Enhancing Customer Satisfaction in Housing Loan Processing: Insights from NBFCs in Bangalore

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The need for a home has become an essential part of life, leading to a growing demand for housing loans. Both banking and non-banking financial companies (NBFCs) play a significant role in assisting individuals to achieve their dream of homeownership. In a competitive market with multiple service providers, NBFCs must offer attractive deals, competitive interest rates, and exceptional services to maintain a strong market presence. This study aims to identify the key factors influencing customer satisfaction towards housing loan processing in NBFCs in Bangalore. Using the SERVQUAL model, factor analysis is conducted to determine the various factors affecting customer satisfaction. Additionally, regression analysis is employed to identify the most influential factors in shaping customers' satisfaction with housing loan processing methods and schemes. The findings suggest that the adoption of innovative technologies by NBFCs has significantly improved service delivery, reducing time and costs for customers. As a result, NBFCs are playing a vital role in making homeownership a reality for many.
Keywords: Customer Satisfaction, Housing Loans, Non-Banking Financial Companies (NBFCs), SERVQUAL Model, Factor Analysis, Regression Analysis.

1. Introduction

Indian banking system has improved their ways to deliver products and services by encountering changes and innovations in their existing systems. Continuous challenges of maintaining and dealing with the fiscal regions, cash, budgetary markets, and trading has influenced the perception of people towards achieving their dream houses. The banks are bearing intense pressure to handle unlimited customers with limited employees (Bedi, 2010), Thus, non-banking financial institutions have been successful in getting strong hold over the

customers and leveraging them with the availability of loans, serving financial needs of peopleand fulfilling the dream of owning a home and choosing the organization for availing home loan depends on various factors and financial institutions vary in different aspects to offer loans to an individual (Shamdasani et al., 2008).

Home shelter is has become vital, indispensable, and essential place to live and perform daily activities for survival. Home loans have made it feasible to hunt the shelter and accomplish the needs of an individuals. The availability of home loans depends upon various factors such as valuations of properties, inflation, Cibil score, monthly income, and other means of income to avail the loans (Bedi, 2010), Due to increasing inflation and uncertain conditions with limited income, it is getting harder to buy and hold the property or home in once, so people prefer to buy home with sum installments to banking or non-banking institutions to own ahouse (Gupta and Aggarwal, 2013), The non-banking financial institutions have become stimulating agents of providing easy and soft loans without much documentations and mortgages and helping people to buy their dream house as per their own credibility (Chada and Chawla, 2013),

On the other hand, people arefinding it difficult to choose one reliable and trustworthy NBFC institution to avail the loan, so in most of the cases, they prefer referenced person of institution for the same. The selection of one institution amidst thousands has become tedious and complex task for the borrowers also and beside this, the actionable elements and talks make this endeavor more challenging one. The current study focuses on the principle information of rate of interest for home loan for individuals so that later on they should not face the misleading parts or agents in the market (Kaur, 2013),

The alarming prices and increasing daily expenses, people are logically selecting home loan as the best way to have sheltered house than rented accommodation to get their dream home. The advance expenses are exploding day by day and banks are not able to improve their cash reserves to arrange and end up home searches, hence the NBFCs came into existence and provide essential funds to acknowledge their customers. Whereas, customer organizations are offering blend of services with physical availability of buildings end up earning customer satisfaction for their services (Kaur, 2013),

Customers judge the outcome of any of the services and provide their responses or feedback accordingly. The comparative analysis done by the customers results in better feedback which often end up investigating the customer satisfaction level for the services rendered to them. Based on the services model, the determinants of service quality can be reliability, responsiveness, communication, credibility and more (Bedi, 2010),The reliability incorporates consistency of execution and faithfulness whereas responsiveness refers to the quick and spontaneous arrangements of delegates to perform in order to earn profit. Access can be defined as ease of actions perceived by the customers during the period of activities performed by the organizations to accomplish and fulfil the need of the customers. Communication refers to the level of refinement with an adjusted customer so that both the ends should be clearly convey their message to generate positive output of the same. Credibility incorporates the best processes and policies to the customers for which customer believe and trust blindly and organizations validate the trust by fulfilling all their essential promises (Bedi, 2010; Kumar and Sudha, 2014 and Narwal el al., 2013)

Every institution offers variety of advanced loans to their clients such as retail credit, term advance, overdraft and wander support. The current study will focus on the offering of home loans by the NBFCs to their customers in Bangalore city and the satisfaction level of customers after availing the home loans and repaying it by NBFCs. The study will examine all the factors having direct indirect impact on the satisfaction level of customers.

2. REVIEW OF LITERATURE

The study will emphasis on the provision of home loans to the borrowers and many supporting and contrary arguments have been found in the established literature. Many of the scholars criticize the role of NBFCs in providing loans to needy people but with high interest rates than banks interest rates for the same. David (2009) has elucidated that during the past 7 years, the utilizations of home loans has been tremendously increased and people are totally dependent upon banks and non-banking institutions for their borrowings. Kerry (2008) has examined that there is sudden drop down in the cost of home as compared to last decade prices. During the mid-2000s people start hesitating in approaching the banks due to their high loan processing fee and numerous documentation formalities so they shifted to NBFCs. Along with this, banks were not able to supply abundance amount of credit in total to their clients. This has led NBFCs institutions to hold a nerve on the society to grab a large chunk of clients for lending money to them (Narwal et al., 2013),

Micheal (2007) examines the impact of expansion of interest rates of home loans on yearly basis between 2004 and 2005. The study was based on profile of borrowers, yield in bend conditions and changes in bank business rehearses. The outcome was not as expected and study found that no noteworthy increment in the reported volume has been witnessed. Thereafter, banks and non-banking institutions have changed their policy and reduced credit hazard factors and controlled their blend advance types to attract the public for availing the home loans (Nallusamy, 2012),

Kaur (2013) reported that people in India are always overwhelmed by the saving money area than being lavish so they prefer to take credit and repay it with future income. People have been influenced to endorse of lodging credits to build their dream homes and to reduce the barriers between buyer behaviour and bank retail items. Bankers are on the other hand, are putting their efforts to supply credit in the market so that people should feel safe and motivated to borrow money (Kaur, 2013),

Sangwan and Bhan (2012) discovered that Lack of time, absence of information, non-reaction, hesitant disposition, and ignorance of respondents, which postured issues in doing the exploration. The study was conducted in Chandigarh and sample consist of 200 respondents; the inferences drawn from their responses that essential information is not easily accessible by the people, no direct and transparent information is shared to the public. Financial institutions employees try to save their time and as a result skip many of the essential informations while demonstrating the process and terms and conditions of home loans for future. The outcome reveals that people sometimes loss interest and trust as well in the banks and non-banking institutions (Kshitija and Shrikrishna, 2013),

Guptat and Aggarwal (2013) revealed that consumer satisfaction and loyalty depends upon the

quantitative and qualitative benefits perceived by them from the home loan providers. The study conducted in North India has made a comparative analysis of SBI and HDFC home loans. People are more satisfied with the services of HDFC but with the interest rate provided by SBI. Hence, people were not fully satisfied with all the parameters but on some parameters, they were satisfied with the services and interest rates provided to them. Rao (2013) has conducted similar survey and found that administrations and item advancements are the key apparatuses for progress. When people will be delivered transparent services and flawless products without hidden costs, they will be more concerned and conscious about the home loans and then they can actually take a decision whether to avail home loan or not, or if they have to avail then what should be the tenure of the home loan (Vanaja and Sindhuja, 2013),

Thakur (2014) has investigated that people are more prone to private banks than public banks due to the behavioral and emotional aspects. Public bank employees do not provide essential and sufficient information, they have to get all the information on their own and have to visit the banks many times whereas private bank employees visit their houses, communicate all the process and make it more convenient to avail the home loan. People reveal that there is not huge financial difference in the final installments so sometimes they prefer private institutions over public banks for availing any type of financial assistance.

Sharma and Garg (2014) have revealed that now a days, SBI is putting all efforts and educating their clients about home loans. There has been a tremendous shift in the behaviour of SBI employees and are in the process of retaining their existing clients as well as getting more clients by improving their quality of services and building trust among their clientele. SBI have realized the degree intense competition in the market and loss of clients due to their behavioral and attitudinal issues. The outcome is positive signs for emerging economy where pubic banks can contribute more than the private banks.

Chitra and Muthurani (2015) have examined that private bank especially HDFC have portfolios of home loans to fulfil the needs of their diverse customers. Banks are not randomly approaching customers to avail home loans but strategically targeting their clients with different portfolios pertaining to their needs for advancing the administrations and associations with their clients as well. These portfolios help the banks to expand their business. Gupta and Sinha (2015) found similar results for non-banking institutions and found that home advance and low rate of intrigue, simple availability, status/notoriety of the foundation and plan offered by the organization are the main consideration for determination of the lodging account establishment near examination on Factor Affecting shoppers Buying Behavior towards Home Loan. The outcomes further emphasis that settled rate of intrigue is most favored alternative by the clients (Bedi, 2010),

Murugan and Jansirani (2017) conducted a survey to measure customers perception towards home credits on arbitrary premises. The results consist responses from 500 respondents and reveal that execution and operational issues looked by the saving money are taken into consideration in the initial phase followed by lodging segment for home credits and tenure of home loans for the same. The study concludes that favored alternatives are always preferred and welcomed by the clients for availing home loans (Kaur, 2013),

OBJECTIVES

• To study the factors responsible for customer satisfaction towards home loans.

• To find the most influencing factors determining customer satisfaction for availing home loans from NBFCs

3. RESEARCH METHODOLOGY

Descriptive research study has been adopted and convenient sampling has used to conduct the study. Data has been collected through structured Questionnaire. Researcher has adopted snowball and convenience sampling for the collecting the data and has applied descriptive statistics for interpreting the demographics and regression method for investigating the most influencing factors determining customers satisfaction for availing home loans.Researcher has collected responses from 453 respondents from Bangalore region. Thereafter, data cleaning and data screening techniques have been applied,53 responses have been discarded and finally, 400 responses have been considered for final data analysis.

4. DATA ANALYSIS AND INTERPRETATION

Table 1 highlights the demographic parts of the current study. The study consists of 400 respondents' responses to draw the inferences from the final data set. It is found that customers are aware of NBFCs home loans from their friends and builders and advertisements play limited role in creating awareness about NBFCs home loans. Majority of the customers are satisfied with the representative of NBFCs and perceive that representative have sound knowledge about the home loans and is capable enough to convince them by resolving their all queries.

Table 1 Demographic variables of customers

S No	Source	Options	No of Respondents	%
1	NBFC Known to the customer	Friends	100	25%
		Advertisement	60	15%
		Builder	160	40%
		Relatives	80	20%
2	Knowledge of 1st Contact Person from the Institution	Good	312	78%
		Average	88	22%
3	Loan processing time	3 -7 Days	48	12%
		7 -15 Days	232	58%
		15-30 Days	80	20%
		More than 30 Days	40	10%
4	Loan Documentation	Very difficult	12	3%
		Difficult	140	35%
		Average	200	50%
		Easy	48	12%
5	Interest Rates with respect to home loan	High	156	39%
		Medium	132	43%
		Average	72	18%
6	Opinion about Repayment installment is easy	Strongly agree	312	78%
		Agree	32	8%
		Disagree	40	10%
		Strongly disagree	16	4%

7	Customer opinion about NBFCS	Highly Satisfied	304	76%
		Satisfied	64	16%
		Neutral	32	8%
8	Customer opinion about loan processing	Highly Satisfied	260	65%
		Satisfied	60	15%
		Neutral	32	8%
		Dissatisfied	48	12%
9	Customer opinion about customer service	Highly Satisfied	220	55%
		Satisfied	52	13%
		Neutral	56	14%
		Dissatisfied	72	18%
10	Difficulties in repayment	Change in EMI	328	82%
		Foreclosure Charges	52	13%
		Bounce/Penal charges	20	5%

Data: Primary data

It is evident from the data collected from 400 respondents'builders has a major saying in recommending the NBFC for loan processing. The first point of contact from NBFC plays an important role in deciding the NBFC for home loan. NBFCS takes 7 to 15 days for completing all the processes and handover the cheque. Rate of interest is slightly on higher side as compared to banks. Customers strongly believe that repayment is easy in NBFCS and are happy with the process and services of the organizations. Customers are satisfied with the loan processing period and process and repaying the installments to NBFCs.

Table 2 indicate the results of KMO and Bartletts test of sphericity and reports that the results are found to be significant and indicate that the data is adequate to apply factor analysis to the data sheet.

Table 2Validity and Reliability of the Data

KMO and Bartletts Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.894
Bartletts Test of Sphericity	Approx. Chi-Square	3.0286748
	Df	185
	Sig.	.000

Source: Primary data

Table 3 Extraction of factors affecting customers satisfaction towards home loans

Sr No	Factor name	No of items	Factor Loadings	Cronbach alpha	Eigen Values
1	Responsiveness	6	0.807 to 0.898	0.895	7.452
2	Reliability	5	0.769 to 0.895	0.901	5.589
3	Communication	3	0.859 to 0.921	0.911	3.212
4	Trustworthy	4	0.824 to 0.912	0.892	2.017
5	Access	5	0.684 to 0.801	0.878	1.236
6	Credibility	6	0.798 to 0.901	0.921	1.022
7	Customer Satisfaction	5	0.677 to 0.911	0.908	1.012

Source: Primary data

Table 3 highlights the factors extracting with the help of factor analysis and seven factors have been extracted named as Responsiveness consisting 6 items and have sound internal inconsistency, Reliability has 5 items, Communication has 3 items representing the factor, 4 items are measuring the variable named Trustworthy, fifth factor is Accessibility measured with the help of 5 statements, Credibility consists 6 items and lastly, Customer Satisfaction is measured with the help of 5 statements. The value of factor loading of all the items is more than 0.7, indicating that all the items are significantly loaded to their respective factors. Only those factors, which have eigen value more than 1 are taken into consideration where rest factors are ignored (Hair et al., 2010).

Table 3 Model summary of regression model of customers satisfaction towards home loans

Model Summary										
Model					Change Statistics					
	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin Watson
1	.760	.577	.567	.61556	.979	4803.715	7	722	.000	1.410
a. Predictors: (Constant), Responsiveness, Reliability, Communication, Trustworthy, Access, Credibility										
b. Dependent Variable: Customer Satisfaction										

Source Primary Data (SPSS 18.0)

Table 4 Linear regression result for customers satisfaction towards home loans

Coefficients							
Model		Unstandardized Coefficients		T	Sig.	Collinearity Statistics	
		B	Std. Error			Tolerance	VIF
1	(Constant)	.916	.041	-.384	.000		
	Responsiveness	.520	.006	4.825	.000	.898	1.128
	Reliability	.433	.003	-3.438	.001	.759	1.327
	Communication	.310	.004	4.076	.000	.817	1.435
	Trustworthy	.288	.003	1.345	.000	.927	1.544
	Access	.274	.003	2.568	.001	.898	1.234
	Credibility	.225	.021	1.658	.000	.971	1.325
a. Dependent Variable: Customer Satisfaction							

Source Primary Data (SPSS 18.0)

(Regression equation:P= a + b Q + e, where P =dependent variable, Q = independent variable, b=coefficient of Q, a = P-intercept/ constant and e= error term)

The Linear Regression Equation for customers satisfaction towards home loans will be as based on the regression equation P= a + b Q + e. In the current study, Customer satisfaction (P) is taken as dependent factors whereas other factors such as Responsiveness (Q1),

Reliability (Q2), Communication (Q3), Trustworthy (Q4), Accessibility (Q5) and Credibility (Q6) are independent factors. The value of beta coefficient for factors affecting consumers satisfaction towards home loans from NBFCs is represented in table 3. Finally, the model can be defined based on following equation:

P= a + b1 Q1 + b2 Q2 + b3 Q3 + b4 Q4 + b5 Q5 + b6 Q6 + e

The table highlights that responsiveness (.520) and reliability (.433) are accountable as the most affecting factors, which influences customers satisfaction towards home loans availed from NBFCs. It is found that NBFCs are more quick, responsive in nature than banks and have strong hold on their customers, on the other hand, people find them more reliable and trustworthy also. Furthermore, communication (.310) and trustworthy (.288) also paly significant role in satisfying customers and encourage the customers to avail funds from NBFCs than from other means. People find the first point of contact as the most effective and consider that representative is enough to suffice the single point of contact for their future references and queries to their home credits. People feel more satisfied with the NBFCs advanced technology and updated systems, which automatically gives them reminders about their installments, interest credits or any updates relevant to their accounts. Accessibility (.284) is another factor which somehow affects customers satisfaction because although NBFCs offices are not easily accessible by people living far from but they have direct communication and access to their representatives, which suffices all their queries. Majority of the customers perceived that they hardly got to NBFCs office for any work, it's their representative who is always there on a single call to entertain their query, concern about the installments and documentation process. Lastly, credibility (.225) factor is considered as the least influencing factors affecting customers satisfaction towards home loans from NBFCs. Although, NBFCs are charging customers with higher rate of interest for lending home credits but due to responsiveness and trustworthy behaviour and strong hold on the customers, people are easily convinced to avail home loans from them and are ready to pay little higher amount as it eases their daily activities.

5. FINDINGS AND CONCLUSION

It is found that customers are positive towards time taken for complete loan processing, knowledge of first contact, repayment and services offered by the NBFCS. People are satisfied with the services provided to them by NBFCs and find it more valuable. Customers, who are dissatisfied with the banks found NBFC strong alternative to banks and direct competitor in providing home loans and credits to them. Seven factors have been extracted and responsiveness is considered as the most influencing factor whereas credibility is accounted as the least affecting factors affecting customers satisfaction towards home loans from NBFC. Customers believe that NBFC representative provide them accurate and transparent information and resolve their all queries before they proceed for the loans, handled their issues and concern on time and are happy with the loan processing time and methods adopted by NBFC. The only concern about the NBFCs is their higher interest rates levied on home loans but people feel happy to pay little high when they are treated with gratitude and respect.

There are many factors which are taken into consideration by the customer before availing

home loan and it is one of the major investments one does in his/her life. The customers are satisfied with the services offered and about the processing of the loan applications by the NBFCS. the higher rate of interest is the only concern to the customers. This study is limited to Bangalore city only and cannot be generalized to other countries. The consideration of other factors such as installment relaxations, penalty levied in case of unable to repay few installments, cross comparison of banks and non-banking institutions for providing loans to customers and inter-state study may have significant results for the same. The study is not confined to home credits from NBFCs but any financial institution providing home loans can be taken into consideration for further examining the factors affecting customer satisfaction.

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