



**ASSESSMENT OF CUSTOMER'S SATISFACTION IN HDFC (AN EMPIRICAL
STUDY IN LUCKNOW CITY)**

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Abstract

A well-functioning housing market influences not only shelter concern, but also workplaces for home-based entrepreneurs. The best housing sectors should enable the adequate provision of shelter at the reasonable cost and favourable schemes across all segments of the population. The customer's satisfaction is an indicator of the efficiency and growth of the institution. In fact the key of the success of any institution providing customer service is appraised through the qualitative assessment of different parameters. Thus the main objective of the institutions should be to create, cultivate and retain the customers. If the institutions are able to fulfil this objective the residual results like profitability and productivity would automatically follow. The present research is an attempt of the researchers to assess the extent to which current customers are satisfied with the services offered by HDFC, a major institution working in the housing Finance Industry.

Key Words: Customer Satisfaction, Average Weighed Score, Likert scale, Bivariate frequency distribution.



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Introduction:

India being a developing nation has been growing constantly after independence. A drastic change has been experienced in economic, social, legal, political and cultural environments in the country. However, despite of having achieved considerable growth in different sector of the economy, India is still facing some major problems relating to socio-economic-

environment. Proper housing facility which is one of the fundamental needs could not be provided to a large number of people living in the country. They are still sleeping under the open sky by the road side. The main reason behind this fact is that despite of a large number of houses and flats made available by the government agencies and private builders, a large section of our nation is not able to afford the huge amount of cost incurred in the purchase of these houses, neither they can purchase land and construct the house there on. To have their own house is a dream for them.

The customer satisfaction means state of mind of customers with regard to rate of interest, services offered, procedure of loan etc. who have availed the housing loans from various financial institutions. It is essential for a customer to enquire about various information relating to types of loan and terms and conditions there of from different institutions so that he or she can make a selection of institution and a particular loan scheme which is most suitable to the customer. It would definitely enhance the chances of higher satisfaction. At the same time from the financing institution point of view customer satisfaction is an indicator of the efficiency and growth of the institution. In fact the key of the success of any institution providing customer service is appraised through the satisfaction and retention of customers with that institution. So, the main objective of the institutions should be to create, cultivate and retain the customers. If the institutions are able to fulfil this objective the residual results like profitability and productivity would automatically follow.

Housing a multidimensional problem:

“In developing countries a combination of adverse factors exacerbates the shortage more than in advanced countries. Among these factors are the rapid increase in population growth, meteoric rates of urbanization and the lack of proper repair and maintenance of existing stock. The process of economic development itself contributes to this condition by creating demand.”¹

Housing problem in India has been growing because of many reasons which can be categorised under the following heads:

- Rapid increase in population,
- Inadequate addition to housing stock at affordable cost
- Owing to rising process of land and construction materials

¹ J.L. Gillin, C.G. Dittmer, R.J. Colbert, N.M. Kastler “Social Problems” Bombay, Times of India Press 2nd, Indian reprint 1969. p. 2.

- A cumbersome process of loaning adopted by financial institutions
- Under utilisation or no utilisation of a large number of houses owned by rich people.
- Increasing demand of houses in urban areas because of migration of rural people to cities

The problem of housing is not only in backward countries of the world, but also in advanced countries. “Even highly prosperous countries like U.S.A., Sweden and Switzerland cannot claim to have solved this problem completely.”²

“The problem of housing is more acute in big cities like Bombay, Maxico, Riode Janeiro and Honkong.”³

“The housing situation in India indeed, is very depressing, as more than two-thirds of the population do not have a permanent roof over their head.”⁴ These people are compelled to live in cramped and insanitary dwellings. The housing condition in rural area is very pitiable. The condition of housing accommodation is miserable. Most of the houses are mud houses. They are hot in summer, cold in winter and leaks in rainy season. Few people have to sleep on the roads, pavements and in empty pipes or by the side of big houses. Majority of the families live in one roomed and ill - ventilated huts, which are not only crowded but also insanitary in condition. This condition has lead to increase the number of slums in big cities.

Statement Of Problem:

In the present study, the basic problem has been out lined after examining the research gap in the available literature on housing finance. These gaps help frame the research objectives. It has been observed that few studies have been made on the assessment of customer satisfaction along with many other studies pertaining to assessment of housing finance institutions with respect to different parameters. However no study was found on the assessment of customer satisfaction of Uttar Pradesh. This study has been conducted to analyze the level of customer’s satisfaction of HDFC and tracing the extent to which people have been benefited from this institution.

OBJECTIVES OF THE STUDY:

1. To study the background information and functioning of the housing finance institutions especially of HDFC.
2. To have an understanding of profile of the customers under study.

² Dr. V.V. Ghanekar, “Co-operative Housing” Poona, Poona University, April 1970 p 1

³ Ibid, p. 2.

⁴ NCHF Bulletin Vol. IV, No. 8 Oct. 1985. p. 3.

3. To assess the satisfaction of those customers who have availed the housing loan from HDFC.

Research Methodology:

The present research work is analytical in nature and based on empirical study. For the purpose of examining relevant phenomenon, the primary data have been collected from a sample of 150 beneficiaries who have borrowed from **Housing Development and Finance Corporation Ltd. (HDFC)**.

Though the universe of the study consist all the home loan customers falling in the geographical boundary of U.P., the researchers have opted to select customers of housing loan living in Lucknow city for the sake of convenience and affordability. Thus the method of sampling of respondents can be said as convenience sampling technique. A set of well designed interview schedule containing profile of customers and questions on various aspects of financing has been used to record the information gathered from the selected customers. Analysis of the opinion of customers relating to various aspects of housing finance such as cost borne in availing the loan, amount of loan provided, difficulties faced in availing the loan was also made. In this research both kind of Qualitative and Quantitative information have been collected. For the analysis of data, correlation coefficient, percentages, averages have been used. For measuring the satisfaction level, qualitative data with the help of 5 point Likert scale have been used. Average weighted score have been calculated for each of the statements and then finally average of the averages was computed.

Data Analysis And Interpretation:

Housing finance involves the far larger sums spent by households and housing organizations that are derived from income and borrowings. In many countries, largely as a result of government action, very complicated housing finance systems have been developed. The field of housing finance has become very competitive and the players in this field offer a whole range of schemes and plans to suit any taste and income level. Each of the housing finance institutions was trying to get a lion's share of the market both by offering lower interest rates as well as other attractive incentives like waiving of processing charges and prepayment charges. The Housing Finance Institutions play a vital role in easing the financial burden involved in house construction. As regards the customer perception towards housing loans, the study analyses the following:-

Table: 1: Classification of Borrowers as per Age

| S.NO. | Age group (age in years) | No of Borrowers | (%) |
|-------|-----------------------------|-----------------|---------------|
| 1 | Below 25 | 5 | 3.33 |
| 2 | 25 – 35 | 43 | 28.67 |
| 3 | 35 – 45 | 73 | 48.67 |
| 4 | 45 – 55 | 26 | 17.33 |
| 5 | Above 55 | 3 | 2 |
| | Total | 150 | 100.00 |

Source: Primary data

Distribution of the respondents on the basis of their age shows that out of the 150 sample respondents surveyed, the largest number of respondents i.e. 73 (48.67%) belonged to the age group 35-45 years, while 28.67% of them represented the age group 25-35 years. Borrowers under the age group of 45-55 years constitute 17.33% while those under the prime age group of below 25 years constitute 3.33% of total. Only 2% of the borrowers are under the age group of above 55 years. It is an evident that more than three fourth of the borrower's falls under the age group of 25-45 years.

Thus, it can be observed that majority 48.67% of the borrowers come under the age group of 35-45 years. The feasible reason might be that it is at this age that people feel the need for settling down and by this age they might have saved part of their income for this purpose. Housing loans, in general, have longer maturity periods 10 to 15 years and people prefer to start repaying them at an early age so that by the time they reach the age of 50-60 years, they are relieved of their financial obligations on this account.

Table: 2: Classification of Borrowers as per their Gross Annual Income

| S.NO. | Annual Income (In Rs.) | No of Borrowers | (%) |
|-------|---------------------------|--------------------|------------|
| 1 | Below 1,00,000 | 10 | 6.67 |
| 2 | 1,00,000 - 3,00,000 | 46 | 30.66 |
| 3 | 3,00,000 - 5,00,000 | 56 | 37.33 |
| 4 | 5,00,000 - 10,00,000 | 28 | 18.67 |
| 5 | 10,00,000 And Above | 10 | 6.67 |
| | Total | 150 | 100 |

Source: Primary data.

Above table shows that out of 150 respondents, 56 (37.33%) had gross annual income between Rs. 3,00,000 to Rs. 5,00,000, followed by the range of income group between Rs. 1,00,000 to Rs. 3,00,000 i.e. 46 (30.66%). While 28 respondents (18.67%) had gross annual income between Rs. 5,00,000 to Rs. 10,00,000 and 10 respondents (6.67%) were in the

income group of Rs. 10,00,000 and above. Only 10 respondents (6.67%) also belonged to the income group below Rs. 1,00,000 per annum. It is apparent that middle and higher income group avail more loans.

Table: 3: Classification of Borrowers as per Nature of Employment

| S.NO. | Nature of Employment | No of Borrowers | (%) |
|-------|----------------------|-----------------|------------|
| 1 | Govt. Job | 78 | 52 |
| 2 | Semi Govt. Job | 26 | 17.33 |
| 3 | Pvt. Job | 15 | 10 |
| 4 | Self Employed | 31 | 20.67 |
| | Total | 150 | 100 |

Source: Primary data.

Out of 150 respondents, 78 (52%) are Govt. employees and 26 (17.33%) are Semi Govt. employees. At the same time, 31 respondents (20.67%) are self employed and 15 respondents (10%) are Pvt. Employees. It is clear that the most of the people who are either govt. employee or semi govt. employee have taken housing loan. It is also observed that inspite of the unsteady income, self employed people are willing to take risk and receive loans from the housing finance institutions because housing has become an absolute necessity for a normal decent life.

Table: 4: Annual Income and Loan-wise distribution of borrowers

| S.N O | Annual Income (In Rs.) | Amount of Loan Sanctioned (Rs. In Lakhs) | | | | | | Total | I (%) |
|----------|---------------------------|--|-----------|-----------|-----------|-----------|------------|------------|------------|
| | | Less than 2 | 2 – 4 | 4 – 5 | 5 - 10 | 10 – 15 | 15 & Above | | |
| 1 | Less than 1,00,000 | 6 | 3 | 1 | - | - | - | 10 | 06.67 |
| 2 | 1,00,000 - 3,00,000 | 13 | 15 | 12 | 4 | 2 | - | 46 | 30.67 |
| 3 | 3,00,000 - 5,00,000 | 4 | 18 | 14 | 9 | 5 | 6 | 56 | 37.33 |
| 4 | 5,00,000 - 10,00,000 | - | 1 | 8 | 7 | 4 | 8 | 28 | 18.67 |
| 5 | 10,00,000 & Above | - | - | - | 2 | 3 | 5 | 10 | 06.67 |
| | TOTAL | 23 | 37 | 35 | 22 | 14 | 19 | 150 | 100 |

Source: Primary data.

The above table shows the data relating to annual income of borrowers and the amount of loan sanctioned to them in a bivariate frequency distribution. The purpose of the construction

of this table is to analysis the relationship between these two variables. The correlation coefficient by Karl Pearson’s method was computed and found to be 0.578. The coefficient value falls in the range of moderate degree of correlation. Thus it can be concluded that the borrowers who have higher income tend to borrow relatively larger amount of loan.

Table: 5

| SR NO. | Statement | Strongly Agree (5) | Agree (4) | Neutral (3) | Disagree (2) | Strongly disagree (1) | Total | Average Weighted Score |
|--------|---|--------------------|---------------|---------------|---------------|-----------------------|-------|------------------------|
| 1 | Interest rate is quite high | 33 (22) | 90 (60) | 22 (14.67) | 5 (3.33) | - | 150 | 4.007 |
| 2 | Administrative charges are reasonably high | 24 (16) | 56 (37.34) | 47 (31.33) | 20 (13.33) | 3 (2) | 150 | 3.52 |
| 3 | Processing charges are too high | 35 (23.33) | 49 (32.67) | 36 (24) | 18 (12) | 12 (8) | 150 | 3.513 |
| 4 | Loaning procedure is Cumbersome | 22 (14.67) | 68 (45.33) | 18 (12) | 24 (16) | 18 (12) | 150 | 3.347 |
| 5 | There is undue delay in sanctioning of loan | 17 (11.33) | 46 (30.67) | 25 (16.67) | 35 (23.33) | 27 (18) | 150 | 2.94 |
| 6 | Office staff is Cooperative | 21 (14) | 117 (78) | 7 (4.67) | 5 (3.33) | - | 150 | 4.027 |
| 7 | There is adequate transparency in operation | 5 (3.33) | 85 (56.67) | 56 (37.33) | 4 (2.67) | - | 150 | 3.607 |
| 8 | HDFC is better than any other private sector institutions in housing finance sector | 32 (21.33) | 88 (58.67) | 23 (15.33) | 7 (4.67) | - | 150 | 3.967 |
| 9 | HDFC personnel explain each and every thing when queried | 23 (15.33) | 92 (61.34) | 11 (7.33) | 22 (14.67) | 2 (1.33) | 150 | 3.747 |
| 10 | HDFC discloses all the terms and conditions clearly | 8 (5.33) | 66 (44) | 30 (20) | 41 (27.33) | 5 (3.33) | 150 | 3.207 |
| 11 | There are Easy repayable instalments over a long period | 33 (22) | 95 (63.34) | 5 (3.33) | 12 (8) | 5 (3.33) | 150 | 3.927 |
| 12 | Accessibility to HDFC offices and personnel is easier | 33 (22) | 102 (68) | 6 (4) | 9 (6) | - | 150 | 4.06 |
| 13 | HDFC customers recommend others to | 45 (30) | 89 (59.3) | 12 (8) | 4 (2.67) | - | 150 | 4.167 |

borrow from HDFC

3)

Average of Average weighted Score

3.696

Source: Primary Data

Interpretation:

Customers of the HDFC were asked to indicate their opinion on five point scale with respect to various statements depicting their satisfaction level for working of the institution.

While examining their opinion regarding rate of interest charged by the institution in the statement no. 1, we found that majority of customers i.e. 60% were agree while 22% customers strongly agree that institutions has been charging high rate of interest. The average weighted score is computed as 4.007 revealing that customers of HDFC were of opinion that the institution had charged high rate of interest.

Statement no. 2 shows that 37.34% of the customers opined that they borne high Administrative charges in availing the loan and 31.33 % customers were neutral while 16 % customers were strongly agree and 13.33% were disagree and only 2% of customers of HDFC opined that they were charged low charges. The average weighted score of the 5 point scaling is 3.52 that are more than the average of the scale. The similar score of 3.513 was recorded for Statement no. 3 which is that processing fees charged by HDFC is too high. Around one third of the respondents were of the opinion that the processing charges are higher.

Again the responses of the customers for the statement no. 4 is not in the favour of working of HDFC as average weighted score is 3.347, greater than the average of 5 point scale. The statement no. 5 is the only statement whose average weighted score is 2.94 which is marginally below the average of scale.

Most of the respondents have given a good feedback about the nature and dealing of staff recording a score of 4.027 with regard to statement no. 6.

Statement no. 7, 8, 9 and 10 have been framed to assess the operation system and working style of HDFC. The researcher through these statements found that the scores are 3.607, 3.967, 3.747 and 3.207 respectively. All these average weighted scores fall in the range of 3 to 4 which reveals that most of the customers are highly satisfied with the operational system of HDFC and working of its personnel.

The responses measured for statement no. 11 regarding EMI payment also exhibits relatively high level of satisfaction accounting for a score of 3.927. Almost similar response has been found with regard to accessibility of customers to the offices and office as well as field staff engaged in the marketing of housing loan. The average weighted score for the same in statement no. 12 was found to be 4.06.

In order to appraise the overall satisfaction level of customers, statement no. 13 saying “HDFC customers recommend others to borrow from HDFC” was administered on the customers and it was found that around 90% of the customers do agree or strongly agree with the statement. The average weighted score is 4.167 also evidences that customers are highly satisfied while looking at overall satisfaction level of the customers selected in the sample average of the average weighted score was computed as 3.696 which exceeds the average of the standard scores used in the 5 point scale.

Findings & Conclusion:

HDFC has been serving the Indian public for a very long time in a significant manner. It is the first institution in private sector to cater the various needs of housing in India. The success of any housing finance institutions in the market depends upon the many criterions to be used for their evaluation. The researcher has identified various satisfactory factors which influence the satisfaction level of customers of housing loan. Based on the analysis of collected information following derivations can be made:

Most of the borrowers fall in the age group of 35 to 45 years constituting around 49% of the total borrower. There is a concentration of number of borrowers falling in the range of 1 lakh to 5 lakhs income group. Out of 150 borrowers, 78 people belong to government Jobs. There is moderate degree of positive correlation computed between the amounts of loan sanctioned to borrowers and their annual income. Qualitative data have been obtained in order to assess the opinion of 150 respondents pertaining to their satisfaction level on different aspects. The average weighted scores of all the statements but one have been found greater than 3 (3 being the average of 5 point scale), in some cases it is even greater than 4. This clearly indicates that customers are highly satisfied with services of HDFC. However majority of customers of HDFC were of the view that the institution have been charging very high rate of interest. HDFC had charged comparatively higher cost on an average for availing the loan. Thus it can be suggested that the institution should revisit its structure of lending cost and device some new schemes catering to the needs of all sections of the society. The schemes should be so

designed that the people living below poverty line can also afford cost of loan for their small borrowings and get rid of clutches of money lenders.

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