CHAPTER IV

PROMOTIONAL STRATEGIES OF HOUSING FINANCE INSTITUTIONS AND PROFILE OF NAMAKKAL DISTRICT
CHAPTER IV

PROMOTIONAL STRATEGIES OF HOUSING FINANCE BANKS
AND PROFILE OF THE STUDY AREA

Promotional strategies adopted by housing finance institutions to promote housing finance and profile of Namakkal District are studied in this chapter. Housing finance traditionally has been characterized only low non-performing assets. Given the vast demand for housing loans, almost all the banks devised extremely aggressive marketing campaigns to ramp up the size of their housing portfolios.

4.1 PROMOTIONAL STRATEGIES OF HOUSING FINANCE INSTITUTIONS

The housing finance market specifically, deals with cross-selling of products and services which is popular. Thus a person looking for a housing loan is also offered life insurance, home protection insurance, and other privileges on banking facilities. For a dedicated housing finance company, building up a large network is often time consuming and expensive. Promotional strategies of housing finance institutions are

- Advertisement in print media
- Publicity through agents.
➢ Advertisement in TV, Movie Halls, Cable TV Network.

➢ Mail to customers.

➢ Telemarketing.

➢ Conducting housing loan mela.

➢ Keeping Brochures at the offices and project sites of builders.

➢ Executive builders meet periodically organized by AGM/DGM.

➢ Visit to various Schools/Colleges/Government Departments /reputed private sector companies for making presentations on housing loan scheme.

➢ Establishing Liaison with reputed architects/vaastu specialists.

➢ Developing Liaison with builders by visiting their offices/ project sites.

➢ Banners as strategic locations.

➢ Hoardings at various sites/ projects under construction.

➢ Convince people to buy their own house instead of paying rent.

In addition to the above promotional strategies Housing Finance Companies follow certain special promotional strategies to increase their market share in the home loan sector. Following are the promotional strategies of housing finance banks.

➢ Tap newer segments such as packages for professionals like doctors.

➢ Single clearance of loans up Rs.15 lakhs.

➢ Provide personalized services to customers.
Competitive pricing in terms of lower interest rates and front end charges.

Increase reach by penetrating into rural and semi urban areas.

Improving the credit delivery mechanism and thus reducing the time lag between loan sanction and its disbursement.

Aggressive marketing and greater publicity through, newspaper, websites.

Waiver of processing and administration fees, gift offers and other incentives.

On the spot loan approval without sufficient documentary evidence and loan – to-value ratios that exceeded 100%. This was supplemented by cutthroat competition on the pricing front, with each new player trying to undercut the other.

4.2 GOVERNMENT OF INDIA-PLANS AND PROGRAMMES

The Government of India has launched various programs for providing housing to the people. A broad list of the program launched by the government of India are given below

- Integrated subsidized housing scheme for industrial workers and economically weaker sections.
- Low income group housing scheme
- Subsidized housing scheme for plantation workers.
- Middle-income group housing scheme.
- Rental housing scheme for state government employees.
- Slum clearance and improvement scheme.
- Village housing projects scheme.
- Land acquisition and development scheme.
- Provision of house sites of houseless workers in rural areas.
- Environmental improvement of urban slums.
- Sites and services schemes.
- Indira Aawas Yojana
- Night shelter scheme for pavement dwellers.
- National slum development program.
- 2 million housing program
- Valmiki Ambedkar Aawas Yojana.

4.3 HOME LOAN SCHEMES OF SELECTED HOUSING FINANCE COMPANIES IN NAMAKKAL DISTRICT.

The housing finance companies situated in Namakkal District follow certain promotional strategies to market their loan schemes. Normally borrowers now a days borrow loans from banks only if the bank offers a few additional services. The banks in Namakkal District provide that additional service also. The following are the various schemes of banks.
4.3.1 SBI Home Finance Limited

➢ SBI Provides loans for purchase, to construct a new House or flat and to repair an existing house.

➢ Two Loans may be granted to an individual if he has the capacity to repay.

➢ Take of loans from other banks are subject to certain conditions.

➢ The maximum amount of loan is determined on the basis of borrower’s income, repayment capacity, age, assets & liabilities and cost of the house.

➢ It also sanctions loans more than one. The margins to be maintained for a loan by SBI.

Loans upto Rs. 1 crore 15%

Loans above Rs. 1 crore 25%

Loans of existing house 20%

➢ The processing fee is 0.50% of loan amount

➢ Loans are available in fixed/floating rates and in combination of fixed and floating rates. Loans above Rs. 1 crore are available in floating rates only.

➢ The loan amount is disbursed directly to the suppliers as per the progress of the work only after the complete execution of documents and creation of valid mortgage.

➢ The repayment period for a loan for borrowers up to 45 years of age is 20 years period of repayment period and for borrowers over 45 years of age is 15 years of repayment period.
➢ The borrowers must compulsorily insure the building against risk.

➢ Housing loan borrowers can avail 50% concession on all types of personal remittances and collection of outstation cheques of the borrowers and his spouse, as long as the account is regular.

Additional benefits given to housing loan customers are

- Free SBI credit card.
- Free Internet banking and ATM cards.
- Free accident insurance cover.

➢ Various concessions in margins, interest rates are offered depending on value of business connections.

### 4.3.2 INDBank Housing Limited

The Indian Bank is the Lead Bank of Namakkal District.

➢ It sanctions loans 36 times of gross monthly income or 60 times of monthly net income.

➢ The margin of 15% for new construction and 30% of margin for repairs.

➢ The maximum repayment period permitted is 240 months for a new house and 120 months for repaired house.

➢ The interest rate varies from 8.75% to 11.00%. It follows both the methods of interest of Fixed and Floating interest.
➢ The Bank charges 0.25% as processing charges and another 0.25% as administrative fees.

4.3.3 Canfin Homes Limited (CFHL)

Canara Bank provides housing loan assistance to customers in the following manner.

➢ It provides housing loan assistance for taking over the housing loan liability from other recognized housing finance companies, housing Boards, co-operative Banks, Co-operative Societies and commercial banks at prevailing low rate of interest and also construction, purchase, repair of old houses.

➢ The loan amount is 4 years of gross salary or gross annual income.

➢ The maximum amount of loan is Rs. 1 Crore for a new house Rs. 7.5 Lakhs for repairs of building.

➢ The margin amount maintained by the customer for a new house is 15% and old houses is 20%

➢ The maximum repayment period is 20 years.

➢ The interest rate varies from 8.50% to 10.00%

➢ The processing fee is 0.50% of the loan amount subject to a minimum of Rs. 500.
4.3.4 HDFC Limited

HDFC has been working for the past 29 years in the field of housing finance with 26 Lakh customers. The salient features of HDFC housing finance are

➢ It provides Door step housing service through sales executives.

➢ It provides home loans in the form of home improvement loans, home extension loans, loan to professionals for office or clinic, home equity loans, and loan against rent receivables.

➢ The rate of interest for the home loan is given on two bases i.e: Adjustable rate, fixed rate.

➢ Two loans may be given simultaneously.

➢ Customers are permitted to change their installment plans.

➢ It has 2400 branches all over the country.

➢ The customers are permitted to repay the loans at any office.

➢ Processing fees is 0.50% of Loan amount.

➢ Maximum amount of loan permitted for a customer is Rs. 1 Crore (or) 85% of asset value.
4.3.5 ICICI Home Finance Company Limited

ICICI is the one of the largest home loan providers in India. Home loans are given for the purpose of First purchase ready in construction, under construction property, purchase in resale, and self-construction. The salient features of ICICI home loans are

- Loan on phone is given for the existing relationship of the customer with ICICI Bank.
- Maximum period of home loan is 25 years.
- For home loan seekers free personal accident insurance is extended.
- Maximum amount of loan is 85% of cost of property or Rs. 1 Crore whichever is less.
- The processing charges for a loan in 0.50% of loan amount or Rs 2000 which ever is higher.
- Prepayment charges for making advancement of installment is 2% of prepayment amount.
- Charges for the late payment of installment is 2% of overdue amount.

4.3.6 Life Insurance Corporation Housing Finance Limited (LICHFL)

LIC is the only insurance institution providing large amount in the form of housing finance. The following are the features of LICHFL.
The minimum loan amount is Rs. 25,000 and maximum loan amount is Rs. 1 crore or 85% of total cost of construction.

The processing charges for an loan application is 1% of loan amount.

The maximum period of loan for home loan seekers is 25 years.

LICHFL is the only institution for quick approval of housing loans.

Now LICHFL is having 5 lakh home loan customers.

Loans up to Rs. 5 crores are given to building contractors.

For making advancement of installment the customers have to pay 1.50% of advancement amount as charges.

4.3.7 Dewan Housing Finance Limited (DHFL)

It is one the largest home loan providers in the private sector. The following are the product quality of DHFL.

DHFL offers home loans to individuals, Co-operative societies, corporate and association of persons.

It sanctions loans up to Rs.1 crore or 85% of the cost of property.

It arranges insurance plan to cover the damage caused to property due to natural disaster.

50% waiver of service charges if the customers have selected the property through them.
4.4 PROFILE OF NAMAKKAL DISTRICT

Namakkal lies at the foot of a rounded mass of white genesis whose construction is attributed to one Ramachandra Nayak, the poligiar of Sendamangalam, a bientinenet of Tirumala Nayak of Madura before 1780 A.D. Namakkal was in the hands of an Atikula King called Gunasila who had marriage with a Pallava shoals in the 9th century and passed on to Vijayanagar under the Viuroyultry of Madura. Namakkal was held by a Killendhar (caption) of Hyder Ali until it was captured by the British in 1768. It was retaken by Hyder Ali a few months afterwards and was lost again to British in 1792. It contains the ruins of a Vishnu temple dedicated to Ethiriliperumal (peerless) with an inscription of Sadaya Varman Sundra Pandyan.

Namakkal district is having all the potentialities and possibilities to promote agro and forest based industries, animal husbandry, mineral, textile, transport and engineering industries. This district has achieved a tremendous progress in the field of industrialization in the past few years. This district comprises 2 divisions viz., Namakkal and Tiruchengode, 4 Taluk, Viz., Namakkal, Paramathy Velur, Tiruchengode and Rasipuram and 15 Blocks in this district.

The district consists of three municipalities viz., Namakkal, Tiruchengode and Rasipuram and 454 villages. The district head quarters Namakkal is situated
on NH7 which is well connected to important cities like Madurai, Chennai, Bangalore, and about 60 km from Salem. Rail connectivity through Namakkal district is in progress. The entire Namakkal district is totally electrified. 449 villages and 1803 hamlets have been electrified. Transport facilities in Namakkal district are adequate. Even small hamlets are connected with one another. Even though the Kolli hills is a hill area the entire hill area is covered with ring roads. Introduction of mini bus service facility fulfils the needs of every small hamlet of this district.

Handloom and power loom weaving are predominant in the district, particularly in Tiruchengode and Rasipuram regions. Nearly 176 sago factories are located in and around Rasipuram taluk. Ghee production is also famous in Rasipuram taluk. The district finds a place of importance in the industrial map of India because of its Lorry Body Building industry. More than 150 Lorry Body building workshops with a number of subsidiary industries of auto body works run in the district. Namakkal town is also called transport city. As a good number of poultry units have been well established throughout the district, the poultry industry plays a very important role in the development of the district, Namakkal is also known as “Egg City”.

The banking structure in the district consist of 22 commercial banks with 103 branches. Besides, 25 branches of Salem district central co-operative bank with its 168 affiliated primary agricultural co-operative Banks and the 7 primary
co-operative agricultural and rural development banks and one branch office of TIIC provide support for meeting the credit needs of the industries in the district. The overall credit deposit ratio of all the agencies was 57% as on 31 March 2006.

This chapter gives a comprehensive picture on promotional strategies of housing finance banks and profile of Namakkal District. The promotional strategies nowadays play an important role for marketing of housing finance schemes. All the housing finance companies can improve their portfolio by adapting proper promotional strategies.