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“A STUDY ON CONSUMER PERCEPTION TOWARDS HOME LOANS IN HDFC BANK”

Amruthamol (Student, MBAMarketing)

Tarun bhayani (Student, MBAMarketing)

Prof. Tushar pardhan

(Asst. Professor, MBAMarketing)

Parul institute of Engineering and technology Vadodara, Gujarat.

ABSTRACT

Home loans came into widespread use in the United States in the boom years of the late 1800s. Since the average person usually cannot afford to pay cash for something as expensive as a home, lenders began offering loans for the difference between the purchase price of a home and the cash down payment supplied by the buyer. These loans were interest-only loans of between five and 10 years that were due in full at the end of the loan term. Homeowners would refinance the loan at the end of each term or save up enough cash to pay off the loan in the meantime. The Great Depression and its resulting foreclosures demanded a move to the modern amortized mortgage, which configures payments into both principal and interest portions. These 15- to 30-year loans pay off the home by the end of the loan term.

The most common purpose of a home loan is to provide the funds a buyer needs to purchase a home. Home equity loans allow a homeowner to borrow against the difference between the Home's value and the current loan balance, or equity. Investor loans permit buyers to purchase homes as rental properties or to fix up and sell at a profit. The number of customers availing home loans is increasing today as more people have been living a better standard of living and desire for owning a house. Need not be for the purpose of building or buying a house for oneself but can be for any other purpose as well. HDFC Ltd. is one of the largest companies to provide the best quality home loans. Though there is a hike in availing home loans on one side the opposite edge of the sword features several pre-payments and early closures.

INTRODUCTION

The study is entitled as “Factors causing pre-payment of loans and customer fulfillment of home loans in HDFC”. Customer fulfillment is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation.

A home loan is a long-term commitment of 15-20 years, several factors like expertise, quality of service in-depth domain knowledge and the company’s level of commitment and transparency right through, the loan procedures, the fine print, quality of services offered and safe retrieval of the title deed are critical. There are lot many banks and financial institutions through which one can easily avail of a home loan at reasonable rate of interest. The success of a business depends upon its ability to attract and retain customers that are willing to purchase goods and services at prices that are profitable to the company. Consumer fulfillment describes how customers and potential customers accept a company and its products and services. Consumer fulfillment is important to businesses since it can influence consumer behavior, which ultimately affects the profitability of a business. Home loans, also known as mortgages, use the borrower's home for collateral. This home can be a single-family house up to a four-unit property, as well as a condominium or cooperative unit. Lenders fund home loans, but both the lenders themselves and brokers who act on behalf of the lenders originate, or process, them.

Every financial institution offering loans to the customers would provide them with an option of pre-payment which is the settlement of a debt or installment payment before its official due date. A pre-payment can either be made for the entire balance of a liability or for an upcoming payment that is paid in advance of the date for which the borrower is contractually obligated to pay. A pre-payment can be made by a single individual, a corporation or another type of organization. The increasing number of pre-payments would affect the institutions loan book hence it is necessary to decrease the pre-payment of loans by developing Further pre-payment would give the customers two options either to reduce the tenure or equated monthly installment (EMI) reduction. Strategies to do so.

This project mainly aims in identifying and studying the factors affecting pre-payments of home loans. The project also identifies its effect on its loan book. The project concludes by suggesting the strategies to reduce the pre-payments of home loans. The study was conducted from HDFC Ltd. Housing Development Finance Corporation Limited or HDFC is an Indian financial conglomerate based in Mumbai, India. It is a major provider of finance for housing in India. It also has a presence in banking, life and general insurance, asset management, venture capital and education loans.

STATEMENT OF THE PROBLEM

Home Loan pre-payment is financially beneficial for Home Loan Borrowers. It helps to reduce Interest burden thus overall cost of property. Any type of debt including Home Loan is not good for financial health of an individual. Average Home Loan tenure in India is 8years which means Home

Loan pre-payment is preferred by borrowers to clear off Home Loan. Normally Home Loan pre-payment is done when we receive annual bonus or any exiting investment mature. Home Loan Interest increase the overall cost of property. In the case of the financial institution if the customer starts for the pre-payment it would not be beneficial for the company. The purpose of the study is to find the factors causing the pre-payment of home loans and analyzes the problem regarding the customer fulfillment of home loans in HDFC Ltd and also to identify some of the reasons leading to the problem.

OBJECTIVES OF THE STUDY

- To identify the most important factors causing pre-payment of home loans by the customers.
- To evaluate the customer fulfillment regarding the home loan services offered by the company.
- To measure the awareness level of people regarding the home loan services offered by bank.

LIMITATIONS OF THE STUDY

- The main limitation of this study is that the Sample size collected is not a complete representation of population.
- The information provided by HDFC Ltd was restricted as the entire study needs to be carried out without revealing much information about the project because it's confidential in nature.
- The time period of study was also a constraint as it was only for one month.

COMPANY PROFILE

OVERVIEW

HDFC Bank is known as Housing Development Finance Corporation Limited.

If ever there was a man with a mission it was Hasmukhbhai Parekh, Founder and Chairman of HDFC Group

HDFC BANK LTD was amongst the first to set up a bank in the private sector.

HDFC bank was incorporated on 30th August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai. It commenced operations as a Scheduled Commercial Bank on 16th January 1995.

It has 88,253 permanent employees as on 31st March 2018 and has a presence in Bahrain, Hong Kong and Dubai.

HDFC Bank is India's largest private sector lender by assets.

As of June 30, 2017, the bank's distribution network was at 4,715 branches and 12,260 ATMs across 2,657 cities and towns.

FORMATION OF THE COMPANY

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

VISION STATEMENT OF HDFCBANK

HDFC Bank's mission is to be a World Class Indian Bank. The objective is to build sound customer franchises across distinct business to be the preferred provider of banking services for target retail and wholesale customers segments, and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. HDFC Bank's business philosophy is based on five core values:

MISSION STATEMENT OF HDFCBANK

HDFC define our mission in the broader context of our shareholders, customers, staff, the national economy, regulators and the natural environment.

To shareholders ,HDFC mission is to optimize returns.

To customers,HDFC mission is to provide a caring service by anticipating their requirements and innovatively satisfying them beyond their expectations.

To staff, HDFC mission is to identify their multi-faceted talents, develop, motivate, recognize and reward them towards fulfillment of the institutional and national housing vision.

To the national economy and the industry regulator, we are the key drive and thought leader, shaping and financing the national housing policy.

To the natural environment, HDFC enforce sustainable practices across all our activities.

REVIEW OF LITERATURE

John Melonakos (2007): In his study on - A Research Study of Customer Preferences in the Home Loans Market: The Mortgage Experience of Greek Bank Customers concluded that the important influential factors emerge, such as the various offers of banks, the bank's reputation, existing cooperation, as well as bank staff. Bank branches proved to continue constituting the primary distribution channel for mortgage products and services.

D. Regis Arunodayam and N. Thangavel (2007): In their study on - A study of the Housing Industry with special reference to the city of Chennai examined the developments in the housing finance in India in the early 21st century and the magnitude of the problem of housing in the country and the implication of housing policies.

Kirti Dutta and Anil Dutta (2009): In their study on - Customer Expectations and Fulfilment across the Indian Banking Industry and the Resultant Financial Implications have studied the expectations and perceptions of the consumers across the three banking sectors in India. It was found that in the banking sector it is the foreign banks which are perceived to be offering better quality of services followed by the private and then public banks and these perceptions are reflected in the financial performance of the banks also.

Aparna Mishra and Kamini Tandon (2011): In their study on - A Customer Centric Approach towards Retail Banking Services: A Glimpse analyzed the customer's perception on the retail banking services offered by namely five private sector banks situated in Delhi and to study the major factors influencing their choice of

banks and its products.

Rashmi Chaudhary and Yasmin Janjhua (2011): In their study on - Customer Perceptions and Fulfilment towards Home Loans found that the customers of the company 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.

Gupta and Sinha (2015) examine factors influencing the purchase of home loan are a low rate of interest, easy accessibility, the status/ reputation of the institution and scheme offered by the company and that these influence the selection of the housing finance institution.

Chithra and Muthurani (2015) conducted a study on customer perception towards home loan in H.D.F.C in Chennai with the 85-sample size. The study shows that H.D.F.C. bank home loans have a product portfolio for satisfying different consumer needs.

ResearchMethodology

Research methodology issued for finding out the truth of the problem. Research simply means search for fact and answers to question or solutions to a problem. It is a purposive investigation organized enquiry with purpose. It is directed to find out explanations or to clarify facts. The quality and reliability of research study is depending on the information collects in the scientific and methodology manner. There search methodology is away to systematically solve there search problem. The methodology shall be considered on the methods used in one research in selecting samples, sample size, data collection and various tools for data analysis. Scientific planning of designing of research method is blueprint for any research study. Therefore, proper time and attention should be given in designing the plan of research. Selection of methodology for a particular project is made easy by sorting out a number of alternative approaches, each of them having its own advantages and disadvantages. Efficient design is that which ensure that there relevant data are collected accurately.

There search methodology using here is descriptive research. There searcher collects the primary data and secondary data from various sources. Sample size are decided and questionnaire are used for conducting research. The clarity in research problem and sample size would help to make the research study.

RESEARCH APPROACH AND DESIGN

There are two basic approaches to research Quantitative and Qualitative approaches. The former involves the generation of data in quantitative form which is subjected to rigorous analysis in a formal rigid fashion.

Research design is a master plan or model for conduct of formal investigation and survey it is the specific action method and procedures for acquiring information needed for solving the problem. Research design is the blueprint for doing the research in a cost-effective manner. “ Research is the arrangement of condition for collecting and analysis of data in a manner that aims to combine relevance to the research purposes with economy in procedure”. A research design is a specified framework for controlling the collection. It is the basic plan, which guides the data collection analysis phase of the research.

SOURCES OF ONLINE DATA

After establishing the objective and determining the design of the research study, it is necessary to collect accurate data. Data used for the study was collected from two sources, primary source and secondary source.

Primary Data

Secondary Data

Primary data

Primary data refers to the first hand information that an investigator himself collects from the respondents. It's direct and original in nature. It refers to the data collected a fresh forth first time. Primary source consists of direct data collection from the customers and company officials. This consists of questionnaire and telephonic interview.

Secondary data

Secondary data are the information collected from those data which have already been obtained by some other researcher. It is second hand information. Secondary research can be rich in the information if you know what to look for and where to look. Here you have to keep track of sources you gather in an orderly way. For this study data is collected from company records, manuals, specimen documents, and data bases belonging to the company and research publications.

SAMPLIN GDESIGN

A sample design is the framework,or roadmap ,that serves as the basis for the selection of a survey sample and affects many other important aspects of a survey as well. In abroad context, survey researchers are interested in obtaining some type of information through a survey for some population, or universe, of interest. One must define a sampling frame that represents the population of interest, from which a sample is to be drawn. The sampling frame may be identical to the population, or it maybe only part of it and is there fore subject to some under coverage,or it may have an indirect relationship to the population (e.g.the population is pre school children and the frame is a listing of preschools).The sample design is selected mainly for the studies or researches where primary data is be in gussed. With the help of sampling design survey can be conducted through questionnaires and research will be done based on the available data from the respondents.

DATA INTERPRETATION

What was your mode of enquiry towards Pre-payment of loan?

Table5.5:Enquiry mode

MODEOFENQUIRY	FREQUENCY	PERCENTAGE
Phone	32	24.6
Online	42	32.3
Walk-in	56	43.1
Others	0	0.0
TOTAL	130	100

Source:PrimaryData

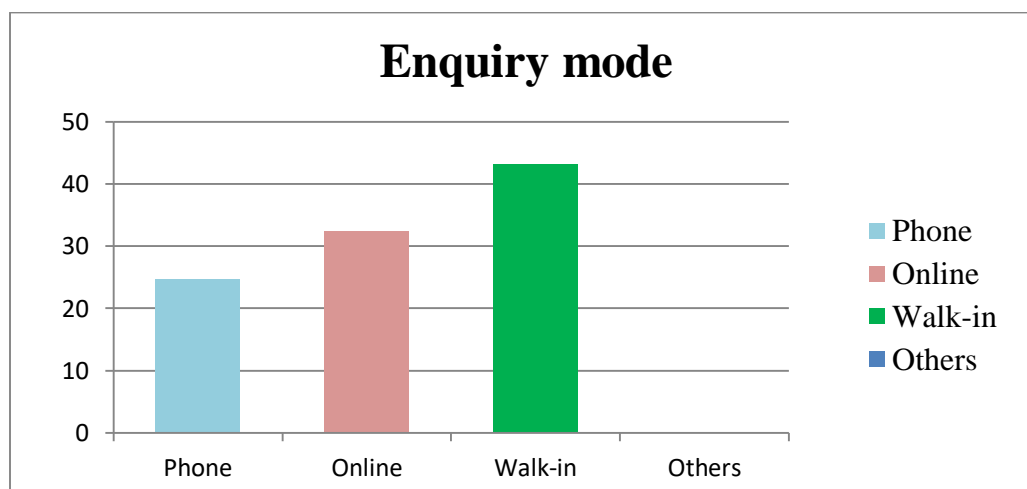


Figure5.5:Enquirymode

Interpretation

Majority of respondents 43% made their enquiry by walking into the service centers. While 32% of respondents made their enquiry online and 24.6% respondents made their enquiry over phone. This might be because people can get more clarity of information when they come directly to office and enquire.

6. What was the mode of pre-payment you prefer/used?

Table 5.6: Mode of pre-payment

MODE OF PRE-PAYMENT	FREQUENCY	PERCENTAGE
Cheque	87	66.9
Demand draft	43	33.1
Others	0	0.0
TOTAL	130	100

Source: Primary Data

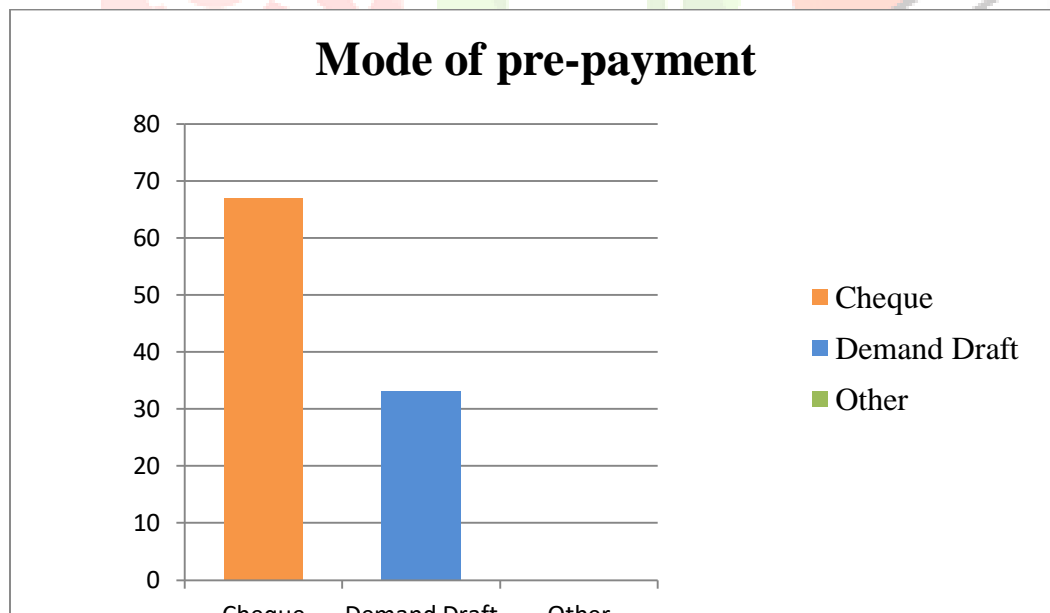


Figure 5.6: Mode of pre-payment

Interpretation

A major percent of respondents did their Pre-payment through cheque. While 33% of respondents made the pre-payment with Demand draft. As the firm doesn't accept cash, most people prefer cheques over DD. This might be because DD carries additional charges while Cheque doesn't carry any charge for customers. OTOP (one time online payment) is other facility where customers lack knowledge on how to use.

FINDINGS

Following are the findings of our study:

Majority of respondents of about 41% who came to Pre-pay loan were of age group 35-45.

60% of respondents who came to Pre-pay were males.

Majority of respondents of about 35% who came for Pre-payment was employed in private sector. This is followed by 29% from self-employed professionals.

37% respondents who came to Pre-pay loan come in the income bracket of Rs60000-150000.

43% of respondents made their enquiry for Pre-payment by walking in to the service center.

Cheque was the most preferred or used mode for Pre-payment of the loan. It was preferred by 67% respondents.

72% of respondents said they were counseled on the effect of Pre-payment by the employees.

Almost 50% of respondents are very much aware about the impact of Pre-payment of loan and tax benefits they are going to lose.

From the study it was identified that Availability of own fund is the major reason for the loan closure. 38.5% respondents closed their loan as they have own fund or savings.

A large number of people closes the loan either to transfer loan to another organization and also to have peace of mind. 22% respondent's Pre-paid loan to transfer loan to other organization.

72% of respondents decided to transfer the loan to another organization. The main reason for loan transfer is

due to additional fund requested not met.

40% of respondents said their source of fund is from personal savings.

48% of respondents were aware that there are various products and schemes in market which yield higher returns.

Majority of people, about 46% consider fixed deposits and recurring as an alternative to Pre-pay the loan.

63% respondents were informed about reducing the spread by HDFC employees to prevent pre-payment.

Most of respondents are satisfied with the information provide on website.

48% respondents said it took less than 10 minutes for their Pre-payment procedures.

Majority of over 60% respondents are satisfied with the Pre-payment process.

37% of respondents stated that the service quality is very good.

Majority of respondents said they are likely to come back to HDFC for their future home loan's needs, as they are satisfied with HDFC service.

60% of respondents said that they will recommend HDFC to others.

SUGGESTIONS

Product related suggestions

- It is suggested to bring some of the product which company lacks and the competitors have i.e. expand their product portfolio.
- It is suggested to bring customization, depending on various needs of customers and try bringing customization in company's products.

Customer related suggestions

- It is suggested to bring Medical aim insurance and other policies focusing on the senior citizens nearing to retirement.

General suggestions

- It is suggested to educate the people regarding tax benefits of having home loans.
- It is suggested to make people aware the benefits they have from HDFC.
- It is suggested to have more advertisements and campaigns as the heavy competition in market.
 - It is suggested to bring in a feedback system after every process customer have with HDFC, so as to make improvements accordingly.

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