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RESEARCH ARTICLE

A STUDY ON CUSTOMERS PREFERENCES TOWARDS SELECTED HOUSE FINANCING SCHEMES (WITH SPECIAL REFERENCE TO HDFC-CHENNAI.)

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Abstract

Housing finance is what allows for the production and consumption of housing. It refers to the money we use to build and maintain the nation's housing stock. But it also refers to the money we need to pay for it, in the form of rents, mortgage loans and repayments. House is centre and domestic device for mankind's moral and substance development ever since the dawn of civilization. Housing is one of the most important that we human beings need. Adequate housing is essential for human survival with dignity. There are many things that we would find difficult, if not impossible to do without good-quality housing. Housing shortage is an universal phenomenon. It is more acute in developing countries. The housing scenario has become more critical in India in recent years. India has initiated so many housing reform that has taken many forms and manifestations characterized by the reduction in social allocation, cutbacks in public funding and promotion of a real estate culture in close partnership between the state and private actors. Mortgage financing markets can play an important role in stimulating affordable housing markets and improving housing quality in many countries. Unfortunately, these are still in infancy in India. This lack of development often translates into lower homeownership rates or poor housing quality. Most of these problems stem from the central dilemma that the resources are always too limited and housing development heavily depend on the financial institutions such as banks, credit corporations and development banks for the supply of finance to meet their daily financial needs. Against this backdrop, this paper will assess basic nuance of Indian financing system. Housing Development Finance Corporation Ltd (HDFC) is one of the leaders in the Indian housing finance market with almost 17% market share as on March 2010. Serving more than 38 lakh Indian customers as on March 2011, HDFC also offers customized solutions that fit to the need of the customer. In the FY 2010-11, it registered a net profit of ₹4528.41 crore. It also registered a net profit of ₹971 crore in the quarter ended September 30, 2011.

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Introduction:-

Proper Housing is an important need for every human being. It is a vital need after food and clothing. A certain minimum standard of housing is essential for healthy and civilized existence. Proper accommodation for a human being depends upon utilization of resources and economic well being. Housing helps in gaining social status and acceptance and also helps in urban growth, income distribution etc. Increasing gap between the availability and demand for housing is the root cause for homelessness in the modern times. To overcome the problem both Central Government and State Government took lot of efforts to reduce the imbalance.

Need for the study:-

In India population is growing very fast. Presently the population is more than 120 crores. Millions of people are not having any shelter to live. Indian Government is doing a tremendous job to provide shelter to the poor. There are many organizations which provide Housing Finance including the Government. The Government of India is having an apex organization for housing that is National Housing Corporation. Apart from that LIC, SBI, PNBHF, HDFC and other commercial banks are also providing Housing Finance. In Chennai the HDFC is doing a great job in offering Housing Schemes since 1977. The schemes of HDFC helps the poor to reachout for a own house.

Objectives of the study:-

1. To study customer's views on housing finance offered by HDFC in Chennai, and
2. To know about the relative performance of HDFC in providing housing loans in the city.

Methodology:-

The sample of the study was selected on the basis of convenient sampling techniques for analyzing the perception of the borrowers. Primary data was used and well-framed questionnaire prepared to conduct the research. The period of three months was undertaken to carry out the study. The study is restricted to selected zones of Chennai city. Necessary data were collected from the HDFC branch offices at various branches located within the city limit of Chennai. The data were collected from the respective respondents from March 2016 to May 2016.

To carry out the study Lickerc five point scaling test was used.

Theoretical Review:-

Housing shortage:-

Housing shortage would not be a major problem if there is no mismatch between the people for whom the houses are being built and those who need them, it would, however, be unrealistic to assume that those living in 'housing poverty' would have affordability and access to the burgeoning supply in the market. Although there has been continued deepening and broadening of the financial system, through a series of comprehensive financial reforms, the outstanding housing loans account for only 7.25 per cent of India's GDP, when compared with China (12 per cent), Thailand (17 per cent), and Malaysia (29 per cent).

Estimated housing shortage:-

The estimated housing shortage has been divided amongst the states on the basis of the proportion of the number of households in the urban areas of State to the total number of household as per Census of India, 2001. The distribution of the housing shortage amongst the States as on 2007 is as follows:

Table 1:-

S.No	State/UTs	Housing Shortage (Millions)
1.	Andhra Pradesh	1.95
2.	Arunachal Pradesh	0.02
3.	Assam	0.31
4.	Bihar	0.59
5.	Chhatisgarh	0.36
6.	Goa	0.07
7.	Gujarat	1.66
8.	Haryana	0.52

9.	Himachal Pradesh	0.06
10.	Jammu & Kashmir	0.18
11.	Jharkhand	0.47
12.	Karnataka	1.63
13.	Kerala	0.76
14.	Madhya Pradesh	1.29
15.	Maharashtra	3.72
16.	Manipur	0.05
17.	Meghalaya	0.04
18.	Mizoram	0.04
19.	Nagaland	0.03
20.	Orissa	0.50
21.	Punjab	0.69
22.	Rajasthan	1.00
23.	Sikkim	0.01
24.	Tamil Nadu	2.82
25.	Tripura	0.06
26.	Uttarakhand	0.18
27.	Uttar Pradesh	2.38
28.	West Bengal	2.04
29.	Andaman & Nicobar Islands	0.01
30.	Chandigarh	0.08
31.	Dadra & Nagar Haveli	0.01
32.	Daman & Diu	0.01
33.	Delhi	1.13
34.	Lakshadweep	0.00
35.	Pondicherry	0.06
36.	All India	24.71

Source: www.Planningcommission.nic.in

The table shows that the more shortage of housing units are in the states like Maharashtra, Tamil Nadu, Uttar Pradesh, Andhra Pradesh, Gujarat and Karnataka as in all these states the housing shortage is of more than 1.50million housing units.

Table 2:- Population projections (in millions).

Year	2001	2006	2011	2016	2021	2026
Total	1027	114	1197	1275	1347	1411
Under Age 15	363	360	351	343	337	328
15-64	622	702	780	854	916	967
65+	42	52	66	78	94	116

Source: Office of Registrar General, India Economic Survey 2011-12.

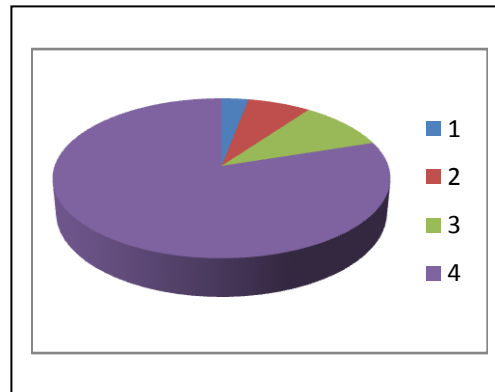
The data projects the increase in the population especially in the age group of (15-64) years, it tends to increase the number of dual income families as a result of all-around economic development and increase in literacy rate. The migration pattern of the country due to many reasons like better job avenues, better qualification, better facilities, trends of nuclear families, etc., has been increasing the demand for number of dwellings. The fluctuation in property prices, changing interest rates and easy availability of housing finance plays a significant role in resurgence of the housing sector.

Estimation of Urban Housing Shortage (2012):-

- ❖ **The Obsolescence Factor :** Non serviceable Units (0.99 million as per Census 2011) is taken out of the housing stock. All bad houses excluding those that are less than 40 years of age (1.39 per cent NSS 65th Round results)

and all houses aged 80 years or more (1.43 percent – NSS 65th Round results) constitute the obsolescence factor (2.27 million). The estimated figure regarding the same works out to be 3.26 million as on 1.3.2012)

- ❖ **The Congestion Factor :** The ration of households that are residing in unacceptably ‘congested conditions’ from physical and socio cultural view point (viz married couples sharing the room with other adults etc.) was worked out using NSS results – 65th round. The number of households requiring a separate dwelling unit on account of congestion comes out to 14,986,312 (18.42 per cent congestion rate from NSS was applied to the estimated population on 1.3.2012 based on Census 20.11 & inter census growth rate)
- ❖ **Homeless People :** Census 2001 date Of 0.8 million homeless people has been assumed to remain constant during 2001-11. Considering that half of the homeless are single migrants and the other half have average household size of three. Technical Group calculated total housing requirement of 0.53 million (0.4 Million for single migrants and 0.13 for rest with average size of 3)



Distribution of housing shortage across major States:-

Taking into account the fact that the shortage in housing is significant in lower income group, for 2012. TG-12 distributed the shortage on the basis of State's contribution to the total, on the basis of average of total number of household below poverty line in urban areas & households with ketch houses in urban areas. In the past national level housing shortage was distributed among the states in proportion to number of urban households.

Meaning of Housing Finance:-

The terms “Housing Finance” or “Home Loan” means finance for buying or modifying a property. The different housing loan products could be classified as :-

- (a) Home Loans
- (b) Home Extension Loans
- (c) Home Improvement Loans
- (d) Land Loans
- (e) NRI Loans
- (f) Home Equity Loans
- (g) Short Term bridging Loans

Housing development and finance corporation limited (hdfc ltd.):

Housing Development Finance Corporation Limited (HDFC Ltd.) was established in 1977. Both in terms of business volume and market standing, HDFC stands head and shoulder above the competition in the home loan segment. With an expertise gathered over 25 years of existence in the business, HDFC has managed to create an impressive loan portfolio that caters to varied housing finance needs. The Loan Products offered by HDFC Ltd are:

- a. HDFC Home Loan (b) Home Extension Loan (c) Home Improvement Loan (d) Short Term Bridging Loan (e) Land Purchase Loan (f) Loans to Professionals for Non Residential Premises
- b. Home Equity Loan.

Analysis and Interpretation:-

1. 42%, 32%, and 4%, opted for loans because of low interest rate, easy installment scheme, simple procedure and other reasons respectively.

2. 26%, 34% 38% and 2% respondents have borrowed loans for purchase of flats, purchase of house and other reasons respectively.
3. 100% respondents made the repayment in equated monthly installments.
4. 43% respondents knew about the interest rate.
5. 92% respondents preferred floating interest rates and 8% respondents referred fixed interest rates.
6. 72%, 18%, and 10% respondents came to know about bank through print and electronic media, friends and relatives and Builders/Developers respectively.
7. 50%, 24%, 20% and 86% respondents have reported of mortgage of finance through property, gold and others insurance policy equal to the loan sanctioned, deposit for the title deed and additional collateral security respectively.
8. 58%, 28%, and 14% respondents opted for more than 15 years, 5 years and 10 year as the term of loan, respectively.
9. 40%, 38%, and 18% respondents repaid their loan amount through postdated cheques, through ECS and through salary deduction and 4% were paying directly to the bank.
10. 70% respondents agreed that there is a delay of loan approval that there is a delay of loan approval and disbursement

Suggestions:-

1. Option of repayment of EMI in monthly, quarterly or half yearly basis should be given.
2. To win the confidence of customers and bring transparency in all the transactions, it is necessary that the details of their loans accounts should be available online.
3. Most of the customers suggested that the loan processing / sanctioning time should be reduced.
4. Customers suggested that the bank should provide online approval of application.
5. As far as the opinion of respondents about various facilities and policies of the bank is concerned, it is found that:-
 - a. 72% of the respondents opined that the government is encouraging the housing sector.
 - b. Only 50% said that the officials of the institutions were helpful.
 - c. Only 28% of them reported that they were getting entire cost of flat as a loan.
 - d. Only 40% of the respondents felt that rate of interest charged by the institutions is reasonable.
 - e. Only 42% of them were satisfied with the existing facilities for obtaining loan.
 - f. Above half of them (52%) stated that the loan also covered life or fire insurance benefit.
 - g. Only 42% reported that repayment period is adequate.
 - h. 48% respondents stated that they were regular in making prompt payments.

Conclusion:-

Thus, by and large, opinion of the respondent is not very much in favor of the institutions, because except in two cases in all the remaining cases a favorable opinion was expressed by less than 50%. Similarly, regarding various problems faced by the customers, it was found that more than half of the respondents either strongly agreed or agreed with the statements about delay in approval and disbursement, inadequate guidelines, tedious procedure lack of interest on part of officials, difficulty in getting security, inconvenience in paying EMI, irrelevant securitization, illogical approach and insufficient amount sanctioned.

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