International Journal of Banking, Risk and Insurance
7 (2) 2019, 13-19
http://publishingindia.com/ijbri/

Submitted: 10 April, 2019
Revised: 31 May, 2019
Accepted: 05 June, 2019

Managing Satisfaction for Home Loan in Public Sector Banks of India

Ajitabh Dash*

Abstract

Purpose: The purpose of this paper is to explore and predict the relationship between factors affecting customers and their overall satisfaction level with home loan service extended by public sector banks in India. *Design/methodology/approach:* A self-administered questionnaire was designed to use in collecting opinions from the randomly selected sample respondents residing in Odisha during 2016. The collected data are analyzed using appropriate statistical tools through SPSS (Statistical Package for Social Sciences). *Findings:* The results of the study explored three factors namely employee behaviour, process and scheme of home loan, and also confirmed their significant relationship with the satisfaction of consumer through exploratory factor analysis and multiple linear regression analysis. *Originality/value/practical implications:* Potential contribution of this study is to conclude that the public sector banks should emphasize more on employee behaviour along with the process and scheme of home loan to ensure and enhance the satisfaction level of their customers. *Research limitations:* The main limitation relates to the fact that the study mainly covered a sample drawn from the public sector banks operating in Khurda, Cuttack, Berhampur and Puri Districts of Odisha state only. The findings of the study will be restricted to the opinion of (sample size) individuals only which may not be generalised. The study will focus on business segment only. Performance of public sector banks in home loan segment only.

Keywords: Customer Satisfaction, Home Loan, Public Sector Banks, Employee Behaviour, Process, Scheme

Introduction

The housing is one of the basic needs of the people as it ranks next to food and clothing. A certain minimum standard of housing is essential for a healthy and civilized living. Thus, the priority has to be given for the development of housing in a country. The human settlements have a lot of impact on environment. It is a tool for modern economic development. The census records of India exhibit that there was no deficit-housing problem in India till the first half of the century. In 1901, there were 55.8 million houses for 54 million households showing a surplus of 1.8 million houses. This surplus situation continued till 1941. It was only after 1951 that the deficit trend started and is continuing with an escalating magnitude. In 1971, the total number of households was 100.4 million and the number of houses was 90.7 million, showing a deficit of 9.7 million. The housing shortage in 1991 was about 31 million units. The housing shortage during 2001 was 41 million. The estimated housing stock requirement in the country by 2021 is about 77 million in urban areas and 63 million in rural areas.

The increasing number of houses and a rising trend in the size of the households has contributed to the shortage of housing stock in the urban areas. Only 20% of the

* Assistant Professor, Department of Marketing Management, Bharatiya Vidya Bhavan's Usha and Lakshmi Mittal Institute of Management, New Delhi, India. Email: ajitabh001@gmail.com

Indian population lived in urban areas in 1970 (UNDP, 1998). The urbanization is expected to increase still. This resulted in an estimation of 36% of the population to live in urban areas by 2015.

In India, there is a very widening gap between the supply and demand for housing. There is an urgent need to modify the policy, on one hand, and look for an innovative approach for construction of houses, on the other hand, to reduce the deficit. The government of India had introduced schemes and projects for housing problem in every 5-year plans. The national housing policy formulated by the government of India takes into account the developments on national and international scene on shelter sector. The adoption of National Housing Policy by the Parliament in 1994 was a landmark step in promoting housing development in the country. The policy, in its endeavour, has reduced the deficit of housing to some extent. It envisages a major shift in the government's role towards being a facilitator rather than being a provider.

The working group on urban housing for the ninth plan gave a thrust to housing development and a targeted construction of 8.87 million housing units. The National Housing and Habitat Policy 1998 emphasized on housing for all by the end of 2007 (Peter D F Cardozo). This would have been achieved with the help of public and private firms and corporate sectors. The rapid urbanization and a changing socioeconomic scenario led to a greater demand for housing. This led to an exponential growth in housing finance market.

Indian Home Loans Industry

Indian home loan industry is developing at a quick pace of 30% for every annum, which has appeared in the measurements with normal ticket estimate (advance size) and amount dispensed is rising each year the open doors have turned out to be more overwhelming for various association in India. The request drivers are quickly developing white-collar class populace, ascend in working ladies' workforce, greater goals of youth, tax sparing, and transparency in the land showcase. Keeping in mind the end goal to comprehend the current patterns, we have to know or comprehend different components. These variables assume fundamental part in Indian home credit advertise. These incorporate financing cost on which banks give home advance, assess refund on home advance, and its effect. Aside from this to comprehend the current pattern, we have to think about the patterns of home credit of various years. Here, we have looked at the premium and other market patterns of year 2010 with 2009–10. This sort of correlation gives the outcome which causes us to comprehend the patterns of market of any industry. The effect of present and past financial ups and down also influence the patterns. Today, the US lull is a significant issue which has influenced all the business. So, we have likewise talked about this issue in wording to characterize pattern of home credit advertise in India.

Literature Review

Goyal and Joshi (2011) have deduced in their study on 'Social and Ethical Aspects of Banking Industry' that banks can extend themselves as a social and moral-oriented association by just dispensing credits to those social, moral and ecological concern associations.

Kumar and Gulati (2010) examined at the centrality of the possession on the Indian local banks adequacy. Data Envelopment Analysis (DEA), which is a non-parametric, deterministic and straight programming based system, was utilized to register open and private division banks effectiveness score. The operational cross-sectional information of the general population and private area banks amid the money-related years 2005–06 and 2006–07 was utilized and it was found that: (1) de nova private division banks command the development of effective boondocks of Indian household saving money industry; (2) primarily, the entire specialized wastefulness stops from administrative inadequacy rather than scale wastefulness; and (3) though the general population and private part banks' productivity contrasts have been noted, in a large portion of the cases these distinctions are measurably insignificant. Overall, it is reasoned that industry possession is incapable in the Indian local saving money industry.

Naveen K. Shetty and Dr. Veerashekharappa (2009) studied the significance of microfinance in achieving money-related incorporation. The paper concentrates on effect of the expanding hole sought after and supply of money-related administrations in India which has prompted the expanding populace of the nation to be avoided from the formal budgetary credit framework on housing advance.

Kerry D (2008) stated that during 1998–2008, there was a sharp ascent and thereafter there was a surprising drop in the home costs. Financial basics were the fundamental purposes behind these adjustments in home costs. Thus, the issue was not a result of subprime loaning, but rather emotional diminishments in the Fed, a short time later amid the early mid-2000 there was an expansion in the rates of premium, the development of housing was engaged in the business sectors where there were critical supply-side limitations, that able to be more value unpredictable. Likewise, the issues laid in light of expansion and decline of certain home loan items, instead of credit lack.

Sendhilvelan and Karthikeyan (2007) RBI has expressed that the development towards general keeping money ought to have speedier dependability and proficiency of the budgetary framework, yet without anyone else it cannot give a viable or feasible answer for the operational issues of individual organizations emerging from credit capitalization, abnormal state of NPAs vast resources liabilities crisscross, liquidity and so forth. However, in a business sector driven economy to confront the opposition one variable is the size. Subsequently, the passage of universal banks is unavoidable for the general monetary advancement of our nation. There is most likely step by step we are moving towards the administration of a couple of substantial banks from the administration of numerous little banks. This illustration is accomplished with the idea of widespread managing an account which surely fortifies the banking sector.

Talwar (1996), in an article on the present saving money situation and the requirement for an arrangement change, opines that a noteworthy concern tended to by managing an account segment change is the strengthening of the budgetary wellbeing of banks. The presentation at prudential standards is better money-related order by guaranteeing that the banks are aware of the danger, benefit of their loan portfolios.

Boyd's (1994) study closes on rate of interest charged on advances, enthusiasm on bank accounts, and notoriety. All these interest have played an essential part for customers and money-related execution of a bank in business sector. However, customers likewise mind other criteria, for example, the amount of agreeableness of representatives, item, online offices, paper work and postliminary.

Vidhyavadhi. K. (2002) evaluated the performance of housing finance institutions on certain selected business parameters as well as through an opinion survey over the home loan seekers and concluded that apart from interest rate advertisement, service quality, courtesy and speed of service are certain other important dimensions affecting the growth of housing finance industry.

Jasmindeep Kaur Brar and J. S. Pasricha (2005) directed a study to look at the feeling of the customers with respect to housing advance offered by five primary foundations (HDFC, LICHFL, SBHF, PNBHF and House Fed) in the condition of Punjab. The study uncovered that the customers of 3 out of 5 foundations were impassive regarding the administrations gave by the organization yet the customers of different establishments were apathetic with respect to the administrations rendered by the foundation. The customers of every one of the foundations were of the perspective that in spite of the falling financing cost administration, every one of the organizations charged high rate of interest.

Praveen Gupta (2005), in his article, "Housing Finance Companies – An Insight into Regulatory Aspects", expressed that HFCs, both out in the open and private divisions, assume an essential part in giving housing money in India. He fundamentally assessed some key administrative angles relating to HFCs in the light of different mandates and rules issued by the NHB.

Objective of the Study

The present study has been designed with the following objectives:

- To explore the factors affecting performance of home loan portfolios.
- To examine the relationship between the factors affecting performance of home loan portfolios and overall satisfaction of the beneficiaries.

Hypothesis for the Study

In light of the research objectives, following hypotheses are developed.

H1. There is a significant relationship between the factors affecting performance of home loan portfolios and overall satisfaction of the beneficiaries.

Sampling Design

For the purpose of the study, opinions from 300 customers are collected at random. Judgmental sampling was adopted in the selection of banks for customer by selecting only branches in Odisha with Personal Segment Divisions.
To measure the effectiveness and review the strategies adopted for home loan, 90 bankers from public sector banks in Odisha were interviewed. The selected bankers belong to the same branches whose customers were selected for the study.

Selection of the Banks

We have selected that approximately 25% commercial banks from public sector banks have a maximum level of branch automation and provide most of the lucrative home loan schemes in Odisha. For the selection of banks, we have conducted primary investigation to underlie the performance of public sector banks in Odisha. We found that State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank and IDBI Bank Ltd., from public sector, are providing best of the best home loan scheme to their customers; thus, they are selected for our study.

Exploring the Factors Leading Towards Customer Satisfaction with Home Loan

Few factors affecting the behaviour of home loan seekers are obtained by using data reduction method (factor analysis). The factor analysis normally aims to identify the important factors leading to desired output, but before applying the factor analysis, it is imperative to verify the strength of the factors, their reliability and correlation values; to find these aspects, the KMO and Bartlett's test have been done and exhibited in the table.

Sampling Adequacy

In order to establish the strength of factor analysis, the sampling adequacy is checked using Kaiser-Meyer-Oklin (KMO) test and the results are presented in the table given below.

Table 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.813
Bartlett's Test of Sphericity	Approx. Chi-Square	6584.813
	df	120
	Sig.	.000

From Table 1, it is found that the Value of KMO statistics is greater than 0.5, indicating that factor analysis can be employed for the given set of data. The overall significance of the correlation matrix is checked using Barlett's test of spericity and it is found that the chi-square value is 6584.813 and the p-value as computed is 0.001, which supports the validity of the factor analysis.

For further investigation, three factors having Eigenvalue greater than one are extracted. The Eigenvalue of the three factors along with their cumulative percentage of variance explained is shown in Table 2.

Table 2: Total Variance Explained

Component	*Initial Eigenvalues*			*Extraction Sums of Squared Loadings*		
	Total	*% of Variance*	*Cumulative %*	*Total*	*% of Variance*	*Cumulative %*
1	7.137	44.604	44.604	7.137	44.604	44.604
2	2.712	16.951	61.555	2.712	16.951	61.555
3	1.425	8.904	70.459	1.425	8.904	70.459

Extraction Method: Principal Component Analysis.

The result of the factor analysis using principal component method shows that 70.459% of the total variance is explained by classifying these 16 variables into tree components or factors. The percentage of the total variance is used as an index to determine how well the factor solution accounts for what the variables together represent.

The first factor F1 is the most important factor which explains 44.604% of variance before rotation. The second factor F2 is the second major factor which explains about

16.951% of the variance of the variables. The third factor F3 explains about 8.094% of the variation.

Table 3 gives the factor loading of the variables under each of the six extracted factors. In order to interpret the results, a cut-off point of 0.5 is decided for each variable to group them into factors by forming a rotated component matrix.

Table 3: Rotated Component Matrix[a]

	Component		
	1	*2*	*3*
Dealing staff members have enough knowledge	.864		.218
Variety of home loan schemes are available	.843		
Forms are simple and easy to fill in	.837		.293
Dealing of Staff members are Courteous	.822		
Home Loan schemes flexible	.801		.280
Rate of interest, Processing Fees and Other Charges are reasonable	.797		.250
Staff members are helpful	.783		
Time taken in processing of loan is less	.774		.408
Dealing of Staff members are responsive	.739		.334
The problems have been solved within a reasonable time and with Satisfaction		.831	
Bank understands the specific problems faced by me		.830	
Eligibility criteria (age. Income, number, of dependents etc.) are reasonable		.823	
The margin money requirements / security requirements are reasonable		.808	
Instalment amount is affordable			.792
Tenor of home loan schemes are long and convenient			.762
Innovative services are introduced by the Bank so often	.420		.746

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.[a]

a. Rotation converged in 4 iterations.

The first factor F1, having nine significant factor loadings, can be named as "Employee behaviour". The second factor F2, having four significant factor loadings, can be named as "Process" and the third factor F3, having three significant factor loadings, stands for "Scheme of home loan".

Effect of Factors Associated with Home Loan on the Overall Customer Satisfaction

After re-examining the factors associated with satisfaction home loan, multiple regression analysis is used to assess the impact of each factor on the overall customer satisfaction in public sector commercial banks.

Model for Multiple Regression Analysis

$CS = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e$

CS = Overall Customer Satisfaction

X1= Employee behaviour

X2= Process,

X3= Scheme of home loan,

In this model, "α" is a constant and βs are the coefficients whose worth will be estimated and "e" refers to the error. Here, overall customer satisfaction is the dependent variable whereas employee behaviour, process and scheme of home loan are independent variables.

The statistical hypotheses for the significance of the regression model are taken as follows:

H0: The relationship between overall customer satisfaction cost and factors explaining home loan is significant.

H1: The relationship between overall customer satisfaction cost and factors explaining home loan is not significant.

Results of Multiple Regression Analysis

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797[a]	.635	.620	.51605

a. Predictors: (Constant), Employee behaviour, Process and Scheme of home loan

The overall predictability of the model is shown in Table 3 where the adjusted R^2 value of 0.620 indicates that 62% of the factors are responsible for the satisfaction of the consumer with respect to home loan.

Table 5: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	111.403	3	37.134	101.170	.000[b]
	Residual	189.397	516	.367		
	Total	300.800	519			

a. Dependent Variable: Overall satisfaction level

b. Predictors: (Constant), Employee behaviour, Process and Scheme of home loan

From the ANOVA test, it can be predicted that the table Sig. value of 0.05 is greater than the calculated Sig. value of 0.000. It means that there is a significant correlation between the dependent and independent variables, i.e., consumer satisfaction with respect to different dimensions of home loan.

Table 6: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.400	.027		165.612	.000
	Employee behaviour	.199	.027	.262	7.490	.000
	Process	-.155	.027	-.203	-5.824	.000
	Scheme of home loan	.389	.027	.510	14.611	.000

a. Dependent Variable: Overall satisfaction level

Coefficient analysis presented in Table 6 shows the relationship between dependent and independent variables. According to calculated Sig. value, all the factors namely employee behaviour, process and scheme of home loan have a significant relationship with the satisfaction of consumer as the table sig. value of 0.05 is greater than the calculated sig. value. Again, the above regression equation indicates that the process is negatively related with customer satisfaction.

Conclusion

The major findings that result from the study explored four factors, affecting the behaviour of home loan seekers having given value greater than one are extracted are obtained by using data reduction method. The chi-square value is 6584.813 and the p-value as computed is 0.001 which supports the validity of the factor analysis. The result of the principal component analysis shows that 70.459% of the total variance is explained by classifying these 16 variables into three components or factors. The first factor F1 is the most important factor which explains 44.604% of variance before rotation. The second factor F2 is the second major factor which explains about 16.951% of the variance of the variables. The third factor F3 explains about 8.094% of the variation. Results of regression analysis revealed the relationship between overall customer satisfaction and independent variables. According to calculated Sig. value, all the factors namely employee behaviour, process and scheme of home loan have a significant relationship with the satisfaction of consumer as the table sig. value of 0.05 is greater than the calculated sig. value. Again, the above regression equation indicates that the process is negatively related with customer satisfaction. Thus, it can be concluded that the public sector banks should emphasize more on employee behaviour along with the process and scheme of home loan to ensure and enhance the satisfaction level of their customers.

Limitation of the Study

The study will be limited to the public sector banks operating in Khurda, Cuttack, Berhampur and Puri Districts of Odisha state only. The findings of the study will be restricted to the opinion of (sample size) individuals only, which may not be generalised. The study will focus on business performance of public sector banks in home loan segment only. The socioeconomic profile of the home loan seekers residing in urban and semi-urban areas is not taken into consideration.

References

Boyd, W. L., Leonard, M., & White, C. (1994). Customer Preferences for financial Services: An analysis. *International Journal of Bank Marketing, 12*(1), 9–15.

Goyal, K. A., & Joshi, V. (2011). A study of social and ethical issues in banking industry. *International Journal of Economics & Research, 2*(5), 49–57, 2011.

Jasmindeep et.al. (2005). Performance of housing finance companies. *Journal of Housing Economics,19*(1), 38–50.

Kerry, D. (2008). Housing finance and subsidy systems. *Urban Studies*, 847–876 .

Kumar, S., & Gulati, R. (2009). Measuring efficiency, effectiveness and performance of Indian public sector banks. *International Journal of Productivity and Performance Management, 59*(1), 51–74.

Gupta, P. (2005). Housing finance companies - An insight into regulatory aspects. *The Chartered Accountant, 53*(8), 1010–1015.

Sendhilvelan M., & Karthikeyan, K. (2006). No frills account: A basic drive for financial inclusion. *Southern Economist, 45*(1–24), 13–14.

Sundram, K.V. (1990). A study on housing finance with particular reference to co-operative housing in Tiruchirapalli District, p.22.

Talwar, S. P. (1996). Care principle for effective banking supervision. *The Civic Affairs*, 47–48.

Vidhayavathi, K. (2002). *Role of urban housing financial institution in Karnataka - A study of selected housing finance corporation in Bangalore city*. Finance India, Delhi, March 2002.