

A Comparative Analysis of Housing Finance Institutions in North Coastal Andhra Pradesh: LIC Housing Finance Limited vs HDFC LTD.

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Abstract

This paper presents a comparative analysis of two prominent housing finance institutions, LIC Housing Finance Limited (LICHFL) and Housing Development Finance Corporation Limited (HDFC), in the North Coastal districts of Andhra Pradesh. With the rapid growth and evolving landscape of the housing finance sector in India, understanding customer awareness, perception, and satisfaction becomes crucial for institutions aiming to effectively serve their clientele. The study draws on existing literature emphasizing the significance of these factors in shaping customer behavior and institutional performance. Using a quantitative research design, the study assesses the levels of customer awareness, perception, and satisfaction with LICHFL and HDFC among residents of the North Coastal region. A purposive sampling technique is employed to select participants, ensuring representation across various demographic characteristics. Data are collected through structured surveys administered to borrowers of both institutions, supplemented by secondary data sources.

The analysis reveals significant differences in customer awareness, perception, and satisfaction between LICHFL and HDFC. While both institutions play vital roles in the housing finance market, HDFC demonstrates higher profitability and productivity compared to LICHFL. Moreover, borrowers exhibit varying levels of awareness and perception regarding loan products, interest rates, processing fees, and documentation requirements, with HDFC generally outperforming LICHFL in terms of customer satisfaction.

The findings underscore the importance of strategic initiatives aimed at enhancing customer awareness, improving service quality, and fostering positive perceptions to remain competitive in the housing finance sector. Policymakers and industry stakeholders can leverage these insights to formulate targeted interventions and regulatory measures conducive to promoting financial inclusion and sustainable housing development.

In conclusion, this comparative analysis offers valuable insights into the dynamics of the housing finance market in North Coastal Andhra Pradesh, highlighting the strengths and weaknesses of LICHFL and HDFC. By addressing gaps in customer awareness, perception, and satisfaction, housing finance institutions can better align their strategies with the evolving needs and preferences of borrowers, ultimately contributing to the sector's growth and development.

Keywords: housing finance, borrowers, Satisfaction levels, customers perception.

Introduction

The housing finance sector in India has witnessed significant growth and transformation over the years, playing a crucial role in facilitating access to housing for a diverse range of socio-economic groups. With the rise of urbanization and the increasing demand for affordable housing, housing finance institutions have emerged as key players in providing financial solutions to homebuyers. Among these institutions, LIC Housing Finance Limited (LICHFL) and Housing Development Finance Corporation Limited (HDFC) stand out as leading

players in the market, offering a wide array of products and services tailored to meet the diverse needs of customers.

According to Mukherjee and Bhattacharya (2020), the housing finance market in India has experienced robust growth, driven by factors such as government initiatives, favorable regulatory frameworks, and increasing disposable incomes. As a result, housing finance institutions have expanded their operations to various regions across the country, including the North Coastal districts of Andhra Pradesh. In this context, it becomes imperative to analyze and compare the performance of prominent players like LICHFL and HDFC in catering to the housing finance needs of residents in this region.

Previous research by Sharma et al. (2018) highlights the importance of customer awareness, perception, and satisfaction in the housing finance sector. Customer awareness refers to the extent to which individuals are knowledgeable about the products and services offered by housing finance institutions. Customer perception, on the other hand, pertains to the subjective views and opinions held by customers regarding the quality, reliability, and credibility of these institutions. Customer satisfaction reflects the overall level of contentment and fulfillment experienced by customers in their interactions with housing finance providers.

This research paper aims to conduct a comparative analysis of LICHFL and HDFC in the North Coastal districts of Andhra Pradesh, focusing on customer awareness, perception, and satisfaction levels. By examining these aspects, the study seeks to identify the strengths, weaknesses, opportunities, and threats faced by both institutions in the study region. Through a comprehensive analysis of survey data and relevant literature, the paper aims to provide insights that can inform strategic decision-making by housing finance institutions and policymakers alike.

Literature Review

Mukherjee and Bhattacharya (2020) provide a comprehensive overview of the growth and prospects of housing finance in India. Their study highlights the role of government initiatives and regulatory reforms in stimulating market expansion, thereby enhancing access to housing finance for diverse socio-economic segments. By examining trends in mortgage penetration rates and loan disbursements, the authors underscore the sector's potential for further growth and development.

Sharma et al. (2018) contribute to the literature by investigating customer satisfaction in the housing finance sector, with a specific focus on ICICI Home Finance Company Limited. Through a survey-based approach, the authors assess various dimensions of customer satisfaction including loan processing time, interest rates, and customer service quality. Their findings highlight the importance of timely and efficient service delivery in enhancing customer satisfaction and loyalty.

In the context of the present study, customer awareness, perception, and satisfaction emerge as critical factors shaping the competitive landscape of the housing finance market. As noted by Mukherjee and Bhattacharya (2020), heightened customer awareness enables housing finance institutions to effectively communicate their product offerings and value propositions to prospective customers. Similarly, positive customer perception fosters trust and confidence in the institution, thereby enhancing its competitive position in the market (Sharma et al., 2018).

A comparative analysis of housing finance in LIC and HDFC reveals that both institutions play a significant role in the housing finance sector in India. LIC Housing Finance Limited, a public sector institution, and Housing Development Finance Corporation Limited (HDFC), a private sector institution, have been studied for their profitability and productivity performance. The findings indicate that HDFC outperforms LIC Housing Finance in terms of profitability and productivity (A.Kavitha.2017). This study used to analyze the financial performance of housing finance companies, including HDFC, based on corporate governance practices and disclosures (Manjari, et al, (2017) Overall, both LIC and HDFC contribute to the growth of the housing finance

sector in India, but HDFC demonstrates better performance in terms of profitability and productivity (Sai, Kalyan., S., Priya. 2022).

Objectives of the Study

- 1) Evaluate the extent of customer awareness regarding the products, services, and brand reputation of LICHFL and HDFC among residents of the North Coastal districts of Andhra Pradesh.
- 2) Analyze customers' perceptions towards Factors Concerning Borrowers' Awareness Level on housing finance services offered by LICHFL and HDFC in the study region.

Research Methodology

This study's sampling unit was a geographic region, specifically coastal districts of Andrapradesh. A simple random sampling technique was utilised to choose them. One of the Probability Sampling methods is the Simple Random Sampling Method. This strategy was chosen so that each participant has an equal and fair probability of being selected. The 380 participants chosen for the study and the sampling unit was Borrowers of HDFC and LIC Housing corporation ltd. The Chi-square test is used to determine whether two attributes are independent. It is also used to compare the significance of one variable to another.

Analysis of Selected Home Loan Factors Concerning Borrowers' Awareness Level

To analyze the level of awareness of borrowers regarding the level of awareness, the Chi-Square test at a significance level of 5% was administered to determine the significance of the difference in the level of awareness of HDFCL and LICHFL 10 identical factors, and the result of the test was reported in Table 1.1

**Inferential Statistical Analysis: Difference in Borrowers level of Awareness towards
Selected Loan Factors**

<u>SLNo</u>	Awareness Factors	XP²	<u>d.f</u>	p-value	Results
01	Processing Fees and Administrative Charges	2.194	2	.334	H ₀ Accepted
02	Fixed and Floating Interest Rate Option	.481	2	.786	H ₀ Accepted
03	Housing Loan Product Innovative with Features	10.777	2	.005	H ₀ Rejected
04	Penalty for Default /Delay in Payment	12.263	2	.002	H ₀ Rejected
05	Pre closure and Transfer of home loan	3.202	2	.202	H ₀ Accepted
06	Interest rate charged by other agencies	.894	2	.639	H ₀ Accepted
07	IT Enabled services offered by lending agency	.306	2	.858	H ₀ Accepted
08	Method of Interest Calculation	6.949	2	.031	H ₀ Rejected
09	Present Rate of Interest Charged by their Lending Agency	5.825	2	.054	H ₀ Accepted
10	Housing Loan covered by insurance	.660	2	.719	H ₀ Accepted

At 5% level of Significance

The analysis suggested statistically significant differences between the two Housing Finance Agencies regarding Borrower awareness of three loan factors: housing loan products with innovative features, penalties for default/delay in payment, and interest calculation methods. The Borrowers' level of awareness regarding processing fees and administrative charges, fixed and floating interest rate options, pre-closure and transfer of home loans, interest rates charged by other agencies, IT-enabled services offered by their lending agency, the current interest rate charged by their lending agency, and housing loans covered by insurance does not differ statistically significantly between these two HFIs at this level, at the 5% significance level.

The mean awareness score of all respondents was 26.66, and the standard deviation was 4.90, both of which were higher than the mean test value of 21. It indicates that the overall level of home loan debtors' awareness regarding the various aspects of their loans was relatively high. The descriptive institution-by-institution analysis of the mean score yielded a similar result: the overall awareness level of HDFCL and LICHFL borrowers in this regard is relatively high, as their respective average awareness scores are 26.54 and 26.76 points above the standard test value mean.

The student's t-test was used to examine the null hypothesis regarding the mean awareness score of HDFCL and LICHFL. Both HDFCL and LICHFL have average awareness scores that exceed the standard test value of Mean 21. It was also used to determine whether there is a significant difference between the overall levels of cognizance of the borrowers of the two selected Institutions regarding their home loan products.

Results and Discussion

According to the analysis findings, most respondents (50.27 percent; HDFCL: 22.46 percent; LICHFL: 27.81 percent) have a medium perception of the interest rate their respective lending organizations charge. According to the study's findings, the interest rate that HDFCL charges is higher than that of LICHFL. 36.63 percent of total respondents claimed that the processing fees charged by their loan agencies were medium (HDFCL 17.11 percent and LICHFL 19.52 percent), and 21.93 percent of the respondents stated that it was high (HDFCL 10.70 percent and LICHFL 11.23 percent). The majority of respondents (76.47 percent; HDFCL: 36.10 percent; LICHFL: 40.37 percent) felt that the documentation required for sanctioning home loans was not particularly onerous. The loan margin was considered extremely low by 44.92 percent of respondents (HDFCL 22.99 percent and LICHFL 21.93 percent of respondents, respectively). Only 1.60 percent of respondents thought it was extremely high, with HDFCL making up 1.07 percent and LICHFL making up 0.53 percent.

Out of the total number of respondents, 60.43 percent (HDFCL 30.75 percent, LICHFL 29.68 percent) claimed that the method of repayment is straightforward, and 31.28 percent of respondents (HDFCL 16.04 percent, LICHFL 15.24 percent) stated that it was comfortable. Both HFIs have simplified and made their clients access to accessible repayment alternatives whenever possible in order to assist the borrowers.

Out of the total number of respondents, 49.74 percent (HDFCL 21.93 percent, LICHFL 27.81 percent) thought that the penalties charged by their respective lending agencies were moderate, while 25.14 percent (HDFCL 14.71 percent, LICHFL 10.43 percent) said that it was high.

According to the findings of the study, 50.53 percent of respondents (HDFCL 24.33 percent, LICHFL 26.20 percent) believed that there was a 'low' wait in sanctioning loans, while 45.72 percent of respondents (HDFCL 24.06 percent, LICHFL 21.66 percent) claimed that there was a very low delay. Therefore, from the perspective of the borrowers, HDFCL and LICHFL are demonstrating greater operational efficiency in terms of processing and sanctioning loan amounts without any delay and without causing the borrowers any hardship.

Regarding the Formalities of the Procedure, The opinions of 41.98 percent of respondents (HDFCL 20.05 percent and 21.92 percent) were that it was shallow, while the opinions of 31.82 percent of respondents (HDFCL 16.05 percent and 15.77 percent) were that it was medium. 77.54 percent of the respondents thought that the general functioning of their loan agency was better (HDFCL received 37.43 percent, and LICHFL received 40.11 percent), respectively. 15.51 percent of respondents thought their organization was outstanding; HDFCL received 7.49 percent, and LICHFL received 8.02 percent.

The chi-square test was utilized to analyze the significant difference at the 5 percent level between the HDFCL and the LICHFL in terms of the borrowers' perception level. At this level, there are statistically significant variations between these two HFIs about four loan aspects: the interest rate, the processing costs, the amount of documents, and the penalty for the loan being delayed or defaulted on. However, the level of view borrowers have regarding a loan margin, repayment method, delay in sanctioning a loan, procedural formalities, and the organization's overall operation are not statistically significant differences between these two HFIs.

Conclusion

This study provides valuable insights into the comparative performance of LIC Housing Finance Limited (LICHFL) and Housing Development Finance Corporation Limited (HDFC) in the North Coastal districts of Andhra Pradesh. Through a comprehensive analysis of customer awareness, perception, and satisfaction levels, the study sheds light on the strengths, weaknesses, opportunities, and threats faced by both institutions in the competitive housing finance market. The findings of this study indicate that while both LICHFL and HDFC play significant roles in facilitating access to housing finance in the region, HDFC demonstrates higher levels of profitability, productivity, and customer satisfaction compared to LICHFL. These differences can be attributed to various factors such as product offerings, interest rates, processing fees, and service quality. Moreover, the study highlights the importance of customer awareness, perception, and satisfaction in shaping borrower behavior and institutional performance in the housing finance sector. Effective communication strategies, transparent policies, and efficient service delivery emerge as critical determinants of customer satisfaction and loyalty.

The implications of this study extend beyond the realms of individual institutions, offering valuable insights for policymakers, regulators, and industry stakeholders. By addressing gaps in customer awareness and perception and enhancing service quality, housing finance institutions can better meet the evolving needs and preferences of borrowers, thereby fostering financial inclusion and sustainable housing development in the region.

Moving forward, further research could explore additional factors influencing customer behavior and institutional performance in the housing finance sector, such as technological innovations, regulatory changes, and macroeconomic trends. By continuously monitoring and adapting to changing market dynamics, housing finance institutions can position themselves as catalysts for inclusive and equitable housing finance provision, ultimately contributing to the socio-economic development of the region.

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