A Study on Home Loan Services Offered By Commercial Banks with Special Reference to Coimbatore District

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Abstract: Housing Finance Sector in India can be classified as one of the sunshine sectors as it rides on a host of structural factors that are expected to continue fuelling growth in the sector for years to come.The demand of home loans is ever increasing and with several private and publicsector banks into the field, the competition to grab customers is on the cards and thus promises of better and faster services for customers becomes need of the hour.Since the competition is intense among banks for home loans, it is important for them to understand the customer's expectation to serve them better and gain the market share. Hence, the research questions were centred around awareness and the satisfaction level of customers about the home loans offered by the banks and also about the problems faced by customers in availing home loans.

Keywords: Housing Finance, Satisfaction, Awareness, Problems, SEM

I. INTRODUCTION

Housing Finance, one of India's fastest growing sectors, is perceived to be the third most impactful industry which contributes to the economy. Accounting for 9 per cent of India's GDP and capital formation, the housing finance industry has tremendous future potential. The potential for housing finance is tremendous supported by driving factors such as population expansion, rising disposable incomes, personal income tax benefits, increasing urbanisation, and economic growth of tier II and tier III cities, consistent focus of the government to promote housing and benign regulatory environment encouraging growth in this segment. Sensing this opportunity, many banks have created a separate housing finance division for offering home finance suitable for different categories of the client in terms of product, process and service.

The Housing loan Portfolio rose from Rs.8.7 Lakh Crore in FY14 to Rs.15.1 Lakh Crore in FY17. Commercial Banks have emerged as the primary housing finance providers with a combined share of around 60 per cent of the total housing loans outstanding in India. Banks maintain a sizeable share of the market through their competitive interest rates, their extensive branch network and customer base, access to stable low-cost funds, and the requirement to meet priority sector lending targets etc. The relative safety in financing a house and the far-reaching changes have led to emergence of new players in the housing finance market creating a competitive intensity in the industry.

Hence, every bank has designed special home loans schemes to cater to the needs of different types of the clients and the customers in turn select the best financial institution that satisfy their requirements. The requirement of the customer is influenced by the demographic variants like age, gender, marital status, occupation, monthly income, property cost, knowledge about housing loans, purpose and duration of loan, loan amount availed etc. Hence it become importance for the bank to understand the level of awareness, satisfaction and problems faced by the customer to increase their market share. Since the housing finance portfolio is dominated by few banks like State Bank of India, Axis Bank, HDFC bank, these three banks are considered for the purpose of the study.

II. OBJECTIVES OF THE STUDY

- To study the various factors influencing the customer's decision towards the selection of particular commercial bank for availing home loans.
- To analyse the awareness, problems and satisfaction level of the customers with respect to home loans offered by the select commercial banks.

III. REVIEW OF LITERATURE

Kasthuri (2016) studied the customer perceptions and satisfaction towards the home loans offered by public sector banks. 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-tapism. 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 instalments.

Pushpa and Kanwar (2012) evaluated the housing loan schemes offered by various financial institutions and also studied the customer's response regarding housing loans and their level of satisfaction and problems faced by them while dealing with the bank. The study revealed the fact that the customers are attracted towards the lower interest rate and processing fee of private sector banks and they are not satisfied with the service quality of the public sector banks. Hence the customers preferred private sector banks when compared to

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public sector banks.

Aarti Varma (2015) studied the customer perception towards home loan and their satisfaction level towards the home loan services offered by banks. The study revealed the fact that customers felt home loan procedure is difficult and time consuming and they look at interest rate and service quality as major factors in opting for home loan. More home loan schemes, less procedural delays, better distribution setup, lesser documentation formalities, loan transparency would enable the consumers to enjoy the complete benefits of home loans without any hazards.

Gomathi (2014) states that the home loan market in India has grown at a rapid and alarming rate of over 40% over the period of the last four years (2011-14). There are several reasons that can be considered as having attributed to the growth of the home loan market. On the demand side, the first and the most important factor for the growth has been faster rise in incomes as compared to property prices, thus making housing more affordable. Most of the housing finance companies in India have introduced several new home loan products in order to meet the needs of a wide variety of customers. There are various home loan schemes and the customers can choose those schemes which he feels is good for him and have the capacity to repay it on that specified time period.

Rashmi and Yasmin (2011), analysed the perception of customers towards home loans and the research reveals the fact that customers of the bank were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, lesser interest rates, easy repayable instalments, employee co-operation and query handling etc. except for some problems like procedural delays, lack of knowledge and red-tapism. The high level of customer trust and differentiated services are the success factors for the bank.

Prabha and Ramphool (2014) stated in their research that public sector banks are very popular due to low interest rate and the trust people have on it. However, the younger generations prefer private sector banks for the services and facilities provided by them and also attracted by the infrastructure of the private banks. Nowadays, public sector banks also provide better services and also provide up to date information to its clients through SMS and internet banking. The study revealed that public sector banks are the most preferred bank by the majority of the people.

IV. SAMPLE DESIGN AND TECHNIQUE

A descriptive research has been undertaken for the study. For the purpose of the study, universe comprises of the customers who have already availed home loans from the select commercial banks of Coimbatore District. The sample size selected for the study is 262 respondents and they are picked on the basis of convenience sampling. The instrument used to collect primary data was through a structured questionnaire drafted to identify customer's satisfaction level and problems faced by the customers. The secondary collection of data is done through information collected from the annual reports of the respective banks, published journals and reports on trends,

books, and website and also through information collected from the select bankers.

V. DATA ANALYSIS

The tool used for the purpose of study is Structural Equation Model. It helps to integrate and design precisely the possible factors addressing the need. In order to achieve the correlation, the suitable conceptual model is developed. It also helps to reveal the most influential factor among commercial banks.

The selected variables under Awareness namely, loan, process and service are subjected to correlation analysis. Similarly, the variables of problem viz., loan, process and service constituting problem are also tested. A similar test is conducted with the factors vis-à-vis., loan, process and service under satisfaction.
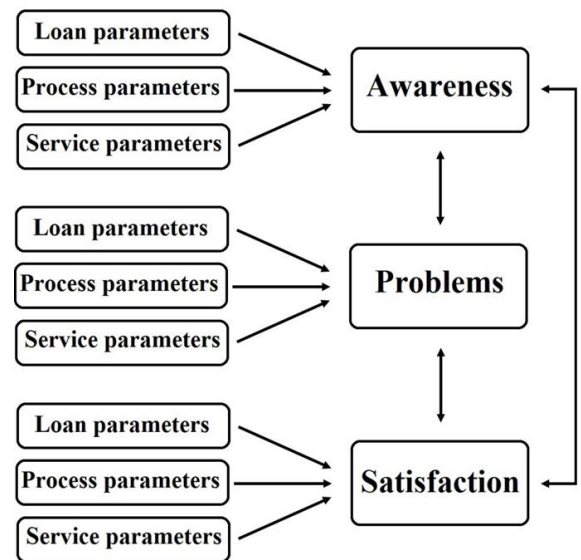

Fig. 1. Conceptual model of commercial banks

In reference to model fit, researchers use numerous goodness-of-fit indicators to assess a model. Some common fit indices are the Normed Fit Index (NFI), Non-Normed Fit Index (NNFI, also known as TLI), Incremental Fit Index (IFI), Comparative Fit Index (CFI), and Root Mean Square Error of Approximation (RMSEA). In general, TLI, CFI, and RMSEA for one-time analyses are preferred (Schreiber et al, 2006). However, this study reports most of goodness-of-fit measures can be found in Model Fit Summary.

TABLE I
LIKELIHOOD RATIO CHI-SQUARE

Model	NPAR	CMIN	Df	P	CMIN/DF
Default Model	30	42.430	24	0.001	2.768
Independence Model	18	1560.592	36	0.000	43.350

Starting with relative Chi-square CMIN/DF, also called normal Chi-square, normed Chi-square, or simply Chi-square to df ratio, is the Chi-square fit index divided by degrees of freedom. This is an attempt to make model chi-square less

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dependent on sample size.

Carmines and McIver (1981) stated that relative Chi-square should be in the 2:1 or 3:1 range for an acceptable model. Ullman (2006) says 2 or less reflects good fit. Kline (1998) says 3 or less is acceptable. Some researchers allow values as high as 5 to consider a model adequate fit while others insist relative Chi-square should be 2 or less. Less than 1.0 is poor model fit. A value below 2 is preferred but between 2 and 5 is considered acceptable. Relative Chi-square (CMIN/DF) for default model (measurement model) of this study is 2.768 (Table), which is acceptable. However, many researchers who use SEM believe that with a reasonable sample size (ex., > 200), other fit tests (ex., NNFI, CFI, RMSEA) also should be considered to avoid of blindly acceptance or modify the model.

TABLE II
BASELINE COMPARISON

Model	NFI Delta 1	RFI Rho 1	IFI Delta 2	TLI Rho 2	CFI
Default Model	0.973	0.959	0.988	0.982	0.988
Saturated Model	1.000		1.000		1.000
Independence Model	0.000	0.000	0.000	0.000	0.000

By convention, CFI should be equal to or greater than 0.90 to accept the model, indicating that 90% of the co-variation in the data can be reproduced by the given model. However, CFI of this study model is 0.988.

TABLE III
PARSIMONY – ADJUSTED MEASURES

Model	PRATIO	PNFI	PCFI
Default Model	0.667	0.649	0.659
Saturated Model	0.000	0.000	0.000
Independence Model	1.000	0.000	0.000

Incremental Fit Index (IFI) also should be equal to or greater than 0.90 to accept the model. IFI of this study is reported at 0.988. Normed Fit Index (NFI) was developed as an alternative to CFI, but one which did not require making chi-square assumptions. "Normed" means it varies from 0 to 1, with 1 = perfect fit. NFI reflects the proportion by which the researcher's model improves fit compared to the null model (uncorrelated measured variables). Reported NFI for in this study is 0.973. Tucker-Lewis Index (TLI) or Non-Normed Fit Index, is similar to NFI, but penalizes for model complexity. Marsh et al. (1988) found TLI to be relatively independent of sample size. TLI close to 1 indicates a good fit. Rarely, some authors have used the cutoff as low as 0.80 since TLI tends to run lower than GFI. However, Hu and Bentler (1995) have suggested TLI >= 0.95 as the cutoff for a good model fit and this is widely accepted as the cutoff. TLI values below 0.90 indicate a need to re-specify the model. As shown in Table No.2, TLI of this study model is 0.982 and therefore, it has to be specified model. Relative Fit Index (RFI), also known as RHO1, is not guaranteed to vary from 0 to 1. However, RFI close to 1 indicates a good fit. Reported RFI for this model is 0.959. Parsimony-Adjusted Measures Index (PNFI) also shown in Table-3. There is no

commonly agreed-upon cutoff value for an acceptable model for this index. By arbitrary convention, PNFI>0.60 indicates good parsimonious fit or use >0.50. In case of this study, PNFI is 0.649 which is acceptable.

Root Mean Square Error of Approximation (RMSEA) given in Table-4 is also called RMS or RMSEA or discrepancy per degree of freedom. RMSEA is a popular measure of fit, partly because it does not require comparison with a null model. It is one of the fit indexes less affected by sample size, though for smallest sample sizes it overestimates goodness of fit. By convention there is good model fit if RMSEA is less than or equal to 0.05, there is adequate fit if RMSEA is less than or equal to 0.08. Hu and Bentler (1995)have suggested RMSEA less than or equal to ≤ 0.06 as the cut off for a good model fit.

TABLE IV
ROOT MEAN SQUARE ERROR OF APPROXIMATION

Model	RMSEA	LO90	HI90	PCLOSE
Default Model	0.054	0.026	0.081	0.367
Independence Model	0.403	0.386	0.420	0.000

There appears to be universal agreement that RMSEA of 0.10 or higher is poor fit. RMSEA is normally reported with its confidence intervals. In a well-fitting model, the lower 90% confidence limit includes or is very close to 0, while the upper limit is less than 0.08. RMSEA in Table-4 is 0.054. It is accepted.

Hoelter's critical N, also called the Hoelter index, is given in Table-5 and is used to judge if sample size is adequate.

If you are using *Word,* use either the Microsoft Equation Editor or the *MathType* add-on (http://www.mathtype.com) for equations in your paper (Insert | Object | Create New | Microsoft Equation *or* MathType Equation). "Float over text" should *not* be selected.

TABLE V
HOELTER INDICES

Model	HOELTER 0.05	HOELTER 0.01
Default Model	225	265
Independence Model	9	10

By convention, sample size is adequate if Hoelter's N is greater than > 200. However, Hoelter's N under is considered unacceptably low to accept a model by Chi-square. Two N's are output, one at the 0.05 and one at the 0.01 levels of significance. This throws light on the Chi-square fit index's sample size problem. In this study, Hoelter index is acceptable as it is in range (225 - 265).

TABLE VI
MODEL FIT SUMMARY

S. No.	Test Factor	Value	Criteria*	Result
1	Chi-Square	42.430	P<0.001	1% level
2	Chi-Square / df(13)	2.768	2.0–5.0	Good Fit
3	CFI (Comparative Fit Index)	0.988	>0.90	Good Fit
4	NFI (Normed fit Index)	0.973	>0.90	Good Fit
5	TLI (Tucker-Lewis Index)	0.982	>0.90	Good Fit
6	RMSEA (Root Mean Square Error of Approximation)	0.05	<0.07	Good Fit

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Testing a measurement model should have a complete structural model first. If the fit of the measurement model is found acceptable, then one should proceed to test the structural model. The structural equation model was designed to assess the construct validity by using the maximum likelihood method. The confirmatory test result showed good fit as shown in the following model fit summary table.

VI. RESEARCH HYPOTHESIS

Research hypothesis have been defined on the basis of the model fit summary outlined above and based on the literature on Commercial Banks. On the basis of the model presented earlier, the following null hypotheses are proposed:

To study the degree of relationship between the awareness and its dimensions.

H1-H3: There is no significant association between the selected variables viz., Loan, Process and Service towards the influence of Awareness on home loans.

To study the degree of relationship between the problem and its dimensions.

H4-H6: There is no significant association between the selected variables viz., Loan, Process, Service and Problem faced by the bank customers.

To study the degree of relationship between the Satisfaction and its dimensions.

H7-H9: There is no significant association between the selected variables viz., Loan, Process, Service and Satisfaction towards home loans.

Regression weights between variables are shown in the following path diagram of the formulated model:

TABLE VI
FORMULATED MODEL - REGRESSION WEIGHTS

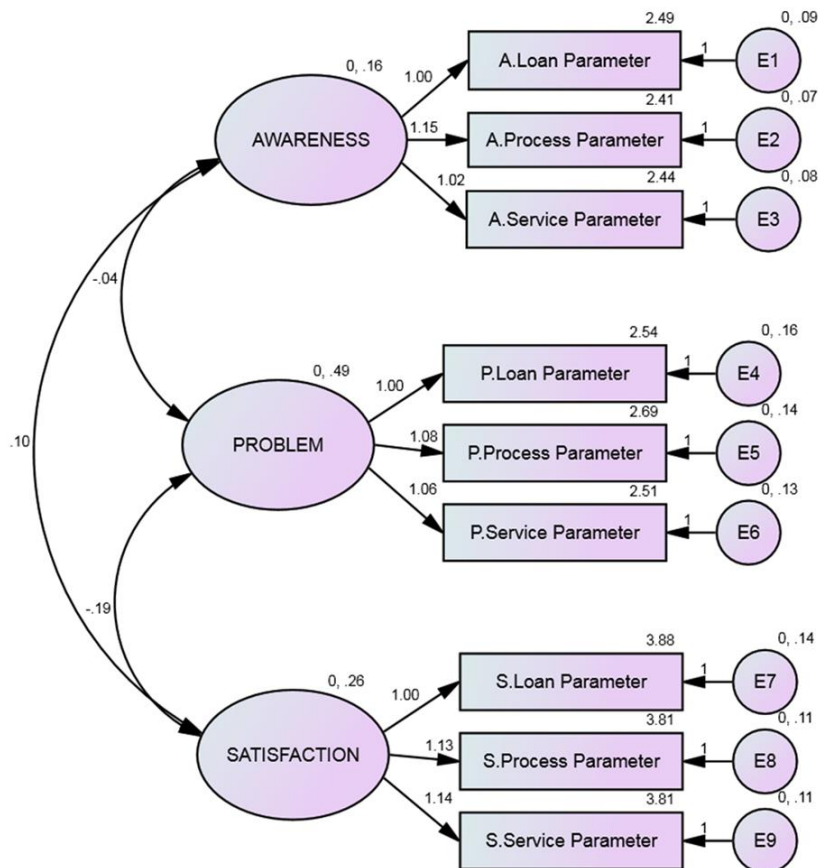| Hypo. No.	Endogenous Variable	Exogenous Variable	Estimate	S.E.	C.R.	'p' value
H_1	Loan Parameters	Awareness	1.000			0.000**
H_2	Process Parameters	Awareness	1.153	0.079	14.564	0.000**
H_3	Service Parameters	Awareness	1.017	0.073	13.941	0.000**
H_4	Loan Parameters	Problems	1.000			0.000**
H_5	Process Parameters	Problems	1.083	0.056	19.466	0.000**
H_6	Service Parameters	Problems	1.061	0.054	19.615	0.000**
H_7	Loan Parameters	Satisfaction	1.000			0.000**
H_8	Process Parameters	Satisfaction	1.132	0.071	15.887	0.000**
H_9	Service Parameters	Satisfaction	1.138	0.074	15.366	0.000**

Note: ** - Significant at 1% level

Fig. 1. Conceptual model of commercial banks

It could be found from the analysis that all the exogenous variables are significantly associated with the respected endogenous variables.

In the case of Awareness, all the exogenous variables like Loan, Process and Service are in positive association with the awareness. Among the three selected exogenous variables, 'Process' seems to be the most influential of all the factors.

In the case of Problems, all the exogenous variables like Loan, Process and Service are in positive association with Problem. Among the selected exogenous variables 'Service' seems to be the most influential of all the factors.

While analyzing the Satisfaction, all the exogenous variables like Loan, Process and Service are in positive association with the Satisfaction. Among the three selected exogenous variables "Process" seems to be the most influential of all the factors.

VII. INFERENCE

It is clear from the above analysis that process parameter is the most influential factor for the customers in the selection of the bank for their home loans followed by service.

VIII. SUGGESTIONS

- Banks should have a clear process note in their website about the loan process followed by them right from the application stage till property hypothecation, so that customers will gain better knowledge and also they follow the prescribed process.
- Quick sanction of loan, timely communication of loan status to customers, professionalized bank staff in addressing customer queries, transparency in loan information and efficient after sale customer service will ease out the problems faced by the customers while availing home loans.
- Easy loan application procedure, simplified loan sanction and legal/technical process, quick loan disbursement and timely property registration assistance will increase the satisfaction level of customers availing home loans.

IX. CONCLUSION

Customer is the key for success of any product. Hence, the bank should ensure differentiated product, flawless process and efficient customer service to capture the mind share of the client and to ensure customer delight.

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