

AN EMPIRICAL STUDY ON COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE HOUSING FINANCE COMPANIES IN INDIA

Dimple Chawla*
Dr. Pratima Rawal**

ABSTRACT

Housing being the one of the essential requirements of humanity, the demand for sanctum grows in line with the increase in population and the standard of living. Hence the need of financing the purchasing of a House came up. Housing is a habitual problem both for developed and developing countries but in varying degrees and confines. The problem of Housing has been exacerbated by the increase in population, failure of land areas, twisting land prices, low- income situations and low rate of addition to the Housing stock, inadequate conservation and the fast pace of urbanization. With the emergence of National Housing Bank in 1987, the systematized Housing finance industry has been dominated by the technical Housing Finance Institutions regulated by NHB, and the role of marketable Banks, Co operative Banks, and Agricultural and Rural Development Banks come secondary. But, in performance of National Housing Policy and precedence sector lending morals of Central Government, marketable banks come more dynamic in the Housing finance business, which posed trouble to the technical HFIs, and their market share has vastly adulterated. Lowering of interest rates, entry of numerous new players, thin spreads, reduced credit off take to artificial sector, insignificant product isolationetc. have made competition in Housing finance industry veritably stiff. Further, the borrowers are brazened with numerous problems as they aren't completely apprehensive of the different aspects of Housing loan of different fiscal institutions, similar as the services rendered, interest computation, processing charges, maturity term, effective rate of interestetc. which make comparison between institutions more complicated. Therefore, the complex nature of Housing finance in India itself necessitates an evaluation of the services rendered by the players in the industry to its customers and their comprehensions and position of satisfaction in this regard. Hence, a relative study on the performance of Public and Private Housing Finance Companies in India has been made.

Keywords: Housing, Finance, Processing, Economic, Reforms, Commercial, Dynamic, Juncture.

Introduction

This research work would help to business directors, Government itineraries, research scholars and common public. It would be helpful to ameliorate the services of the Housing Finance Institutions. The fields of Housing Finance have been named because this is the most burning content of this day. Housing is an introductory human need and a complex problem. Retaining a house is a dream for utmost families because the tone earned income of an individual or a family isn't sufficient to enjoy a house, considering the huge investment needed for Housing. So, there arises the need for Housing finance. The different HFI's including marketable banks started to subsidize the openings that the economical reforms made in the Housing finance sector of the country by designing their products to suit the varying Housing requirements of the people. But, this creates problem at the entering end. Now, the people are brazened and confused with the selection of schemes by making the analysis of their relative graces and faults. In this juncture, it's important to dissect how far the named HFIs from the technical Housing finance sector are suitable to combat the competition created in the Housing finance industry by the economical reforms initiated in the country. It's also important to know the position of mindfulness of the borrowers of these institutions and the extent to which they're satisfied with the products offered to them by the lending

* Research Scholar in Commerce, Career Point University, Kota, Rajasthan, India.

** Associate Professor, Faculty of Commerce and Management, Career Point University, Kota, Rajasthan, India.

institutions. The result of the study shall help the lending agencies to render better services in tune with the anticipation of their borrowers. The study will also grease the government in formulating or revising Housing programs and financial concessions while drafting their budgets. The prospective borrowers in the Housing finance industry can also be served as they come more apprehensive of the innovative home loan schemes and their affiliated aspects, which shall help them in the expression of rational fiscal operation programs in their roleicular lives.

Housing Finance in India

Home- buyers in India were traditionally debt antipathetic and decided for external backing only as a last resort. Accordingly, formal external backing of house construction/ purchase has reckoned for a fairly small proportion of Housing finance in the three decades after independence and this business exertion had formally began in India in the 1970s. Construction/ purchasing of a house needs a large investment, it requires long- term finance. In India, the main source of credit that flows into house construction is both formal and the informal sectors. The formal sector includes popular allocation of Central and State Government, backing from the Financial Institutions, agencies and pots like Life Insurance Corporation (LIC) and General Insurance Corporation (GIC)etc., the ultimate, it refers to finance from money lenders, ménage savings, disposal of being property and borrowings from friends and relatives. Since independence, the institutional frame for Housing finance was in the form of insurance companies like LIC and GIC. Also in 1970, the Government set up the HUDCO as a 100 per cent, Government possessed enterprise with the ideal of Housing and civic development as well as structure development. The Housing policy of HUDCO was designed to allocate 55 per cent of its Housing finance to the low income and weaker sections of society. Every economical exertion requires finance or it can be stated that economical development is the function of finance. The scarce fiscal resources are to be allocated and employed in such a way that it should lead to overall economical development of the nation. But the allocation of finances to various sectors depends upon the urgency and the policy of the government, which is told by the gospel of the political roley at line helm of affairs. As s result, there will be a symmetrical development in some sectors and they demand for further finances to meet the arising challenges. Especially the social services are paid lower attention in the allocation of finances by the consecutive governments, as seen in the budgets of state and central governments.

Housing being one among the several social services has been suffering from inadequate fiscal resources since a long time. There's no fiscal backing at required position either from the public sector or from the private sector. The individual ménage savings aren't sufficient to construct dwelling units of their own and as a result, there's a huge gap between the demand and force of dwelling units. It's estimated that Rs. crore will be demanded simply for wiping out the deficiency at the end of the present renaissance. So there's need for a conscious, co-coordinated and grim exercise by individualities, fiscal institutions, state governments, the union Government and various agencies operating in the field of Housing finance to exclude the deficiency.

Problems and Prospects of Housing Finance Industry

Indeed though there's high eventuality for growth, there are certain inhibiting constraints to the Housing sector. Land costs, which form a major element of Housing costs in metros, have risen important faster than property prices. The structure plan blessing process is lengthy, laborious and frequently loose. At present, real estate inventors are needed to gain as numerous as 33 concurrences before putting up township. It's felt that a single window concurrence system would alleviate the problem to a lesser extent. High sale costs videlicet stamp duty and enrollment freights will also have adverse effect on Housing conditioning. The stamp duty levied by different state governments continues to be as high as 10- 13 per cent in certain countries. The recent hikes in the interest rates and garden rates have affected the demand for Housing and hence, finance for Housing. Procurement of fund at a advanced rate may squeeze the companies' profit periphery. The entry of large number of banks with access to low cost finances shranked the market share of technical HFIs. The increase in average loan size could increase the quantum of NPA although the chance of NPA has shown a drop. Liberal lending morals and accepting bad quality means so as to maintain the market share also enhanced the NPAs. Since, it's a people ferocious business, growing charges and increased waste also hampers the growth of finance companies. The construction exertion is also hit by the deficit of labour. The asset liability mismatch (lending for a long period and borrowing for a short term) also affects the liquidity of the company. Traditionally in India, utmost people used to depend on their provident fund and gratuity quantities entered after withdrawal- while considering buying a home. Still, with emergence of Housing finance as a major business in the country, a decreasingly large number of

people are going in for home loans. Before it was considered socially unviable to adopt finances but now situation has changed. The consumer today has a far more positive and open outlook on taking a loan. There's also a crucial change in the demographics of loan aspirants. Before it was in the age of 45 plus but now it's fewer than 30. There's a ocean change in the social set up of Indian families. We're heading from common family conception to nuclear family conception. Inflows of families are rising and their purchasing capacities as well as loan repaying capacities are going up. Surely this change will bring further demand for Housing finance. Unlike other finances, the threat of non-repayments is minimum in Housing finance due to emotional and social confines to house power, which induces the borrower to service the loan. Attractive duty impulses, bettered standard of living, increase in share of real estate in GDP, all have some positive impact in the Housing sector.

Role of Public and Private Sector in Housing Finance

Considering the graveness of the situation the government declared "Housing for All" as a precedence area while publicizing the National Housing Policy 1998. In order "to produce a easing terrain for growth of Housing exertion", the government blazoned a comprehensive package of financial impulses concentrated at the buyers of dwelling units, the structure promoters and the Housing finance companies. Taking into account the significance of Housing for the people and for the economical development of the nation, the government of India has given precedence for this sector in all the Five Time Plans. With a view to working the problem of Housing deficit in the country, a large number of fiscal institutions similar as NHB, HFCs, banks etc. were started under the public sector by the Government of India. With the object of extending fiscal backing on a long term base to Housing sector, LIC has established a new attachment called LIC Housing Finance Limited in 1989. Since also LICHFL and HDFC are the two top institutions which specialized in Housing finance. The consumers should feel pleased with the vacuity of multiple sources of Housing finance and also enquire about the graces of different schemes introduced by the various agencies of Housing finance. The consumers are anticipated to consider various aspects like the interest rates charged on loan arbor, terms, pay back installation, inflexibility in prepayment of yearly inaugurations and other economical conditions applicable to it, as the case may be. Success of a fiscal institution to win the appreciation and confidence of its customers, to a large extent depends on its competitiveness to service its customers by understanding their prospects and rendering service in agreement with their conditions. The prospective borrowers are spooked at various institutions furnishing Housing finance. To effectively make use of the available loan installations, one should be completely apprehensive of the various aspects of Housing finance. Due to the policy dissensions there may be difference between public sector and private sector Housing finance institutions in terms of borrower perception and satisfaction towards their services. Enhancing the mindfulness and satisfaction of borrowers in respect of the services rendered by these backing agencies is of utmost significance while they design their programs and strategies.

Comparative Analysis of Public and Private Housing Finance Companies

For the purpose of our study we have selected LIC housing finance company from public sector and HDFC Housing finance from private sector. The comparison is made between the selected finance companies on the basis of the

- **Borrower's Awareness and Perception:** For making analysis of the borrower's awareness and perception chi-square test have been performed on the basis of the responses of the various users of the services of selected two companies.

Difference in Beneficiaries' Level of Perception towards Selected Loan Factors– Inferential Statistical Analysis

Perception Factors	Chi-Square Value	d.f.	P-value
Rate of interest	7.0046	2	0.041
Processing fee	7.1565	2	0.019
Number of documents	9.8971	2	0.005
Loan margin fixed	4.235	2	0.127
Method of Repayment	1.545	2	0.491
Penalty for default/ delay	0.079	2	0.956
Time taken in sanctioning the loan	10.899	2	0.001
Formalities and condition imposed on loan	3.2457	2	0.218
Overall working of the organization	9.121	2	0.041

Significant at 5 per cent level

Chi-square analysis found significant difference between the two HFIs in terms of customer perception towards four loan factors which include rate of interest, processing fee, number of documents, and delay in loan sanction. In the case of remaining five factor-i.e. loan margin, repayment method, penalty of delay/ default, formalities and conditions imposed on loan. Overall working of the organization – the difference found was not statistically significant at any level.

- **Borrowers Satisfaction:** For making analysis of the borrower's satisfaction chi-square test have been performed on the basis of the responses of the various users of the services of selected two companies.

Difference in Beneficiaries' Level of Satisfaction towards Selected Loan Factors

- Inferential Statistical Analysis

Satisfaction Variables	Chi-Square Value	d.f.	p-value
Rate of interest	0.289	3	0.981
Security Requirement	2.879	3	0.487
Other fees Charged	2.157	4	0.645
Loan Sanctioning time	5.981	4	0.348
Flexibility of product	11.216	4	0.415
Repayment Schedule	9.597	4	0.126
Dealing of Staff	4.599	4	0.1545
Accessibility of HFI	3.859	4	0.551
Customer Service	7.1515	4	0.154
Grievances redress mechanism	4.565	4	0.318

Significant at 5 per cent level

The analysis set up statistically not significant differences between the two HFIs in terms of client satisfaction towards ten loan factors which include rate of interest charged, security conditions, other freights charged, loan sanctioning time, dealing of staff, availability of HFI, client service, grievance requital medium, documents needed and eligibility morals. In the case of remaining two factors significance difference is set up, though their descriptive analysis was proved statistically significant in its deducible analysis process. So, each association should take into account the relative advantages that its contender offered to their customers and how those advantages help them make fresh benefits in the form

Conclusion

The study entitled "Comparative Analysis of Public and Private Housing Finance Companies in India" is a genuine attempt to dissect and compare the service performance of leading technical HFIs from the perception of their customers who have espoused finances for retaining their 'dream homes'. The study has compared the performance of two leading fiscal institutions specialized in Housing finance- HDFC in the private sector and LICHFL in the public sector. In numerous of the aspects of the performance of these two HFIs we've set up parallels especially in borrowers' position of satisfaction with regard to mode of prepayment, inflexibility of products, client service, dealings of staff etc. But, in terms of position of satisfaction of the borrowers in respect of rate of interest charged, security conditions, loan sanctioning time, documents needed, grievance requital medium, significant difference was observed between the institutions. Also, both of the HFIs diverge themselves in framing programs and putting efforts to impact mindfulness position and perception of the borrowers on utmost of their service factors. Over all analysis led to the conclusion that the public sector HFI is pursuing a policy more client centered, by keeping its customers well informed of its products during pre and post loan ages. Being a private sector institution- HDFC is giving thrust to the earning aspects of their products. On account of this, it warrants and disburses loans to its customers within a short span of time. But, in terms of post borrower satisfaction, its client responses are important negative. Similar difference in their programs might have made far reaching goods on their client base.

References

1. Avadhani, V.A. Marketing of Financial Services. Mumbai: Himalaya Publishing House, 1999.
2. Bhattacharya. K. P. Affordable Housing and Infrastructure in India. New Delhi: Reliance Publishing House, 1998.
3. Dangwal, R.C. "Housing Finance in India: Myth and Reality". G.S Batra and R.C Dangwal, eds. New Studies in Commerce and Business. New Delhi: Deep and Deep Publications, 1999.

4. Gupta, R.G. Shelter for Poor in the Fourth World. Delhi: Shipra Publications, 1995.
5. Jayaram, N. and Sandhee, R.S. Housing in India: problems, Policy and Perspectives. New Delhi: B.R. Publishing Corporation, 1988.
6. Khurana, M.L. Organisation and Management of Housing Co-operatives. New Delhi: National Co-operative Housing Federation of India, 1989.
7. Misra, Kamlesh. Housing the Poor in Third World Cities – Choice Behaviour and Public Housing. New Delhi: Concept Publishing, 1992.
8. Naik, D.D. You and Your Housing Co-operative. New Delhi: National Cooperative Housing Federation, 1976.
9. Parimal, H. Vyas. Marketing of Consumer Financing in India: Problems and Prospects. Jaipur: Book Enclave, 2002.
10. Rampal, M.K& Gupta. S.L. Service Making- Concepts, Applications & Cases. Delhi: Galgotia Publishing, 2002.
11. Sarma, K.S.R.N. Housing Finance in India: Some Issues. New Delhi: Indian Institute of Public Administration, 1989.
12. Umashankar, P.K and Girish K. Misra. "Public-Private Responsibilities in Urban Housing". G.C. Mathur, ed. Role of Public Private Co-operation in Urban Housing. New Delhi: Reliance Publishing House, 1993.
13. Varghese, K.V. Housing Problem in India- Economic and Social Aspects. New Delhi: Eureka Publications, 2004.

