

BORROWERS ATTITUDE TOWARDS THE HOUSING FINANCE OF NON-BANKING INSTITUTIONS IN THENI DISTRICT IN TAMILNADU

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Abstract

Housing, conceived as a set of services, is an important aspect of the environment that has a profound impact on the socio-economic, physical and psychological development of human beings. The present study is an empirical one based on the survey method. Though the study is empirical in nature, it is supported by secondary data. In the process of the analysis of the attitude of respondents towards the features of housing finance, Factor Analysis has been applied. It is used to identify and define the underlying dimensions in the variables discussed. To avoid such a situation, the Reserve Bank of India should give strict instructions to the housing finance institutions about the sanctity of the type of interest rate. It should issue guidelines regarding the operation of both the types of interest rate.

Keywords:

Housing Loan, Financial Institutions, Borrower, Factor, Attitude

1. INTRODUCTION

Housing is one of the basic needs of all human beings as a place of shelter as a physical structure for protection from the natural elements and as a facilitating institution to achieve a better quality of life [1]. The provision of housing as a social as well as a merit good has been a challenging task, owing to the massive need of investment. Housing, conceived as a set of services, is an important aspect of the environment that has a profound impact on the socio-economic, physical and psychological development of human beings [2]. Yet a substantial portion of the world population does not have adequate shelter and lives in extremely insanitary and unhygienic conditions. Housing is a global problem, to which even the developed countries have not been able to find an acceptable solution [3]. The problem is more acute in developing countries, where a sizable population lives below the property line, and the low per capita income precludes larger provision of housing and shelter by the government [4].

2. STATEMENT OF PROBLEM

The post Second World War era has seen significant increase in the life expectancy and literacy rates in most parts of the world [5]. This is particularly evident in the developing countries when contrasted with the earlier era of almost stagnant growth [9]. The rapid economic development during the latter half of this century accompanied by political changes that led to a large number of countries gaining independence from their erst while colonial masters has led to a tendency for greater involvement of the state in the welfare of its citizens [6]. In India, which gained independence in 1947, the government has not only directly invested in certain priority sectors, but has also used fiscal policies to try to attract private investment into these areas [7]. Thus fiscal policy aims not only to raise revenue, but, for example, by giving tax breaks, to encourage investment in industrial sectors [8] [10].

3. OBJECTIVES OF THE STUDY

The following are the objectives of the study. To discuss the role of the non-banking financial institutions in housing finance. To analyse the performance of the selected non-banking financial institutions in the process of the sanction and disbursement of housing loans. To highlight the opinion of the sample respondents regarding housing finance and the services of the housing finance institutions.

4. METHODOLOGY

The present study is an empirical one based on the survey method. Though the study is empirical in nature, it is supported by secondary data. The secondary data were collected from the annual reports of National Housing Bank, HUDCO and various housing finance companies and from the related books, journals, magazines, newspapers and websites. The primary data were collected from the housing loan borrowers of the selected non-banking financial institutions which provide housing finance through the interview schedule method. The schedule was used to mobilize the opinion of the sample borrowers regarding the factors that prompted them to choose a particular institution for their housing loan needs and the factors that have determined them to avail such loan. On the basis of literature, hypotheses have been formulated to bring out the statistical results to substantiate the opinion of the sample borrowers. In this context of the hypotheses thus constructed, they have been tested. Thus, the study has been constructed with the help of both primary and secondary data.

5. RESEARCH METHODOLOGY

5.1. COVERAGE OF PERIOD

The primary data were collected through interview schedules from March to June 2018.

5.2. LIMITATIONS OF THE STUDY

It has been confined to individual borrowers, keeping aside the other types of borrowers such as partnership firms, corporate bodies and the like. As the study has been projected from the point of view of individual borrowers, the opinion of the agents has not been discussed. They have been consulted to widen the research scope for the purpose of construction of the interview schedule. Their observations on the product features have been suitably dealt with.

5.3. ANALYSIS OF ATTITUDE

In the process of the analysis of the attitude of respondents towards the features of housing finance, Factor Analysis has been applied. It is used to identify and define the underlying dimensions in the variables discussed. Initially, the correlation

matrix for all the variables is computed. The factor extraction of the number of factors necessary to represent the data and the method of calculating them must be determined. Next, Rotation focuses on transforming the factors to make them more interpretable.

Table.1. Rotated Component Matrix

Variables	Component								Commonality
	1	2	3	4	5	6	7	8	
Loan application processing time	0.730	0.080	0.121	0.167	0.104	0.237	0.013	0.074	0.568
Legal expenses	0.632	0.342	0.002	0.008	0.241	0.017	0.003	0.074	0.580
Pre-closure procedure	0.511	0.014	0.004	0.444	0.096	0.072	0.313	0.041	0.573
Amount of loan sanctioned	0.067	0.814	0.067	0.021	0.044	0.185	0.144	0.022	0.730
Rate of interest charged by the institution	0.035	0.757	0.224	0.118	0.048	0.236	0.057	0.017	0.701
Counseling and guidance by officials	0.068	0.203	0.740	0.323	0.002	0.019	0.313	0.059	0.800
Less Documentary requirement	0.052	0.243	0.665	0.056	0.132	0.073	0.016	0.406	0.721
Transparency in transaction	0.306	0.193	0.615	0.018	0.055	0.254	0.205	0.114	0.635
Amount of EMI fixed	0.041	0.032	0.118	0.801	0.067	0.050	0.035	0.052	0.670
Customer care	0.151	.029	0.139	0.150	0.803	0.054	0.085	0.005	0.721
Easy disbursement of loan	0.080	0.135	0.276	0.055	0.600	0.002	0.368	0.231	0.653
Insurance Coverage	0.382	0.152	0.063	0.408	0.486	0.033	0.006	0.199	0.617
Maximum repayment period	0.160	0.122	0.139	0.084	0.043	0.808	0.219	0.037	0.772
Administration/processing fee	0.404	0.255	0.051	0.218	0.125	0.535	0.162	0.093	0.615
Additional benefits offered by the institution	0.275	0.012	0.004	0.400	0.289	0.509	0.053	0.282	0.661
Flexibility in repayment	0.033	0.006	0.015	0.062	0.025	0.119	0.818	0.052	0.692
Loan formalities	0.354	0.363	0.091	0.226	0.035	0.018	0.497	0.045	0.568
Penal charges for delayed repayment	0.025	0.024	0.033	0.038	0.027	0.003	0.015	0.918	0.847
Engine value	2.412	2.148	1.685	1.433	1.336	1.184	1.007	1.002	
Percentage of variance	13.4	11.9	9.4	8.0	7.4	6.6	5.6	5.6	
Cumulative percentage	13.4	25.3	34.7	42.7	50.1	56.7	62.3	67.8	

Table.2. Grouping of Factor Analyzed Variables

Factor	Variable	Relative Correlation
Formalities and Processing	Loan application processing time	0.730
	Legal expenses	0.632
	Pre-closure procedure	0.511
Amount	Amount of loan	0.814
	Rate of Interest charged by the institution	0.757
Good official system	Counseling and guidance by officials	0.740
	Less Documentary requirement	0.665
	Transparency in transaction	0.615
Convenience	Amount of EMI	0.801
Provision of Better Amenities	Customer care	0.803
	Easy disbursement of loan	0.600
	Insurance Coverage	0.486
Post benefit	Maximum repayment period	0.808
	Administration/processing fee	0.535
	Additional benefits offered by the institution	0.509

Customer Satisfaction	Flexibility in repayment	0.818
	Loan formalities	0.497
Charges	Penal charges for delayed repayment	0.918

In order to extract the factors, the Principal Components Analysis is used. It is a method used to transform a set of correlated variables into a set of uncorrelated variables so that the factors are unrelated and the variables selected for each factor are related.

The factor matrix obtained through the PCA indicated the relationship between the factors and the individual variables. However, it is difficult to identify meaningful factors based on the matrix. In the next stage, the initial matrix is converted into one that is easier to interpret, using the Rotation of Factors Matrix. Through the rotation phase, the factors are identified so that they can be meaningful sets of closely related variables. For this purpose, the Varimax Rotation method has been applied to give meaningful factors. The Rotated Factor Matrix given in the following table using the orthogonal Varimax Rotation shows the metric values where each factor identifies with a few set of variables. The variables which identify with each of the factors were sorted within the decreasing order and are highlighted against each column and row. The results of the factor analysis are presented in Table.1.

5.3.1. Factor I: Formalities and Processing:

This factor is found to be the most significant factor because it explains 13.4% of the entire variance. Under this, three factor variables are considered: application time interval (0.730), Legal expenses (0.632) and Pre-closure procedure (0.511). The primary variable is significantly loaded, while the opposite two variables are moderately significant.

5.3.2. Factor II: Amount:

This factor explains a variation of 11.9% of the entire variance. Under this factor, two variables Amount of Loan sanctioned (0.814) and therefore the Rate of interest charged by the institution (0.757) are considered. Both two variables are significantly loaded.

5.3.3. Factor III: Good Official System:

This factor explains a variation of 9.4% of the entire variance. During this factor, three variables are considered: counseling and guidance by officials (0.740), less documentary requirements (0.665) and Transparency in transactions (0.615). All the three variables are significantly loaded.

5.3.4. Factor IV: Convenience:

This factor possesses a variation of 8% of the entire variance. The variable: "Amount of EMI fixed (0.801)" is significantly loaded.

5.3.5. Factor V: Provision of higher Amenities:

This factor explains a variation of 7.4% of the entire variance. Under this factor, three variables namely customer care (0.803), easy disbursement of loan (0.600) coverage (0.486) are considered. The primary and second variables are significantly loaded, while the third variable isn't.

5.3.6. Factor VI: Post benefit:

This factor is found to be with a variation of 6.6 per cent of the entire variance. Under this, three factor variables are considered maximum repayment period (0.808), administration or processing fee (0.535) and extra benefits offered by the institution (0.509). All the variable are significantly loaded.

5.3.7. Factor VII: Customer Satisfaction:

This factor explains a variation of 5.6% of the entire variance. During this factor, two variables are considered; Flexibility in repayment (0.818) and Loan formalities (0.497). The primary variable is significantly loaded, while the second variable isn't.

5.3.8. Factor VIII: Charge:

This factor features a variance of 5.6%. The variable 'Penal charges for delayed repayment' (0.918) is significantly loaded.

6. SUGGESTIONS

To avoid such a situation, the Federal Reserve Bank of India should give strict instructions to the housing finance institutions about the sanctity of the sort of rate of interest. It should issue guidelines regarding the operation of both the kinds of rate of interest. Besides, the borrowers should have some amount of awareness and exercise their rights, using the proper To Information Act regarding implementation of the speed of interest as and when clarification is required. The borrowers can ask the financial institutions about such things. Within the case of floating interest rates the facts are often verified by checking how the interest rates on home equity credit dropped during low interest periods. They will also ask the financial institutions for a few historic floating rate changes.

7. CONCLUSION

It is felt that this study has contributed much to the sector of housing finance. It's been undertaken to document the experience of the borrowers. Since the study has given an entire picture of the role of non-banking financial institutions the guiding policies are often formulated in providing the housing loan. Additionally to the present, it'll enable the government to know the importance of Housing Finance Institutions in society. The study is descriptive within the sense that it's been mainly supported the opinion of all the sample respondents of the borrowers in Theni District. The suggestions made will enable the National Housing Bank to formulate the required rules and regulation and customary policies for the functioning of all the general public or private Housing Finance Institutions.

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