CHAPTER – VI

SUMMARY OF FINDINGS, SUGGESTION AND CONCLUSION
CHAPTER - VI

SUMMARY OF FINDINGS, SUGGESTION
AND CONCLUSION

INTRODUCTION

Shelter is a basic human need and productive investment. Easy accesses to institutional finance at affordable rates are an essential pre-requisite for accelerating the tempo of housing activity. This is more so in the eastern and north-eastern region where the general level of income is relatively low. It is, therefore, imperative that a specialized housing finance system – albeit as an integral part of the national finance system – be created for this region for the development of new housing stock as well as for the renovation, up gradation and expansion of the existing housing stock in the rural, semi – urban and urban areas. Out of the total outlay of Rs.97,500 crores for housing in the 8th Five Year Plan, organized sector is expected to contribute about Rs.25,000/- crores. The emergence of a number of HFCs in organized and unorganized sectors has brightened the economic scenario. The potential for the HFCs is vast. The success of HFCs depends on how effectively they can tap resources. Fortunately, during the last couple of years, lot of emphasis has been placed on creating an integrated national housing finance system. With the creation of National Housing Bank, an apex housing finance institution, housing finance has received added impetus. In addition the NHB are many housing financial institutions that established in India. These include HDFC, HUDCO, LICHFL, Commercial banks and other housing finance companies. Banks can venture into informal
housing by providing loans for upgradation of the housing stock in a gradual manner over a period of years. The schemes for financing informal housing can be combined with the schemes meant for employment and income generation, which can result in the overall improvement in the living conditions of the poor. The informal housing market also gives a chance for the banks to capitalize the absence of big existing housing financé institutions.

Housing finance being a specialized activity, it is desirable to concentrate the activities by selected banks rather than the indiscriminate involvement by all banks. As residential housing loans do not create direct additional income, recovery of loan may prove to be difficult even though loan may be adequately secured. There are many legal and other hurdles to be tackled before substantial involvement of banks. At the same time, banks cannot stand apart from housing finance particularly when many avenues of traditional lending being taken away from commercial banks in the wake of financial innovations.

In addition to the problem of financing the biggest problem faced by prospective house owners and buyers is the deficiency in getting services from the house finance companies in India. Even today the housing finance companies while sanctioning loans to the housing sector are treating the loans as an extension of their portfolio of loans without studying problems of construction of houses and borrowers. It is in this context an attempt is made to study the operational, financial performance and customer perception about the LICHFL and HDFC home loan companies in Chennai city.
It is also aimed at studying and evaluating the progress of Life Insurance Corporation Housing Finance Limited (LICHFL) and Housing Development Finance Corporation (HDFC) in financing of housing activities in Chennai city. In addition to study the customer perception about the LICHFL and HDFC housing loan companies in Chennai city.

**OBJECTIVES OF THE STUDY**

The study has been carried out to find the following objectives:

1. To study the growth, performance and constraints of Housing Finance in India.
2. To analyze the operational and financial performance of LICHFL and HDFC Limited.
3. To examine the housing loans products of LIC HFL and HDFC Limited.
4. To analyze the limitations of housing loans products of LIC HFL and HDFC Limited
5. To find out the housing loan borrowers perception and satisfaction of towards the services offered by the LICHFL and HDFC.

**STATEMENT OF HYPOTHESIS**

1. There is no significant difference in the operational performance between the Housing loan companies of LICHFL and HDFC limited.
2. There is no significant difference in the financial performance between the Housing loan companies of LICHFL and HDFC limited.
3. There exist differences between the housing loan products of LIC HFL and HDFC Limited.

4. There is no association between monthly income and housing loan availed by the respondents in Chennai city.

5. There is no significant difference between the LICHFL and HDFC with respect to customer perception about the home loan products in Chennai city.

6. There is no significant difference between the housing finance companies of LICHFL and HDFC with respect to satisfaction of services offered by housing finance companies in Chennai city.

METHODOLOGY FOR RESEARCH

The core intention of the study is find out the performance of housing loan sector in India. In addition, to examine the operational and financial performance housing loan companies of LICHFL and HDFC Limited and find out the customer perception of Housing loan companies of LICHF and HDFC limited in Chennai city. The data are obtained from both primary and secondary sources. In first explorative stage of the study, the secondary data were collected in the form of a review of literature to familiarize the researcher with the various aspects of the study from different sources like journals, magazines, books, annual reports, internet and newspapers. The primary data needed for the study were collected by using structured questionnaire. The relevant data were collected by the researcher from the customers of LICHFL and HDFC Limited in Chennai. For the purpose of research, area of the study has been classified as three places namely North, South
and Central Chennai. The researcher approached the customers of LICHFL and HDFC Limited who came out of the companies after completing their transactions, and requested them to fill the structured questionnaire to generate the response to the listed objectives. Taking into consideration the current loans availed by the customers of LICHFL and HDFC, and the total sample size is 400 out of which 200 samples are from LICHFL and 200 samples are from HDFC Limited. Convenience sampling method is adopted. For the purpose of study, period from 2008-09 to 2012-13 was taken in to consideration to fulfill the listed objectives. The respondents were contacted directly by the researcher for collecting the relevant data. Proper care was also taken to maintain the heterogeneity of samples. The field work was carried out for a period of six months from April 2014 to September 2014.

The data collected for the study are analyzed by using SPSS package. The analysis can broadly be categorized under two parts namely descriptive and inferential analysis. Tables, charts and graphs have been used extensively to present the data in appropriate chapters. For the purpose of analysis both descriptive and inferential statistical techniques were used. Rating scales and ranking tables were used to measure the awareness, satisfaction level, as well as the borrowers’ perception of various aspects of service.

Simple statistical tools like ratios and percentages were applied where ever it is appropriate. Percentage analysis was done to measure the level of awareness, satisfaction and perception of borrowers of the two institutions in terms of various factors. The growth rate and annual average growth rate were used to compare the series. The Chi-square test was applied to verify whether there is any significant
difference in the level of awareness, level of satisfaction and the perception level of borrowers of the two identified institutions with regard to different factors. Test value mean is taken as the basis for measuring the level of awareness, level of perception and the satisfaction level of borrowers. Test equality of mean (One-Way ANOVA or t-test whichever is appropriate) has been used to find out whether the means of various groups of borrowers significantly differ or not. Also, the multiple comparisons test (Duncan Multiple range test) was made to determine the difference in the means of various attribute groups.

MAJOR FINDINGS OF THE STUDY

DESCRIPTIVE FINDINGS

The study found that housing sector's potential to contribute to the economy, at the local and national level, is widely recognized.

- It is noted from the study macroeconomic growth and stability are closely linked with developments in the housing and real estate markets.

- The study established that Investments in housing are an important driver of growth and development that transmit through its multiple positive externalities.

- The study also found that potential of the housing sector is under-exploited in the country. A large market segment including the informal sector is critically dependent on credit availability from the formal financial system. With improving demographics and economies of scale,
the mortgage to GDP ratio is likely to increase as it offers a strong business case for both lenders and builders.

- It is noted from the study the retail home loan market is well integrated into the broader financial sector and the capital market. However, there is considerable un-tapped potential for connecting with the global financial market.

- The study originated that though the demand for housing and the availability of the retail housing credit has seen sustained growth, the supply responses are somewhat muted and do not adequately reflect the nature of growing demand amongst specific segments. This needs appropriate policy interventions at both the State and the Centre levels on the supply side, combined with flexible and innovative financing mechanisms. Continuing with its initiatives in this direction, NHB will strive to play a key role in connecting the formal and the informal market segments.

- The study revised that the demand for housing credit has been sustained and is likely to further grow in view of the good credit absorption capacity in the market and the institutional capabilities coupled with competition amongst the lending institutions for their share of the growing market. Often, the apprehension of the housing bubble leads to preference for more conservative and counter-cyclical regulatory prescriptions from time to time.
The study highlights innovative financial products and technologies are important factors that can moderate prices and improve affordability. Fiscal and regulatory incentives can significantly increase the flow of credit and growth in the housing market.

The study also indicates that promotion and development of new construction techniques and appropriate incentives for the developers of affordable housing stock can improve the supply of affordable housing in the country.

The study explain that the Government-sponsored schemes and programs at national and state levels have given considerable boost to the housing infrastructure in the country and have led to increased credit flow into this market segment.

NHB's client base and constituency will expand to include new sets of institutions both on demand and supply side with focus on low and moderate income housing.

The challenge of mitigating housing shortage in the country through various developmental and financing initiatives, in rural and urban areas will continue to predominantly engage the attention and efforts of NHB and guide its policies and programs.

The study found that both LICHFL and HDFC limited operational parameters of loan disbursement to sanctions, composition of loan disbursements and the average size of loans was quite satisfactory.
It is noted from the study majority 60% are male respondents whereas 40% are female respondents. In LICHFL, 54% are male respondents and 46% are female respondents. In HDFC, 66% are male respondents and 34% are female respondents.

The study found that majority 80% of respondents were in the age group of 31-40 years and 41-50 years and only 20% of respondents were in the age group of up to 30 years. The study also found that Overall majority 80% of home loan borrowers were married and 20% of home loan borrowers were single.

It is noted from the study majority 50% of respondents were under graduates followed by 33.8% of respondents was post graduates and 16.3% of respondents were professionals like doctors, lawyers, engineers and chartered accountants.

The study originated majority 60% of respondents were salaried peoples and rests 40% of respondents were doing business and professional services.

On the basis of analysis, it is noted from the study majority 38.8% of respondents were in the income group of between Rs.20, 001-40,000 followed by 29% of respondents were in the income group of between Rs.41, 001- 60,000, 21.8% of respondents were in the income group of up to Rs.20, 000 and only 10.5% of respondents were in the income group of above Rs.60, 000.
➢ It is observed from the frequency distribution 48.8% of respondents were availed home loan between Rs.15-30 lakhs followed 23.8% of respondents were availed home loan between up to Rs.15 lakhs, 17.8% of respondents were availed home loan between 30-45 lakhs and only 9.8% of respondents were availed above 45 lakhs.

➢ The frequency distribution identified majority 32% of respondent were taken the home loan for the purpose of construction of new house, followed by 29.3% of respondents were taken the home for the purpose of outright purchase of house, 19.5% of respondents were taken the home loan for the purpose of refinancing and 19.3% of respondents were taken home for the purpose of renovation.

➢ The study reveals that majority 39% of respondents were visited the housing finance companies thrice in a month followed by 28.8% of respondents were visited the housing finance companies twice in a month, 20% of respondents were visited the housing finance companies four times and above in a month.

➢ The study found that majority 87.5% of respondents opined that more than seven days required by housing finance companies to sanction the home loan to customers and only 10% of respondents opined that below seven days required for sanctioning the home loan by housing finance companies in Chennai city.
It is noted from the study majority 60% of respondents opined that they are facing the difficulty in obtaining the required documents and 40% of respondents opined that no difficulty in obtaining the required documents.

The study highlighted that majority 40% of respondents opined that they got additional benefit of interest rate concession at the time availing housing loan followed by 30% of respondents opined that they got additional benefit of fire insurance at the time availing housing loan, 20% respondents opined that they got additional benefit of waiving of processing fee at the time availing housing loan and 10% respondents opined that they got additional benefit of Group insurance at the time availing housing loan in Chennai city.

The study also found that majority 60% of respondents were opted to repay the home loan through ECS and 40% of respondents were opted to repay the home loan through direct remittance.

The study established majority 35% of respondents were opted the home loan repayment between 15-20 years followed by 25% of respondents were opted the home loan repayment between 10-15 years and 20% of respondents were opted the home loan repayment above 20 years.

The study found that majority 60% of respondents were source the information about the housing loan companies through sales executives and agents, followed by 25% of respondents source the information about
the housing loan companies through the advertisements, 10% of respondents were source the information about the housing loan companies through the loan mela and only 5% of respondents were source the information about the housing loan companies through directly.

- The study also found that 74% of respondents were aware and very aware about the home loan products followed by 12% of respondents were unaware about the home loan products, 4% % of respondents were partially aware about the home loan products and 6% % of respondents were not at all aware about the home loan products in Chennai city.

- It is noted from the study majority 28% of respondents were opined that housing loan interest are very high followed by 26% of respondents were opined that housing loan interest are high, 18% of respondents were opined that housing loan interest are low, 16% of respondents were opined that housing loan interest are medium and only 12% of respondents were opined that housing loan interest are very low in Chennai city.

- It is noted from the above table,36% of respondents were felt that the margin fixed by the housing finance companies for housing loan high, followed by 24% of respondents were felt that the margin fixed by the housing finance companies for housing loan very high,20% of respondents were felt that the margin fixed by the housing finance
companies for housing low, 12% of respondents were felt that the margin fixed by the housing finance companies for housing loan moderate and only 8% of respondents were felt that the margin fixed by the housing finance companies for housing loan very low in Chennai city.

- The study shows that 36% of respondents opined that the mode of repayment of housing loan are high, followed by 22% of respondents opined that the mode of repayment of housing loan are very high and 6% of respondents opined that the mode of repayment of housing loan are very low in Chennai city.

**INFERENTIAL FINDINGS**

- The study found that there is no significant difference between the housing finance companies of LICHFL and HDFC with respect to Liquidity ratios from the year 2009 to 2013.

- It is noted from the study concluded that there is significant difference between the housing finance companies of LICHFL and HDFC with respect to Debt coverage ratios from the year 2009 to 2013.

- The study reveals that there is significant difference between the housing finance companies of LICHFL and HDFC with respect to cash flow indicator ratios from the year 2009 to 2013.

- The study identified that there is strong association between monthly income and housing loan availed by the respondents in Chennai city.
The study found that there is significant difference between male and female with respect to awareness about the features of housing loan products offered by housing finance companies in Chennai city.

It is noted from the study that there is positively awareness about the features of housing loan products among the housing loan customers in Chennai city.

The study found that there is significant difference between the age groups of the respondents with respect to customer awareness about the housing loan products in both LICHFL and HDFC financial institution in Chennai city.

The study shows there is significant difference between the LICHFL and HDFC with respect to customer perception about the home loan products in Chennai city.

The study also found that there is no significant difference between the age groups with respect to customer perception about the home loan products in Chennai city.

The study found that there is significant difference between the mean ranks with respect to the borrower’s perception about the home loan products in Chennai city.
There is significant difference between the LICHFL and HDFC with respect to borrower’s awareness about the housing loan products in Chennai city.

It is noted from the study that there is significant difference between the housing finance companies of LICHFL and HDFC with respect to satisfaction of services offered by housing finance companies in Chennai city.

The study reveals that there is any significant between the age group of customers with respect to satisfaction of services offered by housing finance companies in Chennai city.

There is significant difference between the mean ranks with respect to satisfaction of services offered by LICHFL and HDFC in Chennai city.
SUGGESTIONS TO THE HOUSING FINANCE INSTITUTIONS

Based on the study the following suggestions given to the Housing finance institutions and customers.

- The housing finance institutions should focus suburban areas for housing finance.

- The methodology of calculation of interest should be made clear and transparent. Interest should be calculated on annual, quarterly or daily diminishing balance. This brings about wide difference between the interest rate quoted and the effective rate of interest. Such confusion relating to this in the minds of borrowers should be avoided.

- Borrowers should be educated properly about the penalties in advance. Prepayment penalty should be avoided. Customers may be given freedom to repay the loan at any time before the agreed tenure.

- Formalities in connection with transfer of loan should be made simple. Borrowers should be given opportunities to change the institution without much cost and delay, if they so desire.

- Efforts should be taken by the institution to make its borrowers aware of the relative advantage of its loan products by preparing a schedule comparing its rate of interest with those of its competitors. This will definitely enhance customer confidence and loyalty.
➢ Customers should be informed of IT enabled services offered by HFIs. Use of such services shall save time and cost of both lenders and borrowers.

➢ Socio-economic profile of the borrowers should be considered while deciding the extent of efforts to be taken for making the customer aware of the products.

➢ Borrowers should be informed of the frequent changes in the interest rate and the revised EMI.

SUGGESTIONS TO THE BORROWERS

➢ The borrowers are advised to take the housing loan after detailed analysis of the terms and conditions included in the loan agreement of the housing loan product.

➢ The housing borrowers should correlate their repayment capacity with the amount of loan before making any decision related to borrowing. This will help them avoid huge penalty for delay and default in payment.

➢ Proper planning should be made by the borrowers to complete their house projects within the time, thereby avoiding cost escalation.

➢ Reduce cost by adopting appropriate technology, using optimal designs, reducing waste and adopting efficient construction management.

➢ To avoid unnecessary delay in getting loan, borrowers are advised to obtain all the necessary documents well in advance.

➢ House property should be properly insured against any possible loss or damage.
Borrowers are advised to take home loan insurance to relieve the family members of the repayment of the loan amount in the event of loss of life of the borrower.

CONCLUSION

In India, the housing sector has multiple linkages, backward and forward with different industries the outstanding housing loans as a percentage of GDP have remained at around 9% in our country, significantly lower than the levels of achieved in most of the advanced economies. With improving demographics and economies of scale, the mortgage to GDP ratio is likely to increase as it offers a strong business case for both lenders and builders. The demand for housing and the availability of the retail housing credit has seen sustained growth, however the supply responses are somewhat muted and do not adequately reflect the nature of growing demand amongst specific segments characterizing the housing shortage in the country. The study also inferred that both the housing finance companies of LICHFL and HDFC doing well on the basis of operationally and financially. The two HFC were offered variety of home loan products towards the customers. The home loan borrowers were absolutely satisfied the services offered by both LICHFL and HDFC in Chennai city.