

ABSTRACT

Housing Finance is a long-term institutional finance for owning a property by way of purchase, construction, improvement or extension; generally against the same property pledged as security. It enhances affordability of individuals who otherwise cannot afford to own a housing unit. Also, home-loans are a good means to avail tax benefits and useful tool to have long-term savings in addition to possess a roof over head. As housing is an important component of quality living, government has always accorded due priority to the issue by acting as provider for the vulnerable section and facilitator for the rest by taking measures to develop the housing finance market. In India at present the two major housing finance providers are the Scheduled Commercial Banks (SCB) and Housing Finance Companies (HFC). Though HFCs are specialised Housing Finance Institution (HFI) and initially used to hold a major share in the Indian housing finance market, SCBs reach and huge customer base has given them a competitive edge over the HFCs. And thus, SCBs continues to be the major lender in Indian housing finance market since 2004. With the aim to find out the trend in growth of housing finance and share of SCB & HFC, it has been found that the outstanding housing loan has collectively grown to Rs. 24,61,083 crores in 2021 from Rs. 65,481 crores in 2001; and SCB holds almost 63.46% share of the total outstanding housing loan in the country against HFC holding almost 35.99% as on 31st March, 2021. This study is majorly based on primary data collected with the help of three separate set of structured questionnaires, based on five-point bipolar Likert scale, self-administered to home-loan borrowers to analyse their awareness level, service quality delivered by the lenders and compliance of Fair Practices Code (FPC), as perceived by the borrowers. Awareness items were based on Measuring Awareness of Financial Skills (MAFS), Financial Competency Assessment Inventory (FCAI) & Decision Making Competence Assessment Tool (DMCAT) scales. Evidence of low awareness level has been found regarding various items, especially regarding loan-tenure, EMI, tax aspects, financial charges and purpose & size of loan. Further, evidence of significant differences has been found among the home-loan borrowers with respect to their gender, age, loan-amount availed and type of lending institution. Service quality expectation of borrowers and perception of borrowers regarding service quality of the lenders has been analysed using SERVQUAL. The perceived service quality was found not to be satisfactory against the expectations of the borrowers. Both bank and HFC were found to be deficient in meeting expectation of their customers. Bank and HFC found to

differ significantly in quality of services delivered by them, as perceived by their customers regarding twelve attributes out of twenty-two. HFC's home loan customers perceived the service quality as higher than the home loan service rendered by banks, as perceived by their customers. Reserve Bank of India (RBI) issued guidelines for banks and other financial institutions to develop their own respective FPC in 2003 and in 2016 NHB came up with a general FPC to be complied by all HFCs to ensure fair and transparent lending practices. Since, there is non-uniformity in FPCs of different lenders, attempt has been made to standardise the FPC. Thirty-two variables were identified from NHB master circular and through observation and interviews. Exploratory Factor Analysis (EFA) was used to extract factors essential for FPC. Five factor solution emerged with 18 variables, which cumulatively explains 84.216% variance. The five constructs identified are named as, Online Communication Facilities, Loan Application Services, Grievance Handling, Documentation Services and Financial Charges. This implies that the 18 variables considered important by the borrowers majorly relates to Online Communication Facilities, Loan Application Services, Grievance Handling, Documentation Services and Financial Charges. Confirmatory Factor Analysis (CFA) was done to confirm the factor structure identified. The convergent validity and discriminant validity were satisfied by the hypothesized model. All fitness indices examined have met the required criteria. One variable was eliminated in the process for improving the results. The final standardised model consists of five factors, reflected by 17 observed variables. Thus, the FPC can be revised for implementing a standardised FPC for all housing finance providers taking into account the factors which have been perceived to be important by the borrowers.