CHAPTER - II

REVIEW OF LITERATURE

Housing is one of the top priorities for most people, regardless of their income levels. House is a centre and domestic device for mankind's moral and substance development ever since the dawn of civilization.

This chapter deals with review of the literature both national and international, on the role of housing finance institutions in general, customers perception and satisfaction towards these housing finance institutions, the role of housing finance institutions for the growth of economy, the factors influencing the customers to borrow home loan and the challenges, issues and problems faced by the home loan borrowers in availing the home loan.

2.1 HOUSING FINANCE – GENERAL STUDIES

Housing loan is one of the services provided by mostly commercial institutions. Due to technology advancement, information about every product and services in banking industry are transparent. Potential customers are able to compare the interest rates, packages and services offered by each and every bank. Likewise, internet banking had widely spread across the whole nation due to the convenient of places, time and cost saving

Kumaraswamy M (2014) carried out a study mainly to camper the marketing strategies of public and private sector banks in housing finance. It was found that the rates of interest charged by the public banks were comparatively higher than the private banks in Indian scenario. The legal opinion is flexible in case of private banks and more rigid in case of public sector banks. The public sector banks were charging processing fee 1% to 2% on amount loan borrowed, but the private banks are charging at higher rate in addition to the processing fee. Both public and private sector banks are not
verifying the status of borrowers at are the time of sanctioning loan and housing companies are not properly verifying the nature, intension and purpose of the borrowers which makes the borrowers continues to borrow more number of times and claiming deductions.

Ravindra P S., Viswanadham P, Trinadha Rao (2013) made an attempt to evaluate the operational performance of LIC Housing finance Limited and HDFC. The broad objectives of the study are, to observe and analyze the operational and financial performance of these two HFIs. The authors stated that the success of the LICHFL and HDFC in the housing finance industry because of is its marketing network, huge number of marketing personnel than the regular office staff and finally good in sanctioning loan disbursal and delivery of service to the customers. The findings stated that LICHF has performed well in comparison with HDFC in both financial and operational aspects and LICHF is a very strong housing finance company due to its better disclosure standards, LIC”s agency base is one of the most potent and efficient distribution forces in India.

Charan Singh (2013) made a comparative study of Housing market in India with US and Spain. The paper discusses the determinants of house prices, role of lending institutions and their policies, drivers of credit flow, credit sources, interest rate regimes, regulators and housing indices of Indian housing market with brief outline about the same for US and Spanish housing market. It also includes a comparative study of housing market parameters across these three countries. The findings suggest India has experienced rise in demand for housing since 2001, owing to increase in levels of income, younger earning age group, rapid urbanisation and nuclearisation of families. It also points towards existing incomplete information in Indian housing market in terms of lack of data base about mortgages, transparency in transactions, proper laws and robust indices.
Soniya Mohil (2013) examined the continuous movement of housing industry in India from 2008 to 2013 by reviewing the annual publications of National Housing Bank. The author pointed out that there is a need of cheap housing credit and accurate blend of residential reforms for reaching the untouched segment and house possession on a wide basis. Top-down as well as bottom-up approach is required for better economy.

Xia (Cindy) GAO (2011) examined through a case study the accessibility of housing loan which affects on home ownership in Nanjing, Urban China. The main objectives of the study was to determine the socio-economic factors affecting the consumers house purchase decision in urban China, the relationship between the price of the housing loan and borrowers characteristics.

Visalatchi G (2007) made a comparative study on the housing loan borrowers of public and private sector banks in Thoothukudi area. The author explored three components service quality model and concluded that the survival and growth of a bank does not depend on the size of funds, rather it depends on its ability to provide qualitative to its borrowers on sustained basics.

Vimala P. (2007) analysed the Housing Advances and Commercial Banks. The objectives of the study were to review the housing advances of commercial banks in Kerala and to compare the performance of different bank groups in respect of housing advances. For the purpose of the study, commercial banks are grouped into four categories. The study revealed that there is no significant difference in the growth rate of housing advances by different bank groups in state.

Brar Jasmindeep et.al. (2005) studied the performance of housing finance companies. The objectives of this study were to study the operational performance, and the financial performance of HDFC, LIC & PNB. Findings
of the study revealed that HDFC comes at the top among all the institutions as far as loan sanctioned, disbursements and the loan outstanding are concerned, PNB has the last rank for both loans sanctioned and disbursed. HDFC has provided the highest proportion of loans to individuals.

Kiran Sandhu (2001) investigated that the contemporary city, a manifestation of civilizations since time immemorial, is now being viewed in more antagonistic terms as the locales for many predicaments that are embedded in the society, including pollution, crime, mental illness, drug abuse, vandalism, truancy and family break-downs. After defining the model sustainable city, the author has discussed the urban scenario in India based on the Indian urban scene, and has suggested that efficient land management is one of the key elements of sustainable development of human settlements.

2.2 ROLE OF HOUSING FINANCE INSTITUTIONS IN ECONOMY GROWTH

Economic growth in any country is not possible without a sound financial sector (Rajaraman and Visishtha, 2002). Good performance of these financial institutions is the symbol of prosperity and economic growth in any country or region and poor performance of these institutions not only hamper the economic growth and structure of the particular region but also affects the whole world (Khan and Senhadji, 2001).

Housing is an important activity, which indirectly indicates the level of the standard of living of the people and regulates the general rate of economic growth including employment. Construction of residences, in many countries accounts for nearly a quarter of gross fixed domestic capital formation. It could be the biggest employer of casual, skilled and unskilled labour in rural areas. In addition it provides indirect employment to a large work force in manufacturing industries like bricks, cement, tiles, marbles and granites, asbestos, chemicals, paints and varnishes, glass, iron and steel, fittings and

Thus, the housing sector plays an important role in the economic development of the country. Home loans constitute an important element of any loan mix of banks. Home loans have made it easier to fulfill the shelter needs of individuals and families across the globe. This in turn leads to the economic development of any region. In India various factors including location, size of the realty homes, interest rates, lengthy processing time, purchasing power of customers, property valuation difference etc were identified as main factors for marketing of home loans.

According to a Cushman and Wakefield report, the demand for affordable housing is expected to increase by approximately 4,00,000 units every year in the country. Mumbai has an immediate demand of approximately 1.4 million homes of which, 80 percent of the demand is expected to emanate from the Rs.3 lakh to Rs.5 lakh income group. In most countries, in emerging economies, housing represents a large proportion of a household’s expenditure and takes up a substantial part of lifetime income.

The increased availability of funding opportunities over the past 50 years has enhanced the growth opportunities for the Indian real estate sector manifold. It has also enabled the transformation of the sector from a largely unorganized one to a generally corporate one. This in turn, will translate into strong, resilient real estate sector, thereby paving way for the robust economic growth of India. Hence, the development of the housing sector is widely recognized as an integral part of economic development. In addition to the large share that the housing sector occupies in the economy, its importance also arises from the positive externalities and spillover effects, and its impact on the social and political climate, issues of particular importance in developing countries. (Ashok Bardhan 2007)
Hari Govinda Rao, N.A, (2012) has initiated 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. The author stated that Mortgage financing markets can play an important role in stimulating affordable housing markets and improving housing quality in many countries. But they are less developed in India. This lack of development often translates into lower homeownership rates or lower housing quality and housing development closely depends on the financial institutions such as banks, credit corporations and development banks for the supply of finance to meet their daily financial needs.

Jasmine Tiwana and Jagpal Singh (2012) have discussed about the regulatory aspects pertaining to housing finance companies in the light of various directions and guidelines issued by National Housing Bank National Housing Bank (NHB) an apex level institution wholly owned by the Reserve Bank of India was set up in 1988 under National Housing Bank Act 1987. The main aim of NHB is to promote housing finance institutions, issues directions and provides finance and other support to the institutions to facilitate the customers in getting the housing finance.

Catrin Berge and Fei-Fei Jing (2011) explore the housing finance sector in Botswana by distinguishing necessary conditions and possible bottlenecks to development of an efficient market and provided possible solutions. The analysis shows that there are inefficiencies in all five preconditions, where the high level of inflation, the complicated land tenure and administration system and the small size and lack of competition of the banking sector in Botswana were the main impediments to housing finance development. The authors suggested that the appropriate role of government interventions should be as a facilitator by improving the functioning of the housing finance markets, rather than direct provision.
Ashok K.M. (2011) studied that the housing scarcity and lack of decent housing is an international phenomenon. About 25% of the world’s population does not have sufficient shelter and live in sub-human conditions. The shortage of housing in India persists since independence. According to the planning commission the shortage of dwelling units are expected to reach 41 million due to the growth of population shift in demographic pattern and rising income of the middle class in relation to the availability stock. In consequence, the government encouraged and extends its support to the housing finance institutions and banks to bridge the resource gap between demand and supply.

Ashlyn A. N. (2010) said that the ongoing mortgage crisis has produced profound changes in the economic conditions of American families and destabilized global financial markets. Millions of homeowners are currently owe more on their mortgages than their homes are worth. The nearly trillion-dollar federal policy response to the crisis represents the broadest economic intervention since the Great Depression.

Vibha Batra (2009) analyzed the growth trends in the domestic mortgage market, the financial performance of Housing Finance Companies (HFCs) over financial year 2009 -2010. A significant increase followed by a decrease in interest rates, slowdown in economic activity, correction in property prices in most geographies, and the introduction of “8% home loan schemes” have added interesting dimensions to the Indian mortgage finance market in the recent past.

Alessandro Calza, Tommaso Monacelli and Livio Stracca (2009) studied how the structure of housing finance affects the transmission of monetary policy shocks. The author identified the role of housing finance for the transmission of monetary policy on consumption, residential investment and house prices in a sample of industrialized countries. The key aim is to
analyze the transmission of monetary policy shocks is different across countries according to the degree of development in their mortgage markets and analyze how the response of consumption and residential investment to monetary policy shocks is affected by alternative values of two institutional features: (i) down payment rate; (ii) interest rate mortgage structure (variable vs. fixed rate). It is concluded that the sensitivity of both variables to monetary policy shocks increases with lower values of the down-payment rate and is larger under a variable rate mortgage structure.

Ashok Bardhan and Robert H. Edelstein (2007) examined the existing and prospective housing finance systems for emerging economies, in general, and China, India and Russia, the three largest emerging economies, in particular. The results of the study suggest that there are systematic determinants of housing finance (outstanding mortgage volume is our proxy for the level of development of the latter) across the OECD countries. Russia appears to have the greatest mortgage “short-fall” among the three, given the urban share of the population, the small household size of its population etc.; both the projection and actual amount for India are much lower, and China’s shortfall occupies an intermediate position with respect to the other two countries. Socio-economic variables, such as the urbanization rate and household size tend to play an important role in the determination of the shortfall. The authors also pointed out that higher rates of urbanization are associated with a larger mortgage market, lack of informal-network finance in urban areas, as well as rural-urban migration and higher transaction activity levels may have an important impact on mortgage volume.

Gopikuttan G (2006) stated that every two out of five households in India live in extremely poor quality houses. The housing situation compared to the rest of the states in the country, Kerala have achieved tremendous progress in this respect. State intervention in the housing sector, as part of its support and security strategy to help the poor, with several novel programmes
and schemes has earned laurels. They are often projected as models to be emulated in the third world countries.

Mavaluri, Boppana and Nagarjuna (2006) suggested that performance of banking in terms of profitability, productivity, asset quality and financial management has become important to stable the economy. They found that public sector banks have been more efficient than other banks operating in India.

2.3 FACTORS INFLUENCING HOME LOAN

Consumers constantly make decisions regarding the choice, purchase, and use of goods and services. These decisions are of great importance not only for the consumers themselves, but also for marketers. However, understanding these decisions is difficult. Consumers are often provided with a large number of alternatives, which are constantly changing due to changes in technology, competitive pressures and a great deal of information available from many sources like media, magazines, colleagues, previous users etc. Consumer purchase decisions are the series of choices made by a consumer prior to making a purchase. The consumer makes decisions on place of purchase, quality, quantity and the occasion of purchase. The marketer attempts to influence each of these decisions through their marketing stimuli/strategies that may shape the consumer's evaluation process. Housing loans is a complex product where consumer experiences various problems while acquiring and after that. Different characteristics of the consumers will result in the different attitudes towards borrowing. There are a number of factors affecting consumers’ decision to borrow in terms of the socio-economic characteristics of the consumers (Ojo and Ighalo, 2008; Deng Zheng and Ling, 2004; Chien and Devandy, 2001).
Ruchi Bhatia Jayender Verma (2014) intended to identify the various factors and their extent that influence urban households to borrow home loans and to analyze the extent of various factors attributable to borrow home loans. The author pointed out various main reasons for borrowing a home loan that can be listed as family size and requirements, creation of wealth, future security, utilization of rentals as EMI, tax saving, social pressure and social status and easy availability of home loans.

Noorul Hafizah Hashim, and Mutia Sobihah Abdul Halim (2014) made the comparative Evaluation between conventional and Islamic Bank in Malaysia on determinants factor of Housing Loan/House Financing Pricing. The main objective of this research is to identify the factors in determining housing loan pricing in conventional bank and Islamic banks. The results concluded that inflation as one of the factor in determining housing prices.

Nathasa Mazna Ramli et.al (2013) aimed to study the factors influencing home refinancing among Muslim customers in Malaysia at 11 states and Federal Territory of Kuala Lumpur. The findings indicated that reasons for refinancing activities among Malaysian Muslims were fluctuation of home financing profit rate, reduction of maturity period and monthly payment, good services of new banks and awareness among respondents to align their belief with their daily financial and economic practices.

Jomon Lonappan (2013) analyzed the factors influencing customer’s home buying decision. The main objective of this study was to analyze factors influencing the home buying decision. The study has found out that factors like Space of house size, Freedom & Individuality, Management & Maintenance of service will be the specific factors which influence the customer’s home buying decision.

Maria Hullgren and Inga-Lill Söderberg (2013) aimed to investigate driving forces behind borrowers’ mortgage choice and to compare the
findings from Swedish case with those reported in other countries. In the present study, the authors commenced to explore a number of contract factors and consumer characteristics and other factors on consumers’ mortgage choice. The findings show that the following factors are drivers of mortgage choice, namely consumers’ personal experiences in home buying, the influence of the media and the influence of bank advisors.

**Hullgren, M. and Soderberg, I-L, (2013)** studied the relationship between consumer characteristics and mortgage preferences through a case study from Sweden. The study on households’ mortgage choices highlighted that the consumers are being influenced by the media and bank managers’ advice to a higher degree and choose Adjustable Rate of Mortgages. The respondents who reported being influenced by advisors chose to a higher degree to divide their home loans into adjustable rate mortgages and fixed rate mortgages.

**Archana Fulwari (2012)** made an attempt to study the issues of housing finance in Urban India. The main objectives of this study were to examine the role of current and anticipated income, the role of house prices as a determinant of the demand for home loans, the relationship between the increase of urban population, and demographic changes with demand for housing finance. The study concluded with the findings that the interest rates have a negative effect on the demand for home loans, there is a positive impact of anticipated income on the demand for home loans, the pace of urbanization and the level of income reinforce each other and positively influence the demand for home loans, increase in the ratio of urban population is also found to have had a positive impact on the share of housing loans.

**Vijayakumar M. & Subburaj B (2012)** made an attempt to find out the purchase behaviour of consumers and analysed the influencing factor of housing loan purchase. It is found from the study that TV & magazine
advertisement, previous borrowers of housing loans are found as the prominent sources of information. Consumers made repeated visits to the bank which range from 2 to 6 times to get loan. Spouse is the major source of influence. Regarding the various attributes influencing the selection of the bank, flexibility, the processing fee, the interest rate, and the processing time are found prominent.

**Syed Shah Alam, and et al. (2012)** intended to determine whether religiosity is an important factor in influencing the intention to undertake Islamic home financing in Klang Valley, Malaysia. A conceptual framework is constructed based on the Theory of Planned Behaviour (TPB). The findings indicated that religiosity had significant influences on the intention of Islamic home financing among Muslims in Klang Valley. In addition, this study also confirms that the TPB components namely attitude and perceived behavior are significant factors as well.

**Krishnan D (2011)** has stated there is definitely a shift in the focus of the customer. With lower and lower interest rates being the most attractive part of a housing loan. The interest picture is bound to stabilize down the road, and most HFC's will sport almost similar terms and conditions and the customers will have limited little to choose by way of difference in the effective terms of a loan.

**Cai and Zeng (2011)** conducted a research based on the willingness of a farmer to small forest tenure mortgage loans in Yibin of Sichuan. They found out that willingness for mortgage loan between income from deforestation, non-agricultural activities and breeding activities. Forestry income families have the higher tendency to take on mortgage loan due to the high investment during reforestation; Non-agricultural income families would likely take on mortgage loan too since they need funds in other aspects; and
breeding income families have low chances on taking on mortgage loan since they are able to afford themselves.

Noorhaslinda Kulub et al. (2011) analysed the income and expenditure pattern of households in Pahang, Terengganu and Kelantan according to urban and rural area. This research finding showed that there are strong relationship between income level and total expenditure of the households. In another means, when income level increases, the total expenditure of households will increase proportionately. The authors also analyse the effect of income level on housing loan. Research showed that most of the respondents felt the expensive housing loan has increased the total expenditure of the households, especially in urban area.

Allen F & Carletti E. (2011) established that key determinants of housing prices are income levels, interest rates, supply conditions, demographic changes, number and size of households, maintenance costs, property taxes, and speculative pressures.

Abdul-Hamid et al. (2011) focused on the factors influencing the Islamic home financing adoption. The authors report that there are significant discrepancies between Malay and Chinese in their level of awareness on Islamic home financing products. Further, there are significant relationship between different respondents’ age and education group against their level of awareness. The study also discovers that individual and financial institution factors have strong significant relationship on the adoption.

Cox et al. (2011) studied the financial literacy, risk aversion and choice of mortgage type by households. The author found lower educated households and those with lower income tended to rely more on and influenced by mortgage advice provided in the public media than older, higher educated and wealthier households.
Hamid and Masood (2011) examined the selection criteria for Islamic home financing in Pakistan. The study reports that Shariah principle, fast and efficient services, price, bank reputation and terms and conditions of product flexibility are the five most essential factors considered by customers when opting for Islamic mortgages.

Rao K.N. (2010) mentioned that home loans have been registering exponential growth in India during the last six years. Easy liquidity conditions, low interest rates, availability of tax shelters on repayment of principal and interest surging demand from middle income group borrowers, lower regulatory capital, the comfort of tangible security have all collectivity contributed to the spurt in home loans. HDFC and LICHFL are the major players in disbursement of home loans. These banks sanction up to 85% of the cost of the property as home loan for a maximum period of 20 to 30 years.

Papias and Ganesan (2009) conducted a survey among rural area in former Nyarubuye district. Study shows that high education level does not necessarily have higher repayment behaviour. This is because most of the low education level people is the old person with great and treasure-like experience in their working field. Thus, education level does not affect monthly payment.

Hanudin Amin et. al. (2009) aimed at explaining factors influencing the intention amongst bank customers in selecting Islamic home financing that is musharakahmutanaqisah home financing. Drawing upon the theory of planned behaviour (The TPB), this study proposes a model to examine the effects of three explanatory factors namely attitude, subjective norm and perceived behavioural control on such intention. This study tests the TPB in a context of musharakahmutanaqisah home financing. The results suggest that attitude, subjective norm and perceived behavioural control are significantly
influencing the intention to select such facility. The relationship between attitude and subjective norm are also statistically significant.

**Amin (2008)** examined the factors influencing the decision amongst Malaysian bank customers on the selection of mortgage providers. The study finds that Shariah principle, lower monthly payment, transparency practice, interest-free practice and 100 percent financing are the important determining factors to opt for Islamic home financing.

**Taylor (2007)** stated that the levels of interest rates have an impact on borrowing of houses. The finding of his study revealed that low interest rates encouraged borrowing and buying of houses.

**Ojo and Ighalo (2008)** aimed to study the socio-economic factors which influence the purchase of home loan. The author identified income as a significant factor of the consumers’ housing financing whereby an increase in current household income increases the demand of the mortgage debt.

**Gertola et al. (2006)** affirmed that the majority of younger households belong to the early stages of the family life cycle and most of them have low incomes and not much savings. They are the heavy users of debt especially in purchasing a house. It is concluded that the family life cycle and the younger age of household is more likely to be in debt than older household head in purchase of house on loan.

**Srinivas S.P. (2006)** revealed that disbursement of home loan increased at increasing growth rate during the growth rate of disbursement in 2000-01 compared to the earlier year was 13.7% which increased up to 76% in 2002-03. The reasons behind the growth in housing loans are, Easy availability of housing loans, Growing population, Nuclear family system, Newer segments for finance, Urbanization of Indian economy, Shortage of
dwelling units, Declining of cost of house to income ratio etc and, Tax benefits.

Ellis (2006) reports that the nominal mortgage rates declined during the phase of deflation in Australia and New Zealand in the 1980s and 1990s, with the consequence of improving the borrowers’ capacity to make repayments. Going by the practice of lenders of setting the ratio of initial repayment to borrower’s income as a credit rationing guideline, more borrowers became eligible for mortgage loans, and the decline in inflation rates and nominal interest rates acted as important factors that increased the average size of new mortgages.

Finke et al. (2005) found in an American setting that the borrowers with low-income earners are increasingly prefer Adjustable Rate of Mortgages to Fixed Rate Mortgages and the borrowers with less wealthy and less equipped are experiencing the credit problems in handing the impact of interest rate increases. The authors found that there is a positive relationship between higher income and Adjustable Rate of Mortgages, and stated that individuals with lower incomes have a greater tendency to choose Fixed Rate Mortgages.

Duffy and Roche (2005) found that the Loan-to-value ratio had an impact on mortgage choice namely, that buyers with high Loan-to-value ratio ratios opted for fixed rate mortgages. The author reported that those who are making large down payments (a low Loan-to-value ratio) opted for adjustable rate mortgages. It was also found that there is a positive relationship between high Loan-to-value ratio and fixed rate mortgages. It was concluded that the households with higher Loan-to-value ratio choose Fixed Rate Mortgages to avoid sudden increases in mortgage rates and potential liquidity risks.

Green and Wachter (2005) stated that rising incomes and particularly the institution of long term, fixed rate, self-amortizing mortgages, that make
housing finance affordable, were the prime reasons that increased home ownership rapidly in the US economy as borne out by census figures for 1940 and 1980. Mortgage insurance is also claimed to have positively influenced both lenders and borrowers, leading to expansion of mortgage finance. Inflation is stated to have caused increase in nominal interest rates and affected mortgage lending more than mortgage borrowing, in the face of fixed rate mortgages that prevailed at the time.

Deng, Zheng and Ling (2004) reported that most Chinese people are unwilling to obtain a debt. It was found through a survey report conducted by Beijing City Survey Organization showed that over 75 percent of the local residents are aware of the availability of housing loans, and less than 10 percent of them have ever applied for the loans. In recent years, undulate housing prices in urban China made it more difficult for people to finance their houses, especially for people in first-tier cities like Beijing and Shanghai.

Quigley and Raphael (2004) stated that housing choices are more likely to be based on assessment of permanent incomes made by households themselves rather than current annual income, because households would not adjust their housing consumption to short run fluctuations in income.

Early (2004) examined which factors best predict whether a household is homeless and found that gender, race, and age are all important determinants of homelessness. Rather than targeting the population most at risk of becoming homeless, homeless assistance programs focus on families and children. Finally, Early estimates that about 5 percent of households that receive housing subsidies would be homeless if they didn’t receive housing subsidies.

Deng, Zheng and Ling (2004) affirmed that housing loans are crucial for the development of housing market in China. Accordingly, greater
accessibility to housing loans will positively effects house purchase decision. They stated that as a proxy of wealth, households expect their income to rise with increasing level of educational attainment, whereby job security will increase as the level of educational attainment rises. It was concluded that personal income and households with a high level of education attainment are more likely to take advantage of mortgages which are an important factors to influence the home ownership in China.

**Huang and Clark S (2002)** aimed through main objective to study the influencing factor of home ownership in China. The authors found and reported that changes in household income will affect the homeownership in China. People with a higher income can access housing loans much easier.

**Kalirai and Scheicher (2002)** found through a research by taking data from 1990-2001 that lending rate, production of industry, stock market return and business confidence index are the most influencing factors which determine the level of loan quality in Australia.

**Devlin (2002)** analysed the choice criteria of consumer and the differences of choice criteria in terms of demographic factors such as gender, class, household income, educational level ethnicity and financial maturity. The author concludes that the high segment (higher household income, higher education level and higher class) are more likely to choose a financial institution same as the previous mortgage lender. In opposite, low segment (lower household income, lower education level and lower class) prefer to choose a mortgage lender which they have an account and also based on the bank’s location, professional advice and recommendation from friend and family.

**Chien and Devandy (2001)** study shows that as the level of income rises, consumers are less likely to be constrained by the debts, and have more ability to pay off the loan. People with high income have better attitudes
toward credit use. It is concluded that high level of household income is positively related to the consumers’ decision to borrow.

Burt (2001) stated that only policies that provide affordable housing to people with income below the poverty line will help stop homelessness. If affordable housing is available, homeless people have a way to leave homelessness and at-risk groups are less likely to lose their homes.

Hendershott, Pryce and White (2000) examined the impact of phasing out of home mortgage interest deduction from taxable income for home buyers on borrowers’ decision on the amount of debt they were willing to take. The study is based on a sample of 117,000 home loans in the UK over the period from 1988 to 1998. The researchers found that removal of interest deductibility resulted into borrowers reducing the initial loan-to-value ratios and that this effect varied with household age, loan size, and tax bracket.

Buckley (1994) suggests in the context of India, that the analysis of demand for housing finance must factor in the effect of substantial holdings of gold and precious metals in the country, which raises the possibility of adjustments of household portfolios so as to positively impact households’ down-payment and repayment capacity.

Green and Shoven (1986) have examined the effect of interest rates on the prepayment behaviour of home loan borrowers. They state that the effective tenure of the mortgage asset is determined internally by the way interest rates evolve. If the prevailing interest rate is lower than the contract rate borrowers are induced to prepay the loan, subject to prepayment penalties, by acquiring a new loan. Most mortgages usually have a “due-on-sale clause meaning that the lender can claim the face value of the mortgage if the borrower sells the residence”. If the current rate is higher than the rate at which the loan has been contracted, the homeowner is mandated to give up a below-market rate loan if he sells the house. However, this option will not be
forced upon him if the prevailing interest rate happens to be lower. Based on prepayment cases of panel data on 4000 individual mortgages of two Saving and Loans Associations based in California between the years 1975 to 1982, the researchers found that interest rates are important determinants of the average age of prepayment. Thus the effective maturity period of a loan is highly dependent on interest rates.

Chatterjee (1982) has also linked housing affordability to mortgage credit terms. The author has formulated an analytical model of affordable housing and relates it to housing finance. The author considers the annual housing consumption expenditure of an average household in a given income class to reflect their effective demand for housing. It indirectly provides a measure of the annual payment for a loan that a household can afford to pay. The author arrives at the present value of the house that can be afforded by an average household of a given income group, by factoring in the credit terms, namely interest rate and maturity period with the annual payments. The author then examined the impact of different combinations of credit terms, ranging from favorable to unfavorable, to see how housing affordability differs for different income groups. The study reveals that mortgage rates, loan size and repayment terms can significantly influence housing affordability.

Gelfand (1966, 1970) examines credit availability and terms in influencing housing demand. The author defines credit terms to mean the rate of interest, the down payment requirements and the mortgage maturity term. Credit conditions are defined to include the ratio of monthly debt service to family income, the tenure status of the land - whether owned or rented-on which the house is built, and the accommodation preference of the house selected - whether regarded as desirable or simply minimally acceptable. As regards the debt-service burden on the family, the author adopts the benchmark that the monthly installments should not be in excess of average aggregate family income for one week. The accommodation preference
provides a measure of the affordability of housing. This is achieved by translating housing of different standards into specific housing costs. Also attempts to obtain a measure of the sensitivity of lower and middle income housing demand to housing credit terms. The author has generated the data using computer simulation model of the lower-middle income housing markets in Philadelphia, Pittsburgh and Harrisburg.

Buckley exemplifies the success of Housing Development Finance Corporation (HDFC) in bridging the gap between the low and middle-income groups and the formal housing finance sector by the means of seeking third party guarantees. The HDFC experience is a pointer to the fact that innovative ways such as appealing to what constitutes apt behaviour can circumvent the high cost of contract enforcement and that housing finance reforms can play an important role in reducing transaction costs.

Rosa (1978) examined the relationship between housing demand and interest rate on housing finance and found it to be highly elastic. The demand for housing was regressed on three alternative interest rates, namely, the average of time and savings rate, the bond rate, and the secondary market yield of mortgages. As regards their impact on mortgages as a part of the consumption model of households, the interest variables had the expected signs but were not found to be significant.

2.4 CUSTOMER PERCEPTION AND SATISFACTION

Customer are associated with banks for many services that they require on regular basis and people tend to prefer banks which provide better facilities and convenient banking. Customer is an integral part of business. Customer satisfaction is an exclusive area especially in the service sector. The finance companies in their cascading flow of service plans manage professional delivery of service, which leads to customer’s delight. The other part of service experience that cannot be controlled by the service provider is
customer’s level of fatigue, his boredom and attitude. Generally Housing Finance Companies maintain a long term relationship with their customers from the date of sanctioning letter of a loan to clearing the loans. Customers need a variety of services during this period on various parameters relating to disbursement, rate of interest, loans for expansion, foreclosure, mode of repayment etc. The survival of business has direct correlation with satisfaction of the customer. There is a link between quality, expectations, customer satisfaction and profitability. When quality and expectations increase, there is a positive impact on customer satisfaction and in turn, profitability (Eugene and et.al 1994). Therefore, higher satisfaction level among the respondents indicates that the bank is responsive to the needs and problems of the customers.

**Jayanthi M, Ramya S and Ramya V (2014)** aims at studying the customers’ perception on the home loans offered by HDFC Limited, the factors influencing customers in choosing a housing finance agency, reasons for pre closure of home loans and customers’ opinion about the Electronic Clearing Service of HDFC Limited. They found that there is no significant relationship between the customers’ association with HDFC and their perception on the people factor (human resources) of HDFC. The study also found that most of the respondents strongly agree that the rate of interest at HDFC is low, the customers agree with faster processing, and also they are influenced by minimal formalities and procedures, which are inclined to flexible repayment system. The findings revealed that the three parts of marketing mix that are people, process, product are important for customers while choosing home loan products.

**Ravneet Kaur (2013)** conducted a study to analyze the customer satisfaction level with regard to the services provided by HDFC and GIC HF housing finance institutions. The author stated that the majority of the customers take loans from the housing finance institutions based on their
need, purpose, income and their repaying capacity. It was found that the highest of loan has been sanctioned by HDFC and the customers of HDFC were satisfied with its services. Majority of customers of GIC HF were of the opinion that the institution have been charging very high rate of interest. HDFC had charged comparatively higher cost on an average for availing the loan towards processing and administrative fees and faced difficulty of delay in processing of loan than GIC HF.

 Priyanka Saroha and Yadav S.K.S. (2013) made an analytical study of HDFC and LIC Housing Finance Ltd. The main objectives of this study was to find out the customers’ satisfaction levels towards housing finance banks in India and to identify reason why customers prefer HDFC and LIC HFL. The authors identified some of the aspects with regard to customer satisfaction in Housing finance namely Promptness in Sanctioning the Loan, Loan Availability, Safety-Security-Privacy, and Easy way of Loan Process. The author pointed out that HDFC has strong retail loan growth and stable margins and steady asset quality and strong growth in individual loans makes the customer to choose HDFC and maintaining its market leadership in the housing finance market. But, with regard to LIC Housing Finance, it posted lower-than expected results due to dwindling loan growth and lower margins.

 Archana A Mahajan (2013) has decided to undertake a comparative study of disbursement of housing loan of SBI, HDFC and Sangli Urban cooperative banks in Sangli-Miraj-Kupwad Corporation area. The findings revealed that the advantages of UCB is, it meets the needs of low income group also and Sangli UCB required only 13 years search report for Legal Verification of a property, whereas SBI & HDFC required 30 years search report to verify the properties title. It is concluded from the results that most of the people are interested to take a home loan from HDFC LTD due to low interest rate, rendering prompt services to their customers and early redemption cost on home loan amount.
Rajalakshmi, Pappeswari and Venkatesh (2013) proposed to study the influence of demographic variable towards the level of perception and satisfaction of housing loan borrowers of public and private sector banks in Thoothukudi area. It was found that there is a relationship between satisfaction regarding the housing loan of borrowers of Public and private banks with gender, age, educational qualification. With regard to their level of perception, it was not significantly associated with their personal profiles such as gender, age, educational qualification.

Kerstin Chavez Andersson Josefina Sandström (2013) investigated a psychological perspective of Reverse Mortgage and examined how it is perceived by potential borrowers in Sweden. The purpose of this study is to get a deeper understanding of perceptions regarding reverse mortgage held by potential borrowers and has an approach of constructivism and hermeneutic and is inductive with elements of deduction. The author found out that initial negative perception changed to become more positive towards reverse mortgage which indicates an evolution of perception regarding reverse mortgage. This study also concluded that potential borrowers might take a reverse mortgage to be able to retire prematurely or to make life more joyful to afford additional luxuries or afford to travel.

Pushpa Sangwan (2012) conducted a comparative analysis of Home loans of public and private sector banks in India. This study outlined the satisfaction level of customers and problems faced by them in obtaining home loans. The study has taken four commercial Banks in Chandigarh city namely HDFC Bank, PNB, Union Bank of India and ICICI Bank. The customers have more satisfaction towards the services offered by private banks more when compared to the public banks.

Jyoti Gupta and Suman Jain (2012) made a study on lending practices of Cooperative Banks in India. The major objective of this study
was to know the satisfaction level of the customers towards Banks lending policies. The findings revealed that the customer are satisfied with procedure followed by bank for loan, Easy repayment and less formalities in selection of loans, Quality of services provided by the staff, less time for the processing of loan, and the mode of repayment of installments.

Nallusamy M (2012) has undertaken the study to analyze the perception of customers towards home loans of Urban Co-operative Bank Limited (UCB) in Namakkal. The paper examined the satisfaction level while availing loans. The research has found that the customers of the bank were highly satisfied with the home loan services in relation to its services, transparency, and time taken for loan approval, employee co-operation and query handling. The results further revealed that the main reason for people to prefer this bank is the trust of the customers in the bank, lower interest rates and easy repayable installments.

Shalu Rani (2012) examined the Customers’ Perception of Home Loan provided by HDFC Bank and ICICI bank and also analyzed the customer satisfaction regarding home loan of both the banks. They concluded that customers of both banks i.e. HDFC bank and ICICI bank are satisfied but not highly satisfied due to high rate of interest charged by banks and complicated terms and conditions. The results the research also concluded that there is no significance difference in satisfaction level of home loan customers of HDFC bank and ICICI bank except satisfaction level of customer of both the banks regarding redress of grievances and terms and conditions for home loan.

Dzuljastri Abdul Razak and Muhamad Abduh (2012) investigated the Customers’ attitude towards diminishing partnership home financing in Islamic Banking and their intention to subscribe into the financing scheme. The main finding indicates that customers perceived the equity sharing
features in diminishing partnership home financing mode differ from the conventional loan and other existing Islamic home financing modes. The result also shows that customers’ intention for diminishing partnership is more influenced by their subjective norms compared to their attitude toward diminishing partnership home financing.

Waqarul Haq and Bakhtiar Muhammad (2012) made a comparative study on Customer Satisfaction between Public and Private Banks in Pakistan. The study was designed to know that the dimensions of service quality namely Tangible, customer knowledge and competence effect on customer satisfaction. The result showed that all the dimensions have the significance effect on the customer satisfaction. The study revealed that the management needs to improve service quality in areas of responsiveness to have a higher customer satisfaction.

VanajaV, and Sindhuja. J (2012) aimed at examining the customers’ perception on the home loans offered by HDFC Limited, the factors influencing customers in choosing a housing finance agency, reasons for pre closure of home loans and customers’ opinion about the Electronic Clearing Service of HDFC Limited. The findings reveal that the customers perceive the overall service of the employees to be very good on an average. On a majority, the customers agree that the people’s service, products and processes are effective. The major factors that influence customers in choosing housing finance company are competitive interest rate, flexible repayment system, progressive funding and prepayment penalty. The author suggested to improve the service of updating repayments and conveying information about RBI guidelines and interest rate changes by enabling automatic generated SMS or e-mails to be sent or through tele-calling the customers within a time limit of one or two weeks.
Abdul-Razak and Md-Taib (2011) examined musharakah-mutanaqisah home financing from clients’ perception. The study reports that the customers of banks are dissatisfied with the current status of Bai Bithaman Ajil (BBA) due to the high price, which a burden to individuals. It also found out that musharakahmutanaqisah home financing is more preferred as profit and risk is shared between the customer and bank resulting in greater fairness, justice and equity.

Rashmi chaudhary and yasminjanjhua (2011) studied the customer perceptions and satisfaction of customers of public servants, private sector employees and self-employed towards home loans from three branches namely Solan town, Chambaghat and Parwanoo of Baghat Urban Cooperative Bank Limited (BUCB), Himachal Pradesh. The aim of the paper to analyze the perception about home loans of BUCB, the satisfaction level of customers about home loans of BUCB and to study the major problem faced by customers while availing home loans. The research has found that the customers of the bank were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, employee co-operation and query handling, prima facie of some problems like procedural delays, lack of knowledge and red-tapisim. The results further revealed that the main reason for people to prefer this bank is the trust of the customers in the bank, lower interest rates and easy repayable installments. The higher satisfaction level among the respondents indicates that the bank is responsive to the needs and problems of the customers.

Uma Shankar Mishra (2010) analysed the housing loan with regard to its quality Attributes and Borrowers Satisfaction in Banking Sector of India. The author explored through structural equation model that loan attributes has a relationship and an impact on satisfaction of housing loan borrowers.
Vetrivel T. (2010) examined the customers’ preference and satisfaction of four basic banking services in Coimbatore and Erode. The objectives of the study were to know the overall satisfaction and dissatisfaction levels of bank customers with respect to banking services, Loan services, deposit scheme services, Insurance services and value added services and also to know the customer’s opinion and preferences about various supporting factors of four dimensional banking services. The important findings of the studies pointed out that as far as overall satisfaction is concerned, out of the 172 bank loan customers, 50% of customers were satisfied and the remaining 50% dissatisfied due to poor services, penalties for late payment, fear of threats, interest rate confusion, hidden cost, unknown deduction etc.

Arti Gaur (2009) made a comparative study of ICICI Bank and SBI Bank towards the customer the satisfaction regarding home loans. It is concluded from the study that ICICI Bank has excellent staff members in terms of behaviour in comparison to the staff members of SBI. Further, the services of ICICI Bank are much better than the services of SBI. The author also found that the main reasons for satisfaction are competitive rates and true commitment. The reasons for dissatisfaction are hidden charges.

Kirti Dutta and Anil Dutta (2009) studied the Customer Expectations and Perceptions across the Indian Banking Industry and the Resultant Financial Implications. They focused on expectations and perceptions of the consumers across the three banking sectors in India. A study of the financial performance of the banks were analyzed to know the perception of service quality has a consequence on the banks bottom line. It was found that the banking sector in the foreign banks are perceived to be offering better quality of services followed by the private and then public banks. It was also found that these perceptions are reflected in the financial performance of the banks also.
Ravindra P S, Viswanadham P and Trinadha Rao (2008) looked at the service Quality of LIC Housing Finance Limited and HDFC Bank. The broad objectives of the study were to assess the perception of the customers regarding home loan of LIC Housing Finance and HDFC, and the housing loan facilities provided by both the Institutions. The study pointed out some interesting finding that 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 the marketing network and having more number of marketing personnel than the regular office staff. The service quality of these two housing financing agencies is up to the expectations of the people obtained loans. The significance difference between the two housing agencies are identified in the variable namely Minimum adequate details are sought for eligibility, replying to mail/telephone calls, facilities available after loan sanctioned, received installments in time and time given for repayment. Overall, the HDFC respondents are more highly satisfied when compared with LICHFL.

John Mylonakis (2007) investigated the Customer Preferences in the Home Loans Market with regard to the Mortgage Experience of Greek Bank Customers and proposed to study the customers’ attitude toward the possibility of obtaining home loans, the customers’ use of information sources, the choice criteria used by customers in choosing a financial institution and a home loan. They concluded, besides the mortgage product mix and some cost elements (interest rate, prepayment penalty) other important influential factors emerge, such as the various offers of banks, the bank’s reputation, existing cooperation, as well as bank staff.

Pillay A and Naude W A (2006) investigated that the South Africa is facing a low-income housing crisis, with the current backlog estimated at over three million units. The contribution of this paper is to provide information on the experiences and perceptions of low-income borrowers in the housing
market of South Africa, specifically in their dealings with commercial banks. The author informed that the experiences and perceptions of low-income households about their access to credit and housing finance, their experience of banks, the successes in credit approval, their judgments on the suitability of banks’ home-loan products, as well as preferences with regard to prices and interest rates. An obstacle in the provision of low-income housing is the difficulty encountered by commercial banks to extend loans in this market despite supporting initiatives by Government. A lack of knowledge on the borrowing behaviour, preferences and experiences of low-income households in accessing housing finance from the commercial banking sector in South Africa hampers an understanding of the reasons for these problems.

2.5 ISSUES, CHALLENGES AND PROBLEMS FACED BY THE BORROWERS OF HOUSING LOAN

Every human being aspires to have his own house to live in. Housing is one of the primary human needs coupled with need of food and clothing, for human survival. Everyone, rich or poor, whether in rural areas or urban areas, needs a house to protect their life and property and also to promote their well-being. The modern concept of housing does not limit the idea of housing merely to the provision of shelter. Housing constitutes a physical matrix in which human interaction occurs. Thus, Housing is undoubtedly an essential element of life for most human beings. The house that people live in, touch upon every facet of their lives and the society as a whole.

The importance of housing was universally recognized from the dawn of history. With the advancement of knowledge and civilization man became particular about sanitation, environment, privacy and location of the house, he became conscious of better facilities which make his life easy and comfortable (Misra, 1996). For a citizen, owning a house provides significant security and status in society, since a house endows a social identity and thus
integrating immediate social milieu. In India, a substantial proportion of the people either does not own houses or have inadequate housing. As the population of the country is increasing rapidly, the number of houseless families is increasing at an alarming rate. The total housing shortage at the end of the tenth plan has officially been assessed as 24.71 million dwelling units for 67.4 million households, where 98% of this shortage was in the Low Income and Economically Weaker Sections (EWS).

Housing as a problem is not unique to India. There is hardly any country whether developed or under developed in the world today which could justly claim to have solved this problem. The problem of housing in the poor or economically less developed countries particularly those of Asia, Far East and Africa assume a more painful complexion because such countries do not only have serious housing shortages, growing additional housing needs and poor housing stocks, but are woefully deficient in essential services and community facilities also.

**Tawseef Yousuf, Tawheed Yousuf, Shamim Ahmad Shah (2013)** examined the Urban Housing Problems of the Tibetan Community in Srinagar City. The Main focus of this study is the Spatio-temporal Analysis of Residential Houses and housing problem. It was found that there is a significant variation in housing conditions with respect to location of site and number of households with respect to household size. The study concluded that the Tibetan community of Srinagar city faces housing problems with regard to the housing conditions and there is need to improve their housing conditions for a balanced socio-economic development of society.

**Babu J (2013)** studied Housing Finance Problems of Borrowers of LICHFL and HDFC. On the comparative study to identify housing finance problems of the home loan borrowers, it was found that HDFC is more liberal in sanctioning and disbursing housing loans to its applicants than its
counterpart LICHFL. Rigid rules and regulations, inadequate loan amount and security / surety are the three major problems irrespective of income of the borrowers. Non-consideration of future and other income inconvenienced the sample borrowers mostly in securing adequate housing loans from HFIs.

**Tarakeswara Rao S (2013)** intended to study the comprehensive problems of HDFC & SBI home loan takers in Andhra Pradesh State. This paper aims, particularly to study the operational performance of HDFC and SBI with regard to providing housing finance to individuals and to assess the perceptions and problems of home loan takers in the State of Andhra Pradesh. The findings of the study have exposed some common problems faced by home loan borrowers namely, lengthy home loan application/sanction procedure, high amount of processing, administration, conversion fee and other charges like prepayment penalty, not informing about the reasons for rejecting the loan application, the change in the terms and conditions especially with regard to interest rate changes, and delay in loan processing/sanctioning time especially with reference to SBI, and no transparency in lending practices. The results elaborate that most of the respondents had taken home loans for purchase of house and all the borrowers are availing tax benefits and are using home loans to reduce the tax burden. The main reason for choosing SBI is, it offers home loans at lower rates and adopting floating rate of interest. The advantages to go for HDFC are, less time consumption of loan processing and offering various flexible repayment options. On the whole, respondents of are opined that the function and performance of HDFC is very good compared to SBI.

**Rajani Levaku (2012)** conducted a study on the problems faced by the home loan borrowers in availing and sanctioning loans from the Housing Finance Institutions, especially from LIC and SBI in Kadapa Corporation. As regards to SBI, it sanctions loans more quickly and on the other hand, number of borrowers from SBI has suffered with insufficient loan amount. With
reference to loan borrowers of LIC, they face the problem of surety and security with respect to the title of the property. The problem of rules and regulations is more or less equal among the borrowers of SBI and LIC. The author also suggested that the processing time and administrating charges should be minimized, verification and documentation should be made simple and Insurance cost should not be deducted in one lump sum.

_Uma Rani T.S. (2012)_ said that significant impact of banks today is the technology issue. The business banking products of HDFC bank that best suits the needs of the borrower were analyzed. The Customer feels that availing a loan is more complicating and time consuming which result in construction or purchase of house became difficult.

_Bandyopadhyay and Saha (2011)_ suggested that the borrower defaults on housing loan payments is mainly driven by change in the market value of the property vis-à-vis the loan amount and EMI to income ratio. They also identified that default on home loans also gets triggered depending upon the borrower characteristics like marital status, employment situation, regional locations, city locations, age profile and house preference.

_Thingalaya, Moodithaya and Shetty (2009)_ seek to evaluate the performance of the banking sector in India and looked into the problems faced by them in developing the linkages between the borrowers and suppliers. It was found that most of the respondents face inadequate guidance, cumbersome procedure, difficulty in obtaining land title to the property, legal opinion and valuation, problem of obtaining surety required by the bank and inordinate delay in appraisal of loan application. It was suggested that it is necessary to educate home loan buyers on the processes and regulations, particularly on floating and fixed interest rate contract, EMI, valuation of properties, documentation, etc. The need for greater transparency in housing
finance transactions to enable borrowers to make right choice about products and loans.

Manoj P.K. (2010) has examined the exact nature of housing microfinance in India, its problems and prospects and particularly deterrents to its growth, with a view to suggesting suitable remedial strategies for its faster development; based on an empirical study of “Bhavanshree”. The objectives of this study were to make an overall study of the housing microfinance initiatives the world over their performance track record, trends and patterns, to critically study the extent and nature of housing problem in India, and to examine the need for alternative financing models to identify the major problems. This study concluded that the Government of Kerala has got immense potential to come up if suitable strategies are adopted. Due to the wide range of microfinance activities currently being undertaken and the excellent nexus with banks, initiating productive housing scheme and obtaining better terms from banks like fixed rate loans appear to be quite feasible.

Chaubey M. (2009) studied the Problems and Prospects Housing Finance in India the objectives of the study were to Study the customer’s views on housing finance offered by HDFC in Varanasi, and to know about the relative performance of HDFC in providing housing loans in city. The study reveals that customer opted for loans because of low interest rate, easy installment scheme, simple procedure and other reasons respectively. Majority of the respondents agreed that there is a delay of loan approval that there is a delay of loan approval and disbursement.

Rajasekhar D. et. al. (2008) studied the Problems and Prospects of Housing Finance. The objective of the study was to analyze the trend in the growth and structure of LICHFL and to evaluate the relative performance of LICHFL in providing housing loans in Chennai city. The study revealed that
in Chennai, the institution provides loan at low rate of interest, easy installments, it adopts simple procedure and formalities. The other findings of the study pointed out that there is delay in sanction and disbursement of loan amount.

Therefore Urbanization in India has occurred more slowly than in other developing countries and the proportion of the population in urban areas has been only 28 per cent based on the 2001 census. The pace of urbanization is now set to accelerate as the country sets to a more rapid growth. Economic reform has already unleashed investment and growth offering its citizens rich opportunities. Surging growth and employment in cities will prove a powerful magnet. 300 million Indians currently live in towns and cities. Within 20-25 years, another 300 million people will get added to Indian towns and cities. This urban expansion will happen at a speed quite unlike anything that India has seen before. It took nearly forty years for India’s urban population to rise by 230 million. It could take only half the time to add the next 250 million. If not well managed, this inevitable increase in India’s urban population will place enormous stress on the system. The Planning Commission (The Planning Commission Approach to the 12th Plan)

The urban poor, with their low incomes, uncertain employment and low assets have been side-lined by commercial banks who do not find them bankable. In order to rectify this situation, there is a need for a supportive role on the part of the government and commercial banks and a streamlining developmental role on the part of community based financial initiatives. The Indian housing finance sector has failed to promote housing development across the country. In its desire to stabilize itself mainly in the major urban areas, the housing finance has largely neglected issues of the housing sector in rural and less–developed regions. Further, the financial housing needs of a large segment of the population are not being addressed. They continue to rely on informal sources for housing finance (Tarakeswara Rao (2013)).
Affordable housing is a particularly critical concern for low-income group in the absence of a viable model that caters to their needs. India also needs to encourage rental housing as an option particularly for the poorest of the poor, who may not be able to afford a home even with the incentives. There has been increasing concern about the housing condition of the poor in the deserted slums settlements amidst the evident ‘poor blindness’ in housing and investment policies (Apparao (2012)).

Without the security and comfort of a home, there is no escape to the difficulties resulting from poverty. Adequate housing is essential for human survival with dignity. Without a right to housing, many other basic human rights will be compromised including the right to family life and privacy, the right to freedom of movement, the right to assembly and association, the right to health and the right to development. Housing is a key good for determining the cost of living. The acute shortage of housing in urban areas is due to increase in population Ruben Garrido-Yserte. et. al. (2012).

The declining effectiveness of housing finance institutions coupled with economic and fiscal crises have made governments more aware of the need to promote savings, reduce subsidies and mobilize domestic resources and motivate the involvement of private financial institutions. Housing finance has risen to the top of research and policy agendas in recent years.

Past literatures have identified the role of most of the Housing financial Institutions loan in general. This study aims particularly at identifying the role of LIC housing finance Ltd in providing home loans for people in urban, the influencing factors of customers to approach LIC housing finance for home loans and identify problems being faced by customers of home loans.