



# Vichaara

An International Journal of Management

Volume: 1

March 2014

Number: 2

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For Indian authors:	For foreign authors:
Single author: Rs.1500	Single author: USD 75
Two or more authors: Rs. 1000 per author	Two or more authors: USD 50 per author

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**A STUDY ON CUSTOMER ATTITUDE  
TOWARDS THE OPERATIONAL  
STRATEGIES OF HOUSING FINANCE  
COMPANIES IN COIMBATORE DISTRICT**

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**ABSTRACT**

The present study aims at measuring the customer attitude towards the operational strategies of Housing Finance Companies (HFC) with reference to its operations in Coimbatore district. The study also emphasis on identifying the various factors in home loan processing which predominantly affects overall satisfaction. The customers' expectations and the company's actual performance were also analyzed using five point scale technique and inferences were drawn. This would help the home-loan providers in formulating suitable strategies focusing on total customer satisfaction in the competitive business arena. From the data collected from primary and secondary sources weighted average analysis is carried out to find the customer attitude towards the operational strategies of HFCs.

**Key Words: Operational Strategies, Housing Finance, Financial Institutions, Housing Loan**

## **INTRODUCTION**

Every human being aspires to have his own house to live in. After food and clothing, housing is the third most requirements of human beings. On an average a person spends almost two-third of his life in a house which is his sanctuary in his old age. Adequate housing is therefore, a fundamental need of human beings and an essential pre-requisite for physical, intellectual and mental development. Blessed are those who live in their own house and fortune are those who have money to buy one. But all are not privileged to buy a house of their own. For many such less-privileged, buying a house has become possible in modern times through housing loan, by various HFCs.

## **GROWTH OF HOUSING FINANCE**

The Life Insurance Corporation of India and Housing Societies entered the field of housing loans for their customers. Today there are 350 housing finance companies registered with the Registrar of Companies. Of these, 29 have been approved by the National Housing Bank (NHB). The housing finance industry has been growing at the rate of nearly 35% for the last two years.

Traditionally, the government supports has been centralized and directed through the State Housing Boards and Development (SHBD) authorities. In 1970, the central government has set up the Housing and Urban Development Corporation (HUDCO), which is the housing finance for infrastructure activities.

## **ENTRY OF BANKS**

Towards the end of 1990, against the backdrop of lower interest rates, industrial slow-down, sluggish credit off take and ample liquidity, commercial banks recognized that if they had to maintain their profit margins, they needed to shift their focus from the wholesale segment and build their retail portfolios. The lower rate regime, rising disposable incomes, stable property prices and fiscal incentives made housing finance as an attractive business. Further housing finance traditionally, has been characterized by low non-performing assets and given the vast demand for housing loan. Almost all the major commercial banks plunged into the business of housing finance.

In 1977, Housing Development Finance Corporation (HDFC) was the first housing finance company in the private sector to be set up in India. At that time, the business was looked at with great skepticism. No one so far had experimented with retail housing finance in the country. There was no access to long-term domestic resources nor there a legal system to support foreclosure.

Although commercial banks were the largest mobiliser of savings in the country, traditional banks were rather reluctant to lend for housing, as they preferred financing working capital needs of the industry. Several banks has set up housing finance subsidiaries,

which functioned as independent units with little support or interest from their parent banks.

## **NATIONAL HOUSING BANK (NHB)**

The NHB was set up on 8<sup>th</sup> July 1988, under the National Housing Bank Act 1987. It is apex bank for housing finance institutions in India. The NHB promoted and developed the specialized housing finance institutions for mobilizing resources and extension of credit for housing, especially for the weaker sections of the society. Nowadays the commercial banks are competing among themselves in providing housing finance facilities to their borrowers.

Indian real estate is on its way to donning the image of an organized industry with global standards, as fragmentation, disorganization, poor governance and inefficient infrastructure, take a backseat. Much of the positive zing lies in the significant rise in investment, not only from within India but from offshore as well. The last couple of years have been a clincher in terms of the increasing interest shown by international property consultants, developers and commercial banks in investing in real estate in India.

## **STATEMENT OF THE PROBLEM**

Functioning of the financial Institutions is among the more complicated of corporate operations. Since it involves dealing directly with money, government in most countries regulates this sector more stringently. In India NHB is the regulatory authority for housing finance institutions.

Due to stringent competition in the housing finance industry, particularly among the public sector banks and private sector banks, each bank group has to concentrate much on the deployment of resources and to accelerate the collection mechanism to make it viable to strengthen the profitability and capital adequacy in a better way. In this regard, it is probed further to find answers for the following questions.

- i. In what way the competition can be met out?
- ii. What factors influence the customers to prefer the HFCs?
- iii. In what way it affects the performance of the company.

To set right the above critical situation, research has been undertaken

## **OBJECTIVES OF THE STUDY**

The following are the objectives

- i. To identify the customer attitude towards the operational strategies of Housing Finance Companies.
- ii. To assess the expected and actual services provided by Housing Finance Companies.
- iii. To offer suitable suggestions for further customer satisfaction and improvement.

## **RESEARCH DESIGN**

The study follows analytical and descriptive research design. Analytical research design is based on the facts and information already available and the same are analyzed to make a critical evaluation. Descriptive research design describes the facts as it exists in the data collected.

## **SAMPLING DESIGN**

The customers of various housing finance companies in and around Coimbatore district constitute the population for the research. Samples of 150 respondents were taken from the population for study. Structured questionnaire was used for the method of Primary data collection. The technique used for the study is convenient Sampling Technique.

## **ANALYSIS AND INTERPRETATION**

Weighted Average Analysis was used to prioritize the need of respondents based on the ranking given by the respondents and their weighted average scores using five point scales. Weighted Average scores were also calculated for the expected and actual performance of various functions in home loan processing. Based on the weighted average scores, the ranking of expected performance and actual performance of study factors were listed down and top five factors were discussed.

**EXPECTED PERFORMANCE OF VARIOUS FACTORS AND THEIR WEIGHTED AVERAGE SCORES**

SL. NO	FACTORS/ATTRIBUTES  Weights Assigned	DEGREE OF IMPORTANCE					TOTAL SUM	WEIGHTED AVERAGE SCORE
		VLI	LI	N	IMP	VIMP		
		1	2	3	4	5		
01	Facilities/ Infrastructure	10	34	41	32	33	494	3.29
02	Legal & technical guidance	3	10	9	54	74	636	4.24
03	User friendly (Application form)	10	41	40	25	34	482	3.21
04	Pricing (Interest rates)	-	-	-	13	137	737	4.91
05	Sanctioning the needy loan	-	-	-	18	132	734	4.89
06	Documentation and securitization	-	2	8	44	96	684	4.56
07	Timely funds release	-	2	6	49	93	683	4.55
08	Convenient operating hours	-	-	7	28	115	708	4.72
09	Availability of information brochure	-	12	44	35	59	591	3.94
10	Employees are courteous	-	1	-	35	114	712	4.75
11	Promptness in attending customers	6	3	4	26	111	683	4.55
12	Reputation/Image of the company	35	65	24	12	14	355	2.37
13	Computerization	1	7	34	49	59	608	4.05
14	Communication & presentation	-	2	31	56	61	626	4.17
15	Post availing customer service	1	1	11	45	92	676	4.51
16	Employee response	-	-	2	44	104	702	4.68
17	Staff competency	-	3	30	51	66	630	4.20
18	Personal attention to customers	-	-	-	22	128	728	4.85
19	Employee understanding your needs	-	-	-	16	134	734	4.89
20	Recovery techniques	1	7	94	22	26	515	3.43

**1. VLI – Very Least Important 2. LI – Least Important 3. N – Neutral 4. IMP - Important 5. VIMP-Very Important**

**ACTUAL PERFORMANCE OF VARIOUS FACTORS AND THEIR WEIGHTED AVERAGE SCORES**

SL. NO	FACTORS/ATTRIBUTES  Weights Assigned	DEGREE OF EXCELLENCE(ACTUALS)					TOTAL SUM	WEIGHTED AVERAGE SCORE
		P	F	G	VG	E		
		1	2	3	4	5		
01	Facilities/ Infrastructure	17	49	41	20	23	433	2.89
02	Legal & technical guidance	-	24	56	29	41	537	3.58
03	User friendly (Application form)	-	2	68	39	41	569	3.79
04	Pricing (Interest rates)	9	41	77	9	14	428	2.85
05	Sanctioning the needy loan	-	-	6	40	104	698	4.65
06	Documentation and securitization	-	11	49	36	54	583	3.89
07	Timely funds release	24	38	24	28	36	464	3.09
08	Convenient operating hours	15	36	18	38	43	508	3.39
09	Availability of information brochure	8	38	31	25	48	517	3.45
10	Employees are courteous	-	12	20	47	71	627	4.18
11	Promptness in attending customers	5	37	25	32	51	537	3.58
12	Reputation/Image of the company	18	44	25	26	37	470	3.13
13	Computerization	22	44	26	24	37	469	3.12
14	Communication & presentation	35	48	30	18	19	388	2.59
15	Post availing customer service	18	33	24	31	44	500	3.33
16	Employee response	7	33	18	39	53	548	3.65
17	Staff competency	24	49	30	20	27	427	2.85
18	Personal attention to customers	6	22	15	44	63	545	3.63
19	Employee understanding your needs	6	38	23	32	51	534	3.56
20	Recovery techniques	17	26	36	35	36	497	3.31

**1. P – Poor 2. F – Fair 3. G – Good 4. VG – Very Good 5. E - Excellent**



**TOP SIX FACTORS FOR EXPECTED AND ACTUAL PERFORMANCE AS PER WEIGHTED AVERAGE SCORES**

<b>SL.NO</b>	<b>FACTORS/ATTRIBUTES</b>	<b>RANKING OF EXPECTATIONS</b>	<b>RANKING OF ACTUALS</b>
01	Facilities/ Infrastructure	<b>16</b>	<b>16</b>
02	Legal & Technical guidance	<b>10</b>	<b>7</b>
03	User friendly (Application form)	<b>17</b>	<b>4</b>
04	Pricing (Interest rates)	<b>1</b>	<b>17</b>
05	Sanctioning the needy loan	<b>2</b>	<b>1</b>
06	Documentation and Securitization	<b>7</b>	<b>3</b>
07	Timely funds release	<b>8</b>	<b>15</b>
08	Convenient operating hours	<b>5</b>	<b>10</b>
09	Availability of information brochure	<b>14</b>	<b>9</b>
10	Employees are courteous	<b>4</b>	<b>2</b>
11	Promptness in attending customers	<b>8</b>	<b>7</b>
12	Reputation/Image of the company	<b>18</b>	<b>13</b>
13	Computerization	<b>13</b>	<b>14</b>
14	Communication & Presentation	<b>12</b>	<b>19</b>
15	Post availing customer service	<b>9</b>	<b>11</b>
16	Employee response	<b>6</b>	<b>5</b>
17	Staff competency	<b>11</b>	<b>18</b>
18	Personal attention to customers	<b>3</b>	<b>6</b>
19	Employee understanding your needs	<b>2</b>	<b>8</b>
20	Recovery techniques	<b>15</b>	<b>12</b>

## **MAJOR FINDINGS**

1. The 'Pricing' of the product which means the interest rates are expected to be low and given utmost importance (Rank 1). But the actual position of pricing is 17. It is suggested that the housing finance companies have to bring reduced, moderate and discounted interest rates women, physically challenged and minority sections to attract more customers.
2. The second top priority is expected to be the 'Sanction of needy amount', whereas it holds a first and premium position actually in customers' point of view which shows that the HFCs are in line with the expectations of customers and it is appreciated.
3. While availing housing loans, the customers' 3<sup>rd</sup> expectation is towards the employees of HFCs. They seek personal attention from employees during the loan processing tenure and it actually falls at 6<sup>th</sup> position which suggests the HFCs to be more attentive to its customers.
4. The respondents expect the employees to be courteous and ranked 4<sup>th</sup>. But the actual position of 2 indicates that they serve the respondents more than their expectations.
5. The respondents expect that the bank working hours should be convenient and has been ranked 5<sup>th</sup>. But the actual position is 10<sup>th</sup> which means that the HFCs have to adopt time management techniques to comply with the needs and satisfaction of customers.

## **CONCLUSION**

Housing finance is an all-important critical factor of the house acquiring process. Its general and financial performance is found to be effective. The reduction of interest rate or following the market leader's path will bring the HFCs to a prestigious and glorious position. The HFCs should pay attention towards improving its brand image and reputation. By the suggestions with regard to operational strategies of the present study, the HFCs can improve its customer satisfaction, profitability, market share and can have a competent position in future.

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