Study of Changing Dimensions of housing needs and marketing strategies to persuade consumers to avail loans from Financial Institutions.

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ABSTRACT:

Home loans are the most easily accessible financial supplement to purchase a person's dream home. The housing finance being a financial service is considered to be influenced by marketing strategies of the marketers. As an outcome of increased competition, the market changed from a sellers' one to a buyers' one- where the customer is armed with choice, negotiating power and demanding quality services. In order to get the housing loan the customer has to go through a Credit Appraisal process. Availability of housing finance is one of the key reasons for such a growth in real estate sector. The reason is that the most of Indian peoples are highly depend on the housing finance to purchase a property. This large need of the customers is fulfilled by housing finance companies. The key objectives of this study are to assess the housing problems and needs given the particular housing conditions and market circumstances that exist. The tasks include defining and analyzing the extent of housing needs of Natives living in various environments using existing data sources. The analysis focuses on housing affordability, marketing strategies, overcrowding, and quality and for that how the private and public sectors banks and other housing finance providers used their services. The present study makes an attempt to study the marketing practices adopted by Commercial Banks & Housing Finance Companies. The successful financial services companies share a strong focus and a heavy commitment towards marketing. The modern marketing seeks to attract new customers by promising superior value and to keep current customers by delivering satisfaction. The sound marketing is critical to the success of all organization, whether large or small, profit or non-profit, and domestic or global.

Keywords: Housing needs, housing Loan, HFC, marketing strategies, Interest rates, Customer satisfaction

INTRODUCTION

Housing is one of the basic needs of every individual as besides providing shelter and security, it also enables easy access to the credit market by working as collateral comfort / security. The urban population of India has been growing at a rapid pace. As per the Census 2011, 31.16 per cent of the total population is in the urban areas. According to FICCI's report (October 2011), 900 million people will be added to Indian cities by 2050. With the growing population of India, increasing nuclear family structure & urbanization the demand of home is also ever increasing. In addition to it, the present upswing in economic growth of India has caused increasing buying power of Indian consumer, so has boosted the real estate market. Indian housing finance sector has experienced unprecedented changes in its structure from its formulation stage. The structure of the Indian housing finance market rapidly changed with the arrival of the commercial banks in the late nineties. The beneficiary at the end in this stiff competition is the customer. The marketers in the housing finance market, due to tough competition, started offering heavy concessions to the home

finance seekers. The players with competition to each other started offering most value added and efficient services to the customers. Virtually, the housing finance market became dominated by the customers with various options in their hands. The offering of services and applying best marketing strategies are some of the weapons in the hands of the marketers to attract customers and retain them. This objective can be achieved by good quality service, better human approach, courtesy of the employees and better infrastructure facilities. Familiarity with various laws relating to home loans, knowledge about environmental constraints & new product developments will help the marketers to compete in the housing finance market.

The customer who is purchasing a house today has not only the options of competitively lowest rates of interest, but also choice of different types of loans starting from the house-purchase or house-building loans to house-improvement loans, home equity loans (loans on mortgage of property), home extension loans, NRI loans etc as per their needs. It has never been better than this ever before. The importance of the study can be briefly discussed as follows:

1) The private and public sector housing finance companies through this study, they will be able to organize their working in better way.

2) The study includes practices and processes adopted by banks for their growth and to improve market share and how it helps to Indian Economic development.

3) The policy makers will be able to frame the policies in such way that Housing development can be done in a more professional manner.

4) Through this study, it helps to understand the actual need of a common people for housing.

5) The motives of people who avail housing finance preparedness indicators helps to understand the choosing of a particular company.

OBJECTIVES OF THE STUDY

1. To study the changing dimensions of housing needs.
2. To understand the procedures, policies and overall management adopted by Private and Public sector housing finance providers.
3. To compare the satisfaction level of the customers who have availed housing finance from the selected HF providers.
4. To analyze the marketing strategies adopted by housing finance companies to sell its products.

HYPOTHESES OF THE STUDY

1. Customers treat housing as a basic need and not as an investment option.
2. There is no significant difference in the interest rates on housing finance offered to the customers by various HF providers.
3. There is no significant difference in the satisfaction level of customers of various HF providers.

ACHIEVEMENTS OF GOVERNMENT MEASURES FOR THE HOUSING SECTOR

The unprecedented growth in investment in housing under the five-year plans is apparent in table which highlights the several hundred folds rise. This development is the result of the housing sector being given the status of priority sector by successive union governments that have been increasing the allocations to the sector in each plan. The share of public investment in housing increased from approximately 20% to nearly 60% over the period covering the first five-year plan to the eleventh five-year plan This reflects the government efforts in the form of affordable housing programs and the heavy expenditures on urban renewal under the JNNURM. The relative share of public and

private investment in housing, particularly in the last few five-year plans is an indication of the growing emphasis on public-private partnership in the housing sector.

CAPITAL EXPENDITURE ON HOUSING UNDER FIVE-YEAR PLANS (INR BILLION)

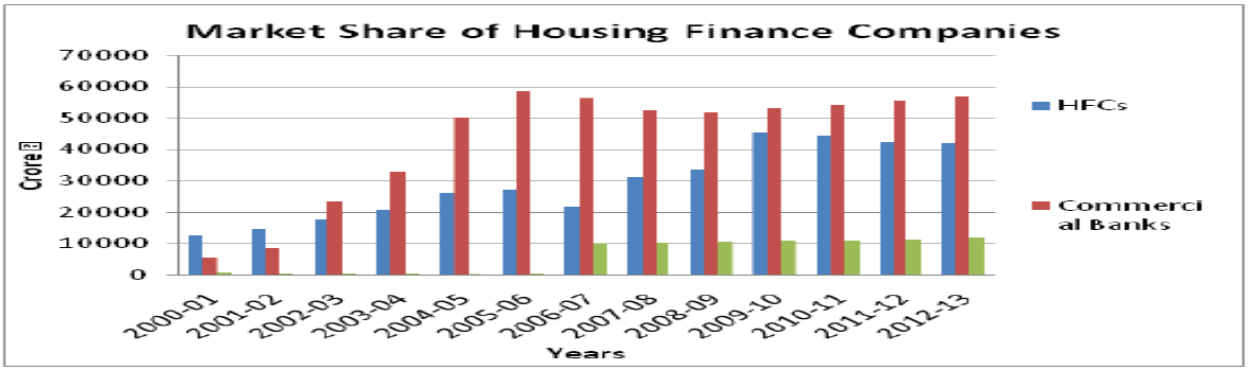
Plan Period	Public Investment		Private Investment		Total Investment	
1st (1951-56)	2.50		9.00		1.50	
2nd (1956-61)	3.00	(20%)	10.00	(10%)	13.00	(13%)
3rd (1961-66)	4.25	(42%)	11.25	(12.5%)	15.50	(19%)
4th (1969-74)	6.25	(47%)	21.75	(93%)	28.00	(80%)
5th (1974-79)	7.96	(27%)	36.40	(67%)	44.36	(58%)
6th (1980-85)	14.91	(87%)	180.00	(494%)	194.91	(439%)
7th (1985-90)	24.58	(65%)	290.00	(61%)	314.58	(61%)
8th (1992-97)	315.00	(1280%)	660.00	(227%)	975.00	(310%)
9th (1997-02)	520.00	(65%)	990.00	(50%)	1510.00	(55%)
10th (2003-07)	*4150.00	(798%)	*3113.00	(314%)	7263.00	(481%)
11th (2007-12)	**5073.18	(22%)	#3735.60	(20%)	8808.78	(21%)

Source: NHB Trend and Progress Report, 2003. Figures in brackets are growth rates over the previous plan period. *Estimated figures as per 10th Plan Document. **11th Plan Document on Urban Housing. # Estimated as 1.2 times that of the 10th Plan figure. (Reference: Manoj P. K., 2010, European Journal of Economics, Finance and AdministrativeSciences.)

Market share of Housing finance institutions (Amount in Crore)

Institutions	HFCs	Commercial Banks	Co-operative Institutions	Total
2000-01	12638	5553	868	19059
2001-02	14614	8566	678	23858
2002-03	17832	23553	642	42027
2003-04	20862	32816	623	54301
2004-05	26000	50398	421.15	76819
2005-06	27411	58622	520	86553
2006-07	21,869	56,442	10125	88436
2007-08	31,296	52,442	10440	90136
2008-09	33804	51,950	10709	96463
2009-10	45569	53,029	10908	98562
2010-11	44385	54,326	11104	105463
2011-12	42352	55,691	11420	109463
2012-13	41936	57025	11971	110932

Source: Report on Trends and Progress of Housing in India, Various Issues

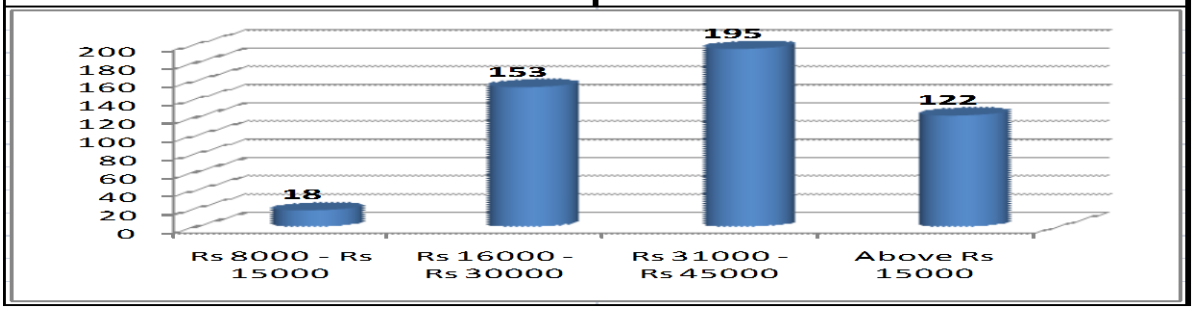


COMPARATIVE ANALYSIS OF SELECTED HOUSING FINANCE PROVIDERS

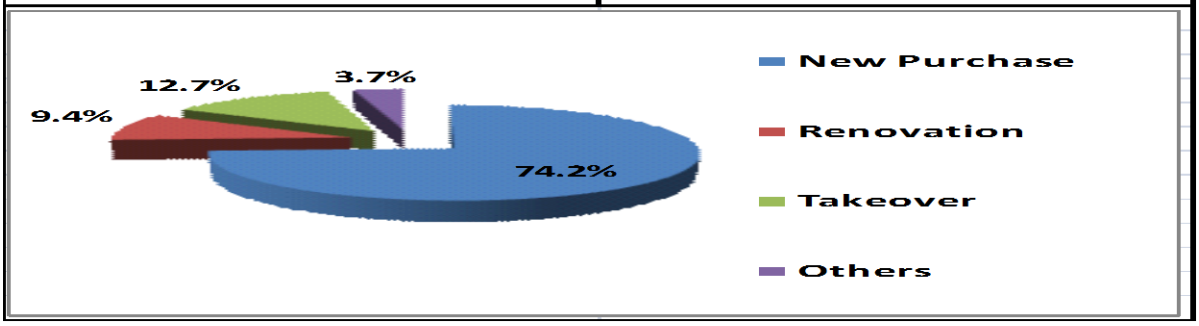
Both, primary and secondary data was collected for this study. Primary data was collected from 488 respondents as shown in the table & chart below.

HF Company	SBI	PNB	BOM	ICICI	HDFC	AXIS	SSBL	NNSB	LICHFL	DHFL	TOTAL
Respondents	65	66	65	65	66	65	23	25	27	21	**488**

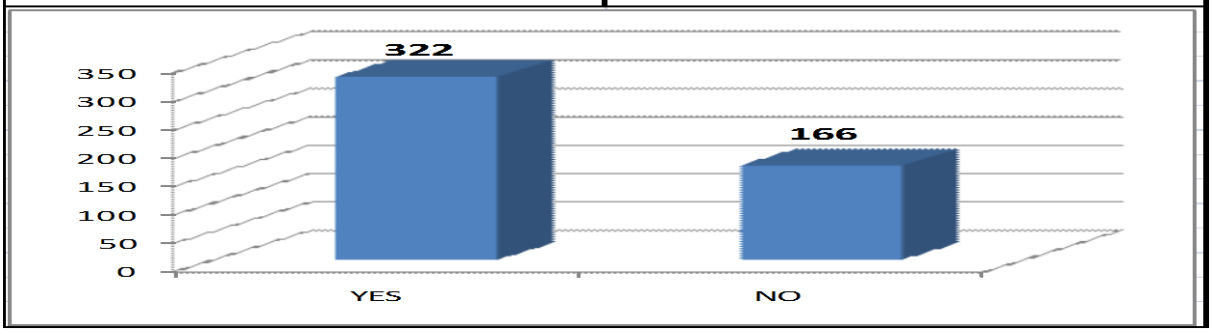
Income Profile of the Respondents	
Rs 8000 – Rs 15000	18
Rs 16000 – Rs 30000	153
Rs 31000 – Rs 45000	195
Above Rs 15000	122



Purpose of the loan	
New Purchase	74.2%
Renovation	9.4%
Takeover	12.7%
Others	3.7%



If Finance is Made Available Would You Buy a Second House?	
YES	322
NO	166



It can be noted that 50% of the respondents have said that purpose of property purchase was either investment or a second source of income from rent. It is also interesting to see that 66% respondents (322/488) have shown their willingness towards buying a second house if finance is

made available. Thus housing is not only a basic residential need but it is also an attractive investment option for people.

IMPORTANCE RATING OF KEY FACTORS CONSIDERED WHILE AVAILING HOUSING FINANCE					
	Least Important	Not So Important	Neutral	Important	Most Important
LOW INTEREST RATE			6%	40%	54%
MINIMUM DOCUMENTATION		7%	29%	53%	11%
FAST PROCESSING TIME			6%	80%	15%
LOW PROCESSING FEES		2%	32%	61%	5%
NO PREPAYMENT PENALTY	2%	26%	59%	13%	
FINANCE PERCENTAGE			4%	30%	66%
TENURE OF LOAN		2%	26%	62%	10%
OVERALL SERVICE QUALITY	1%	10%	25%	55%	9%

From the data represented in the above table and charts it can be inferred that low interest rate, fast processing of loan, percentage of the property amount financed and tenure of the loan have been given very high importance by the respondents. Other factors such as documentation, processing fee, prepayment penalty and overall service quality have been given a little lesser importance by the respondents.

OVERALL SATISFACTION OF CUSTOMERS WITH THEIR HF PROVIDERS										
	SBI	PNB	BOM	ICICI	HDFC	AXIS	SSBL	NNSB	LICHFL	DHFL
TOTAL RESP.	65	66	65	65	66	65	23	25	27	21
SATISFIED	42	46	55	55	60	60	18	20	19	16
UNSATISFIED	23	20	10	10	6	5	5	5	8	5
% SATISFIED	65%	70%	85%	85%	91%	92%	78%	80%	70%	76%
AVERAGE	73%			89%			79%		73%	

From the data represented in the above table and chart it can be clearly seen that the highest number of respondents who have availed housing finance from Axis Bank and HDFC bank have said that they are satisfied with their loan provider. This can be attributed to the overall service quality of these banks including the speed of loan processing and competitive interest rates.
Public sector giant SBI and LICHFL have displayed low level of customer satisfaction. If we do a sector wise comparison then it may be noted that highest number of respondents of private sector banks (89%) are satisfied with their loan providers. A large number of customers of cooperative banks (79%) are also satisfied with their banks. Comparatively lower number of customers (73% each) of public sector banks and NBFCs are satisfied.

HYPOTHESIS TESTING

1) ***Ho*** ***Customers treat housing as a basic need and not as an investment option.***
   Ha ***Customers treat housing as an attractive investment option.***

To test the hypothesis customers were asked if they would buy a second house as an investment if they are provided finance. Out of 488 respondents 322 said that they would definitely buy a second house for investment. However 166 customers were either reluctant or undecided about buying a second loan. Chi square test was employed to for hypothesis testing and the results of the test are given in the table below.

Frequency

	Observed N	Expected N	Residual
166	166	244.0	-78.0
322	322	244.0	78.0
Total	488		

Test Statistics

	Frequency
Chi-Square	49.869[a]
df	1
Asymp. Sig.	.000

Above test results show that chi-square value for 1 degrees of freedom is 49.869 which is higher than the table value of 7.879. Furthermore, significance value (.000) is below the usual threshold value of .05. Therefore, we reject the null hypothesis (Ho) and accept the alternate hypothesis (Ha).

2) **Ho** **There is no significant difference in the interest rates on housing finance offered to the customers by various HF providers.**

Ha **There is a significant difference in the interest rates on housing finance offered to the customers by various HF providers.**

Lower interest rate is one of the key factors considered by customers while selecting a HF provider. To compare the interest rates of the selected HF providers ANOVA test was employed and the results are displayed in the table below.

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
SBI	65	659.75	10.15	1.57033E-28
PNB	66	719.4	10.9	1.56995E-28
BOM	65	708.5	10.9	1.57033E-28
ICICI	65	659.75	10.15	1.57033E-28
HDFC	66	676.5	10.25	0
AXIS	65	666.25	10.25	0
SSBL	23	287.5	12.5	0
NNSB	25	312.5	12.5	0
LICHFL	27	275.4	10.2	1.31072E-29
DHFL	21	225.75	10.75	0

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	231.533668	9	25.72596311	3.02169E+29	0	1.899464629
Within Groups	4.06958E-26	478	8.51376E-29			
Total	231.533668	487				

From the above test result it can be seen that F value is greater than the F critical value. This means that we should reject the null hypothesis and accept the alternate hypothesis.

After analysing the data, the researcher summerised the major findings of the study based on the following conclusions:

1) The home loan market in India has grown at a rapid and alarming rate of over 40% over the period of the last four years. And it is evident that these are very little chance that these will be any significant decline in growth rates in the future. Therefore it becomes important at this point in time to examine the key factors that have been instrumental in triggering this high growth period.

2) There is a significant difference in the interest rates offered by different housing finance providers. The range of interest is from as low as 10.10% offered by banks like SBI to 12.50% offered by cooperative banks like NNSB and SSBL. Secondly, the interest type offered is variable and depends on the interest rates prevailing in market.
3) Housing finance companies are not marketing their products properly, but they are lending the loans without considering market viability at the time lending the loan. The weighted average risk in housing finance has been very low when compare other retail lending, it is lending on mortgage of the property.
4) The analysis of service quality in Public and Private Housing finance companies which are service organizations are required to deliver the services for the satisfaction of loan takers. Unfortunately, the service quality in NBFC, co-operative societies and private housing finance companies are so poor that majority of the borrowers are unhappy with the organizations.
5) The marketing effectiveness of the private housing finance institutions is relatively good among the selected housing finance institutions.
6) "Fixed rate of interest" is the most preferred option by the respondents regarding the purchase of Home Loan. Low Rate of Interest, Easy Accessibility, Status/Reputation of the institution" and Scheme offered by the company", were the major factors that the respondents consider as the reason for selecting SBI as an institution for taking Home Loan, whereas the factor of Prompt service was found to be a major factor that the respondents consider as the reason for selecting Axis HDFC and LIC as an institution for taking Home Loan.

CONCLUSION & SUGGESTIONS:

In this research, the relationship between marketing effectiveness and customers need for home loan has been evaluated. The relationship between customer satisfaction, customer loyalty and performance of the housing finance institutions has also been studied. The statistical tools were used to fulfill the objectives of the study.

1) It was found that there are various satisfactory factors which affect the satisfaction level of customers of home loan. On the basis of collected data, it is being concluded that customers of banks are satisfied but not highly satisfied due to high rate of interest is charged by banks and complicated term and conditions. So there is a need to reduce the rate of interest charged by banks while lending home loan and making the term and conditions easy and understandable for customers.
2) It is concluded that Housing finance companies are very popular among the customers these days. The trust level that customer have with these banks is very high in comparison to other banks. The success of the LICHFL and HDFC in the housing finance industry is in its marketing network. They have more number of marketing personnel than the regular office staff. If the service quality is improved the profitability of the company is sure to increase. The service quality of these two housing financing agencies is up to the expectations of the people obtained loans.
3) The bank should review the housing loan portfolio at periodical intervals for capturing the new market to avoid risk and for updating their schemes.

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