CHAPTER V

Summary and Findings
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Chapter - I

Introduction

One of the major problems of demographic segmentation of consumers is its lack of "richness", in describing consumers for market segmentation and strategy development.

From general perspective, life style can be viewed as a unique pattern of living which influences and is reflected by one's consumption behaviour.

Own House- Dream of Middle Class

Housing is one of the primary human needs and is next in importance to food and clothing. A house is not only a shelter to protect the human beings from vagaries of weather but also a workshop where human efforts are prepared for constructive roles in future. The need of housing in India has been growing at a phenomenal pace over the years.
As a result of the ongoing economic deregulation measures of the Government particularly those in the financial and banking sector, there have been marked changes in the housing finance system in India. These are characterized by cut-throat competition particularly after the entry of commercial banks in housing finance arena, gradual fall in the interest rates which have almost halved over the last one decade, unprecedented growth in the housing loan market etc. The above developments have resulted in better availability of housing loans, better customer service from the industry players because of competitive pressures and have also made housing loans more affordable to the public.

Growth and Development of Indian Housing Finance System.

Emergence of National Housing Bank

The governmental efforts towards the development of a sound regulatory mechanism for Housing finance in India can be traced back in 1987 when the government came out with a national housing policy. As per one of the directions of the above policy, the National Housing Bank Act was enacted by parliament in 1987. The national Housing Bank (NIIB) was established on 9th July 1988 under the above Act, to function
as a principal agency to promote Housing Finance Institutions and to provide financial and other support to such institutions.

**Recent Developments:**

Union Budget for 2003-04 seeks to maintain the present momentum of growth in housing sector by providing or continuation of the interest deductible under income tax up to Rs.1,50,000 for purchase or construction of self-occupied house property (i.e., Under Section 24 of the IT Act). Further rebate of up to Rs.20,000 for repayment of principal amount is also available under Section 88 of the IT Act.

The Government has enlarged the scope of SARFAESI Act, 2002 to include the Housing Finance Companies (HFCs) also within its purview.

Financing through Mortgage Backed Securitisation (MBS) has emerged in Indian environment also, consequent to the amendment in the National Housing Bank Act. NHB has already commenced securitisation of housing loans. As of the fiscal ended 2002-2003, NHB has so far
completed securitisation of 7 pools involving housing loan assets aggregating Rs.500.12 cores.

- NHB has declared that its Mortgage Credit Guarantee Scheme will be made available to all housing loans soon thereby fully protecting lenders against default.
- In order to encourage the banks’ exposure to housing, RBI has reduced the risk weight on housing loans to 50% (from the earlier weight of 100%) and the same is lower than that for industrial loans or consumer finance.

Statement of the problem

Housing is an industry with tremendous potential for contributing towards economic growth of any economy. In a developing economy like India, its significance need not be over emphasized. This is because of different factors, like
• It is one of the top employment generators for the economy

• Linkage both forward and backward – with over 250 industries including such core industries like cement, steel, Timber, ceramic tiles etc.

• It is supposed to be the most preferred investment avenue in a recession hit economy.

Living in a own house ought to changed the lifestyle of an individual. It can be seen in various aspects of a person’s daily life. It is perceived as an enhancement of an individual’s ‘Status’ in the society. Freedom and satisfaction is felt not only by the individual but also by all the members of the family. This particular stage compel the individual to change the daily activities, opinions and personal interest about the life, community and society to a larger extent. In this context, a study on lifestyle changes of such house owners was made to bring new insights in this subject.
OBJECTIVES

The specific objectives of the present study are as follows:

- to study the growth and development of housing finance system in India
- to identify the factors considered by the consumers while going for home loan option
- to study the existing customers satisfaction level of House Loan borrowers
- to analyse and find out association / difference between the lending Agency and size of the house with selected demographic variables

METHODOLOGY

The Sample

Velur Town is selected as the area for this study. It is one of the first Grade panchayat in paramathi – Velur Taluk of Namakkal district. Out of 16 wards in Velur Panchayat samples were selected in 13 wards only as the remaining three wards are slum areas. Using convenient sampling 150 respondents were selected. Out of 150 questionnaires issued 25 questionnaires has to be discarded due to incomplete answering and other reasons.
The Questionnaire

A two-part questionnaire has been developed to access the change in life style of House Loan borrowers.

Part I- Multiple choice type of questions were asked about the change in life style in terms of goods purchased / change of brand, change in Activities etc.

Part II- Personal data regarding age, education, occupation, monthly income, number of family members, and Family life cycle were collected.

Frame work of Analysis

For classification the simple percentage analysis is used. Chi-Square test was applied for examining the association and difference between preference of lending Agency, size of the house constructed and socio-economic variables of the respondents.
Limitation of the study

Besides the usual limitations of any behavioural and attitudinal study, the present study posed the following further limitations.

- Unlike demographics, many life style factors are difficult to measure, some what subjective, usually based on the self report of consumers and sometimes hidden from view.
- Attention was given only to 12 life style activities among the 100 (or) more life style traits available.
- All data were collected from 13 wards of Velur Town. A broad generalization of the results may not be valid for the whole state (or) country.

Chapter - II

Psychographics and Life Style

The terms 'Psychographic' and 'Life style' have been used by many authors and researchers with different meanings. It is therefore necessary first to clarify the meaning of these terms.
Williams (1973) and Reynolds and Darden (1974) have also pointed out the confusion over the definition as a serious problem in psychographic / life style studies. Life style, according to wells (1974) refers to the disparate modes of living in a whole society or any of its segments, while psychographics embrace a wide range of content, including activity, interest, opinions, needs, values, attitudes and personality traits.

The definition of Reynolds and Darden (1972) is identical to that of wells: "We can view psychographics as the systematic operationalization of life style i.e., life style in an empirical context. In relation with the AIO measures, Reynolds and Darden stated that psychographics is a systematic use of relevant activity, interest, and opinion constructs to quantitatively explore and explain the communicating, purchasing and consuming behaviours of persons for brands, products, and cluster of products.
Life Style – Meaning

The term 'Life Style' has come to mean many things to many people. The concept of life style patterns and its relationship to marketing was introduced in 1963 by William Lazer. He defined life style pattern as "a systems concept". It refers to a distinctive mode of living in its aggregate and broadest sense... It embodies the patterns that develop and emerge from the dynamics of living in a society. It is concerned with those unique ingredients or qualities which describe the style of life, some culture or group and distinguish it from others".

A review of past life style definitions suggest some important issues for this study. First, from an individualistic psychological point of view, life style is not simply the expressive behaviour of an individual, but his ways of responding to the world, or the ways in which he organizes and structures his world. Wind and Green (1974) defined life style as made up by values and personality reflected in activity, interest and attitude towards many facets of the environment of the individuals.
Life Style Construct And Consumer Behaviour

A life style construct is an individual’s psychological and relatively enduring trait, a multidimensional whole embodying a systematic pattern.

In a consumption environment, a person chooses a product or brand which seems to possess a maximum possibility for the definition or elaboration of his life style identity.

Life Style Research Studies

The first studies in the psychographic area were published by Pessemier and Tigert (1966) and by Widson (1966). Pessemier and Tigert found that psychographic measures were superior to both standard personality measures and to demographic measures in predictive power.

Two studies of Mathews and Slocum (1969,1970) found a number of interesting and useful relationship between social class and the usage of bank cards.
Mehrota and Wells (1977) introduced general life style pattern in the marketing research and formally incorporated this concept into the theory of life style analysis. They reported ten different life style types by using general life style characteristic. The five female segments are labeled as (1) the old fashioned traditionalist (2) the militants mother (3) the chic subordinate (4) the contented housewife and (5) the elegant socialite.

**Indian Studies**

In India, very few attempts were made to segment the consumers on life style basis. Vinoo Mathew (1990) attempted to examine the stereotypes among the urban Indian men. He followed the method used by Troiano (1983) on female stereotypes in Brazil. He conducted 25 in-depth interviews in the four cities of Bombay, Calcutta, Delhi and Madras. Respondents consisted of men from four income (lower, middle, upper, upper-upper) and three age (18-25, 26-35, 36-45) groups. Each interview consisted two stages, viz.,
The study found three stereo types among Indian urban consumers namely.

- the career driven
- the self—seeker and
- the home-lover

It also found that there are differences within a stereo type that arise due to age, background and present circumstances. The study had not tried to correlate the life style and consumption behaviour, but made an attempt to segment on general life style basis.

Chapter – III

The new Economic policy 1991 and tax concessions encouraged the Indian people to construct own houses. The RBI permitted all the Nationalized and scheduled banks to grant housing loans to eligible customers. The lending market is now occupied by different agencies starting from a co-operative Building society to state Bank of India Group including LIC.
22% of the respondents borrowed from co-operative building societies and 18% from LIC Housing finance Ltd. It may be understood that the above result is due to the presence of co-operative building societies in Velur for the last 30 years. Due to flexible repayment facility and wide coverage through agents the LIC Housing is able to secure second place in this area.

SELECTION OF A PARTICULAR AGENCY

A prospective borrower used to analyse proper reasons to select a lending agency. The terms and conditions the rate of interest margin, money, repayment schedule etc., are considered in this regard.

50% of the respondents selected a particular agency due to lower rate of interest. It is learnt that the rate of interest normally charged for Housing loan is between 7.5% and 11%. Even a small difference will affect the income of an individual. Irrespective of the delay or strict repayment schedules, the selected respondents preferred an agency which charged lower interest rate. However 44% of the respondents gave important for quick processing and earlier disbursement.
Satisfaction

A satisfied customer is the best advertisement for any business unit. Such customers by their statements encourage relatives or neighbours or friends to borrow Housing loan from a particular agency.

56% of the respondents expressed that they are highly satisfied with the lending agency. Satisfaction in terms of the amount of loan, interest rate, monthly installments etc., etc. Further 44% of the respondents are satisfied with their lending agency.

Plinth area of New House

The cost of construction is directly proportionate to the plinth area of New House.

32% of the respondents had constructed the house with plinth area between 1000 sq:ft and 1250 sq.ft. It may be understood that this particular size will be convenient both for middle class and upper middle class consumers. Only 4% of the respondents had constructed their house with above 1500 s.q.f.t As the investment of such houses will be heavy the number of such respondents are less in the presents study.
Purchase of durable goods

Durable goods

16 durable goods which are normally purchased by the majority of Indian Middle classes were selected. These goods were chosen due to they are wide range of product classes and product attributes. These durable are costlier products and are once-in-a life time purchase for many house holders in India. How the life style has changed can be examined by observing the following areas.

- No New purchases was made i.e., purchase even before the construction of New house.
- Change of brand i.e., New purchase made to replace the existing one.
- Not purchased before and after the construction of New House.

Not purchased before but purchased after the construction of New House.

Majority of the respondents had not made new purchase of pressure cooker, domestic mixie. Wrist watches, ceiling fans, moped, Two —in-one and LPG Gas stove . The Two-in-one i.e., radio with Tape recorder was famous during seventeen’s which had last attraction after the entry of
colour television and DVDs. As the life of ceiling fans and table fans are longer there may be no necessity for replacement.

42% of the respondents have changed the brand of television they possessed. It may be assumed that they made new purchase of colour television for their new home. 20% of the respondents have purchased new ceiling fans. The concept of the drawing room or reception sit out may induce to buy a new brand with attractive look.

34% of the respondents had newly purchased VCD/DVD. It is purchased as an additional entertainment unit along with Television. Further 20% of the respondents had purchased new refrigerator, 18% had purchased new LPG Gas stove, 14% had purchased new motor-cycle. The above items had purchased by the respondents only after the construction of the new house.

It may be concluded that change in life style of the borrowers of housing loan is present in this study area. Though vast changes are not found, these are symptoms of changes in the purchase and possession of certain durable goods.
Non-durable (Packaged goods)

Fourteen packaged products were selects as non durable goods for presents Study. These are chosen for several reasons. First, they are heavily advertised with much emphasize on specific product attributes. Second, many of these products are highly personal, bought for exclusive individual use. Consequently, purchased decisions are more likely to be a function of individual rather then family preference. The same four aspects as explained for durable goods, of the respondents were collected.

Almost all the respondents regularly, purchased the selected items except soft drinks which is consumed only by 50% of the respondents.

It is interesting to note that 42% of the respondents have changed the brand of biscuits after the construction of new house. 34% have changed the brand of bathing soap and 30% have changed the brand of saving blade/ cream. The introduction of new verities and stronger product differentiations influenced the above changed. Further changes of brand is noticed in washing soap[26%], Sampoo (29%), Talcum powder(28%) and soft drinks (24%).
It may be concluded the change in life style in terms of the above aspects is noticed only on few goods. The degree of change may be low or medium but have its implication in formulating future marketing strategies.

**Changes in life style**

A meaningful identification of life style pattern and its changes requires the selection of effective lifestyle measures. In this study well’s activities (AIO measure) was adopted to operationally measure a person’s change in life style. Well’s and Tigert’s AIO measure is a most comprehensive and general measure of life style pattern. It was proved methodologically sound and valid in the past studies. The use of the AIO measure is thus particularly considered is appropriative and suitable for the present study. The following activities are the respondents were measured by using nine statements related activities.

- Work
- Hobbies
- Social events
- Occasion
The above table shows that the change of activities of the respondents is between 12% in some cases and mere 2% in other cases. The number of respondents increased from 45 to 60 in case of celebration of birthday / wedding day parties at home. After the construction of new houses the number of person’s attending the marriages of their relatives had increased from 93 to 110, shopping habits also changed as 72% of the respondents visited near by Towns for shopping which was only 56% before the construction of the new house.

It may be concluded that the change in the life style is evident in the present study. In certain areas the change in habit is noticed that the respondents here joined local clubs.
Demographic Variables

Age

44% of the respondents are in the age group of 41 years to 50 years and 38% in the age of above 50 years. More than 80% of the respondents are above 40 years of age. It conformed the general perception that only middle aged person construct new houses.

Monthly income

56% of the respondents belong to the monthly income of Rs.10000 to Rs.20000 and 36% in the income group of less than Rs.10000pm. As Velur is a semi Urban area the above results may be justified.

Education

46% of the respondents are at graduate level and 28% at postgraduate level. Only 2% of the borrowers are at elementary school level education. It may be concluded that only literate at high school level and above have utilized housing loans granted by various agencies in this area.
Life cycle

The family life cycle acts as a summary variable as capturing the accompanied effects of income, age and important events in life (marriage, birth and eventual departure of children, retirement etc.,).

40% of the respondents belong to category 2 and 36% to category 3. As these two categories accounted for 76% of the respondents it may be concluded that families with children of these two groups resorted to construct a new house of their own family.

Number of family members

The numbers of family members also play a role in the construction of own house in the sense that the monthly rent will be higher to accommodate a big family.

78% of the respondents had family members of 2 to 4. The lower limit is to be understood as the husband and wife and the upper limit husband, wife with two children. The sustained effort of both state and central Government had resulted the acceptance of small family concept
by the majority of the respondents. It is also confirmed that only 2% of
the respondents have family with more than 6 members.

Occupation

Majority of the respondents are employed as officer in Govt and
private sector, clerks in Govt and private sector, and teachers/professors.
The common perception that only regular income earning people used to
borrow loan and construct own house is justified in the above table. The
self employed individuals like agriculturist and professions are only 17%.

Chapter –IV

Age and size of New House Big and Bold

There is no association between age and size of the house
constructed. Respondents of all age group construct either big (or) small
house and cannot conclude that a particular age group construct only a
particular size of a new house.
Age and lending Agency selection

There is no significant difference between Age group and the selection of Housing Loan lending agency. In other words, no particular age group availed Housing Loan from a particular lending agency. A particular age group availed loan facility from every loan provider.

Income and Size of the House constructed

There is an association between monthly income and size of the house built. So, a particular income group constructed a particular size of new house. Which group constructed at what size? is to be verified only with further statistical analysis.

There is no association between monthly income and the selection of lending agency. So, no particular income preferred to borrow from a particular Bank/Agency. All income groups borrowed from all available lending agencies. There is no sign of preference found in the present study.
Education Level and Size of the House

There is an association between Education level and size of the new house. It may be understood from the above result that a particular education level group constructed a particular size of new House.

Education Level and Lending Agency Selection

There is an association between education level and lending agency selected. From the result, it may be concluded that a particular education level of respondents availed Housing loan from a particular agency. Further statistical analysis may reveal which group preferred which lending agency.

Occupation / Profession and selection of lending Agency

There is an association between occupational status and the selection of lending agency. It may be understood that a respondents of a particular occupation borrowed housing Loan from a particular lending Agency / Bank. The above result of practical use to formulate marketing strategies of the lending institutions.