of housing will be the primary emphasis of this chapter, which will also provide an outline of the development of housing policy in India since the country's independence. The Importance of Having a Place to Live Since the beginning of human civilization, providing for basic needs such as shelter, food, and clothes has been of the utmost importance. In point of fact, housing served as the groundwork for the establishment of human settlements and the development of civilization. This right is considered to be a component of the human right. It requested that the states take the requisite measures to guarantee that this right would be realised. Both the Declaration and the Convention have India's signature as a signatory

nation. As a direct result of this, India has started along the road towards making the concept of "housing for all" a reality. It was stated in the National Housing and Habitat programme, which was enacted in 1998, that the ultimate objective of the programme was to provide "shelter to all." Housing is seen as a method of wealth building over the long term and a source of financial stability in every region of the globe [8]. Therefore, having access to adequate housing is necessary for the growth and wellbeing of the human race. It is very necessary for the efficient functioning of a contemporary civilization. Living in a way that is both healthy and comfortable gives incentives and develops efficiency, energy, enthusiasm, and strength, all of which are necessary for the success of society, culture, and the economy. People are unable to live up to their full potential and pursue the life they want for themselves if they do not have access to adequate accommodation. Bad housing may lead to major repercussions such as sickness, immorality, and juvenile delinquency. On the other hand, good housing is a reflection of the overall wellbeing of the community as a whole. In point of fact, denying people access to housing that is up to standard poses a risk to both social cohesion and economic growth. Because of the inherent utilisation characteristics that have been passed down through generations, housing is regarded as one of the merit products in economic terms. Housing, in contrast to any other kind of consumer commodity, is symbolic of many facets of life.

Customers` satisfaction levels towards housing finance banks; an overview The study of housing finance banks holds paramount importance in the realm of financial services and housing markets. These specialized institutions play a pivotal role in facilitating homeownership and addressing the housing needs of individuals and communities. Understanding their significance is crucial for several reasons. First and foremost, housing finance banks serve as a critical link between the financial sector and the housing market. As housing is often the most significant investment for individuals, these banks contribute to overall financial stability by promoting asset accumulation and wealth creation [2]. Furthermore, the study of housing finance banks is instrumental in addressing issues of affordability and housing market efficiency. By examining their lending practices, interest rate policies, and risk management strategies, researchers and policymakers can identify ways to enhance affordability for potential homebuyers and ensure sustainable housing markets. This is particularly vital in addressing housing shortages and affordability challenges in urban areas. Additionally, housing finance banks are integral to the broader economic landscape. A robust housing sector contributes to economic growth by generating employment opportunities and stimulating various industries, including construction, real estate, and home improvement. Research into the functioning and effectiveness of these banks can provide insights into how to support economic development through housing finance. In summary, the study of housing finance banks is indispensable for promoting financial inclusion, enhancing housing market stability, and fostering economic growth.

Challenges facing the Housing Finance System

Recent years have seen increased economic development and fast urbanization, both of which, when combined with the legislative efforts taken by the Indian government, have contributed to the country's burgeoning housing market. Housing building is a capital-intensive kind of construction activity, therefore it calls for a significant financial commitment. In addition, since having a place to live is one of the most fundamental requirements for raising children, there is a widespread attitude among families that ownership of a home is preferable. The purchase of a home is often regarded as the most important investment made by the ordinary Indian family. Therefore, a significant obstacle to the growth of ownership housing stock is primarily centered on a lack of suitable financing on both the supply and demand ends. This chapter focuses on a study of the kind of financing that is necessary for the housing sector, the institutional framework that has been built for housing finance, the role that different financing institutions play, and emerging concerns in housing finance. Considering the essential relevance of housing finance, this chapter was written.

The Need for Housing Finance Systems

Housing financing is fundamentally needed by all parties involved, including customers and suppliers (builders). The builders need financial backing in order to acquire property, make purchases of building supplies, and carry out other operations connected to construction. The individuals who utilize households are in need of financial assistance in order to acquire or build a new home or flat or house site, as well as for the purpose of repairing, renovating, or expanding previously existing dwellings. Because real estate is considered to be a long-term investment, the necessary financing is often of a long-term credit type. The home structure itself is a long-lasting asset that offers protection for the housing financing. As a result, the loan is often secured against the actual mortgage of the home itself. It should come as no surprise that in order to qualify for housing financing, the prospective borrower

has to be the owner of the property in question and have a free and clear title to the property. Housing financing gives individual families the opportunity to purchase land and construct their own housing units, complete with the fundamental conveniences necessary for an improved quality of life.

The Institutional Setup for the Provision of Housing Finance in India

Investments in housing are not only socially desirable but also inevitably become economically essential. This is because housing is both a social good and an economic need. Therefore, an increasing focus on, and need for, increased investment in housing is a direct offshoot of the aims of contemporary welfare states pursued by governments all over the globe. The terms "private" and "public" are often used to refer to the two main types of investors and financiers in the housing market. There are three distinct kinds of private investments made in residential real estate. The social goal of housing investment is to enhance the social welfare of people by providing housing of a higher quality to communities with limited resources. The necessity for housing and the financial means to pay for housing are the driving forces behind the investment in owner-occupied private housing. To put it another way, the amount of money that will need to be invested is determined by the kind of home that will be built. The nature of the access to the resources that are necessary determines the kind of home that may be erected. There are typically three different types of families, each one of which may necessitate an investment in owner-occupied property. Historically, informal sectors were responsible for a significant portion of the home financing industry. The needed investment, which was little and could be satisfied by the accumulation of family savings or the taking out of loans from unofficial sources.

Research Objectives

The purpose of this study is to examine the effectiveness of the banking industry in India in providing home finance over the course of the last 10 years. An in-depth analysis was conducted on the innovations that they used in order to connect with needy borrowers located in various regions of the country. It was recommended that an investigation be conducted into the challenges they encountered while attempting to build relationships between borrowers and suppliers.

Methodology of the Study

The research was carried out using a methodology that includes the gathering and analysis of both secondary and primary data, as well as contact with various stakeholders including lenders and builders' associations. The secondary data have been obtained from the banks' annual reports, as well as from the publications of the National Housing Bank and the Reserve Bank of India. In order to collect the necessary information, attempts were made to contact housing financing organisations operating in both the public and private sectors. In addition to that, a significant amount of the research depended on empirical research investigations on information and data that were either published or not published. The study was carried out in the Erode city with 200 customer who were selected using the convenient sampling method. The various coping strategies are also ranked with the help of non parametric tests. The 5 point Likert scale is used through Google forms.

Analysis, Findings and Results

Housing finance banks that prioritize customer satisfaction not only retain their current customer base but also attract new clients. They understand that in the competitive housing finance sector, a happy and satisfied customer is not only an indicator of their performance but also a driving force for long term success and sustainability.

Table 1: Customer satisfaction in the context of housing finance banks

Variables	Level of application					Mean	Mean Rank
	Very less	Less	Neither more nor less	High	Very high		
Effective Communication	21	38	89	35	17	3.12	3.95
Efficient and Responsive Customer Service	25	39	100	20	16	3.61	4.86

Fair and Competitive Terms	25	23	75	32	45	2.58	4.98
Feedback Mechanisms	17	35	85	29	34	3.31	3.81
Personalized Service	38	30	85	34	13	2.50	4.06
Recommendations	65	12	78	33	12	2.52	3.82
Reduced Complaints	23	42	63	34	38	3.30	3.69
Trust and Confidence	18	31	78	34	39	2.99	4.91
Chi-Square	58.217	N	200	df	7	Sig.	0.000

The respondents follow the customer satisfaction in the context of housing finance banks first to fair and competitive terms (4.98). Secondly trust and confidence (4.91) followed by efficient and responsive customer service (4.86). High levels of customer satisfaction in the context of housing finance banks typically signify **Trust and Confidence**: Satisfied customers tend to have more trust and confidence in their housing finance bank. This trust is built on the bank's ability to fulfill its promises and provide reliable financial services. **Loyalty and Retention**: Satisfied customers are more likely to remain loyal to their housing finance bank. This loyalty can result in long-term relationships, repeat business, and fewer customers seeking alternative financing options. **Recommendations**: Happy customers often become brand ambassadors. They are more inclined to recommend their housing finance bank to friends and family, leading to organic growth through word-of-mouth referrals. **Reduced Complaints**: A high level of customer satisfaction generally correlates with fewer customer complaints or disputes. This, in turn, reduces the operational burden and costs associated with resolving such issues. **Transparency**: Being transparent about loan terms, interest rates, and fees is essential to building trust with customers. **Fair and Competitive Terms**: Providing fair lending practices, competitive interest rates, and favorable terms is key to customer satisfaction. **Efficient and Responsive Customer Service**: Quick and efficient responses to customer inquiries and concerns contribute significantly to satisfaction. **Personalized Service**: Offering personalized solutions tailored to the unique needs of each customer can make a difference. **Effective Communication**: Keeping customers informed about their loan status, changes in interest rates, and other relevant information is important. **Feedback Mechanisms**: Regularly seeking and acting on customer feedback helps banks identify areas for improvement.

Conclusion

Customer satisfaction levels towards housing finance banks are of paramount importance in the financial services industry. Housing finance banks play a crucial role in helping individuals and families achieve their homeownership dreams. The satisfaction of their customers is a reliable indicator of the quality of services provided by these banks. To maintain or improve customer satisfaction levels, housing finance banks must focus on transparency, fair lending practices, efficient and responsive customer service, and competitive interest rates and terms. Monitoring customer feedback, conducting regular surveys, and actively addressing concerns can help banks identify areas for improvement and strengthen their reputation. Ultimately, customer satisfaction is not only a reflection of a bank's performance but also a key driver of its success and sustainability in the highly competitive housing finance sector.

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