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Study Of Customer Perceptions And Satisfaction Towards Home Loans Of Icici Bank – A Case Of Ncr

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ABSTRACT

NCR has made a rapid stride in the development of banks with an aim to provide adequate and timely financial assistance to help the small entrepreneurs, middle class and weaker sections of the society. The present study was undertaken to analyze the perception of customers towards home loans of ICICI Bank Limited. The paper examined the satisfaction level and problems faced by customers while availing loans. A sample of 250 customers of the bank comprising of public servants, private sector employees and self-employed from its different branches serving in NCR has been selected. The research has found that the customers of the bank 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-tapisim. The results further revealed that the main reason for people to prefer this bank is the trust of the customers in the bank, lower interest rates and easy repayable installments.

KEYWORDS

Home Loans, Customer Perceptions, Customer Satisfaction, private banks, Financial Assistance

INTRODUCTION

Any man wants three most important things in his life and housing is one of the most important needs and virtually has the top priorities for any person, society and economy. The business of banking cannot function without customers, nor does just acquiring a certain number of customers do the business. It is a continuing process of transactions culminating in a long-term banker-customer relationship.

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Banking institutions thrive more on keeping old customers happy, rather than getting new customers. No banks can possibly meet all the needs of its customers given to the diversity of their wants. In such a situation, the secret key factor of the bank's success is service quality. With the hot winds of competition blowing across the Indian banking industry, developing a close symbolic relationship with customers has become more important than ever before. Banks have to come out with innovative measures to satisfy the needs of the present customers, to acquire new customers and at the same time adopt procedures to win back and retain lost customers. It accounts for a considerable portion of a nation's production activities through its backward linkages to land markets, building material industries and labour markets and forward linkages to financial markets. Boosting housing sector can rejuvenate the economy as this sector has maximum propensity to generate income and demand for materials, equipments and services and also create substantial employment opportunities. In the present competitive and globalised era, banking plays a crucial role in home financing. Banks, Housing finance companies plays an important role in this sector. Banks not only finance small borrowers in industrial and trade sectors, but also provide financial assistance in the form of loan facilities like home finance, consumer finance, personal finance, education loan, vehicle loan, commercial vehicle loan, commercial building loan, mortgage loan, agricultural loan and also loan against security and salary. NCR is one of the most dynamic places of India with significantly high indicators of human development. ICICI Bank was incorporated to cater to the needs of peoples by providing them all kind of financial help and various credit facilities to small and poor peoples and also to small traders. It also provides them advice related to various issues related to housing such as place, planning and housing insurance. The housing loan scenario in India has changed drastically and has taken the front seat in the policy of all banks. Role of ICICI bank in providing housing finance has been reviewed from time to time and thus plays an important role in providing housing credit under various schemes to priority sector as well as to the weaker sections of the community. It is a well recognized in the finance literature that housing as an industry can contribute immensely towards economic development of a nation,

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particularly because of its vast linkages with more than 250 number of other allied industries. For developing nations like India, housing is often considered as the growth engine for the whole economy. Besides, in India it is the second largest generator of employment, after agriculture. Considering the falling share of HFCs in the housing finance market in India and also the growing pressures on their profitability, studies on their operational efficiency assume high level of research significance. In view of the foregoing discussion, considering (i) the utmost need for enhancement of operational efficiency of HFCs in India in the ongoing globalized regime for their survival and growth and also the faster development of the national economy as a whole, and (ii) the acute dearth of studies in this area, it is relevant to make a closer look into the relative position of the major HFCs in India in respect of their operational efficiency and also to benchmark them based on suitable performance parameters like ROE (Return on Equity). This would enable us to formulate pragmatic operational strategies for enhanced competitiveness of HFCs. This paper is an earnest effort in the above direction.

Review of Literature

With the developing of information and technology and Internet, banks can aim at meeting the expectations of customers by adopting a strategy that is commonly known as customer relationship management. Housing is an essential need of man, which is why it is described as a *sine qua non* of human living (Yakubu 1980; Olotuah and Aiyetan 2006) Consequently, the priority accorded the issue of housing is immense; to most governments, the availability of sufficient but basic housing for all is often stated as a priority for enhancing the social needs of the society. According to Onibokun (1998) and Nubi (2008), habitable housing contributes to the health, efficiency, social behaviour and general welfare of the populace. Apart from providing man with shelter and security, housing plays a major role in serving as an asset (Poole 2003; Alhashimi & Dwyer 2004). For a typical house-owner, the house is a major asset in his portfolio and for many household, the purchase of a house represents the largest (and often only) life long investment and a store of wealth (Goodman 1989; Sheppard 1999; Malpezzi 1999; Bundick and Sellon Jr 2007; Dickerson 2009). Furthermore, Bardhan and Edelstein (2008) argue that

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housing represent a large proportion of a household's expenditure and takes up a substantial part of lifetime income. The provision of housing services depends mostly upon a well-functioning housing finance system (ibid). The consideration of acquiring a house is driven by the cost of acquisition and various government economic policies which could be fiscal or monetary (Giussani and Hadjimatheou 1991) and even depending on the economic system adopted in a country. Housing finance is a major factor determining the quality and tenure of housing consumption, the overall financial portfolio of the public and the stability and effectiveness of the financial system. A well-functioning mortgage market is considered by Jaffee and Renaud (1977), Renaud (2008) and Dickerson (2009) to have large external benefits to the domiciled national economy like contribution to economic growth and improved standards of living. With the absence of a well-functioning housing finance system, a market-based provision of housing would therefore be lacking (Kim 1997; Quigley 2000; Warnock & Warnock 2008). Roma Mitra, Shankar Ravi (2008), A stable and efficient banking sector is an essential precondition to increase the economic level of a country. This thesis tries to model and i.e. profitability, productivity, assets, quality and financial management for all banks includes public sector, private sector banks in India for the period 2000 and 1999 to 2002-2003. For measuring efficiency of banks we have adopted development envelopment analysis and found that public sectors banks are more efficient then other banks in India. Petya Koeva (July 2003), in his study on The Performance of Indian Banks. During Financial evaluate the efficiency of 50 Indian banks. The Inefficiency can be analyzed and quantified for every evaluated unit. The aim of this thesis is to estimate and compare efficiency of the banking sector in India. The analysis is supposed to verify or reject the hypothesis whether the banking sector fulfils its intermediation function sufficiently to compete with the global players. The results are insightful to the financial policy planner as it identifies priority areas for different banks, which can improve the performance. This thesis evaluates the performance of Banking Sectors in India. B.Satish Kumar (2008), in his article on an evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. After liberalization the banking industry underwent major changes. The economic reforms totally have changed the banking

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sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narashiman committee. The Indian banking industry was dominated by public sector banks. But now the situations have changed new generation banks with used of technology and professional management has gained a reasonable position in the banking industry. Brijesh K. Saho, Anandeep Singh (2007), this thesis attempts to examine, the performance trends of the Indian commercial banks for the period: 1997-98 - 2004-05. Our broad empirical findings are indicative in many ways. First, the increasing average annual trends in technical efficiency for all ownership groups indicate an affirmative gesture about the effect of the reform process on the performance of the Indian banking sector. Second, the higher cost efficiency accrual of private banks over nationalized banks indicate that nationalized banks, though old, do not reflect their learning experience in their cost minimizing behavior due to X-inefficiency factors arising from government ownership. This finding also highlights the possible stronger disciplining role played by the capital market indicating a strong link between market for corporate control and efficiency of private enterprise assumed by property right hypothesis. And, finally, concerning the scale elasticity behavior, the technology and market-based results differ significantly supporting the empirical distinction between returns to scale and economies of scale, often used interchangeably in the literature. Vradi, Vijay, Mauluri, Nagarjuna (2006), in his study on Measurement of efficiency of bank in India concluded that in modern world performance of banking is more important to stable the economy .in order to see the efficiency of Indian banks we have see the fore indicators. Liberalization states that new empirical evidence on the impact of financial liberalization on the performance of Indian commercial banks. The analysis focuses on examining the behavior and determinants of bank intermediation costs and profitability during the liberalization period. The empirical results suggest that ownership type has a significant effect on some performance indicators and that the observed increase in competition during financial liberalization has been associated with lower intermediation costs and profitability of the Indian banks.

OBJECTIVES

The main objectives of this paper are given below:

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1. To know general perceptions of customers about home loans of ICICI Bank .
2. To study the customers satisfaction level about home loans of ICICI Bank.
3. To study the major problems faced by customers while availing home loans.
4. To study the process and role of ICICI Bank in housing finance in NCR region.

RESEARCH METHODOLOGY

For this paper we have used random sampling technique and a sample of 250 customers availing home loan facility of ICICI Bank Limited in NCR Region from its different branches serving in NCR region has been selected. Out of the total 250 samples collected 10 samples rejected due to their ambiguity and incompleteness. In order to make the sample representative, proper weightage has been assigned to the home loaners according to the number of customers of each branch. Data for measuring the satisfaction level and problems faced by home-loaners has been collected through a structured questionnaire based on five-point likert scale. Analysis of the collected data is done with the help of chi-square, skewness and mean.

Data Analysis and result

It is revealed from Table 1 that 35 percent of the respondent's selection criteria of ICICI Bank ltd for availing home loans was the prompt services of the bank, followed by 25 percent who preferred the bank due to its low interest rates. Further, 17.5 percent respondents preferred the bank due to convenient location and 15 percent due to its good reputation in the city. Hence, from the above discussion it is inferred that most of the respondents preferred ICICI Bank ltd because of its prompt services. Majority of the respondents (35 percent) opinioned that the feature they like most about the bank is less paper work, followed by 27.5 percent who like simple and fast processing procedure of ICICI Bank ltd. Further, 15 percent of the respondents like longer repayment period provided by the bank and the same percentage like easy repayable installments. So, from the above discussion it can be inferred that most liked feature which respondent like is the less paper work and fast loan processing time.

Table 1 preference for ICICI for availing homeloans

Reasons	**Frequency**	**Percentage**	**Commutative percentage**
Low interest rate	60	25	25

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Convenient location	42	17.5	42.5
Bank reputation	36	15	57.5
Prompt service	84	35	92.5
Timely and adequate loan	18	7.5	100
Total	240	100	

Source: Primary source based on questionnaire result

Table 2: Most liked feature by home loaners

Features	**Frequency**	**Percentage**	**Cummulative percentage**
Less peperwork	84	35	35
Simple and fast processing	66	27.5	62.5
Transparency	18	7.5	70
Longer repayment period	36	15	85
Easy repayable installments	36	15	100
Total	240	100	

Source: Primary source based on questionnaire result

Table 3: Influencing factor for selecting ICICI

Factors	**Frequency**	**Percentage**	**Cummulative percentage**
Friends/ relatives	108	45	45
Trust in the bank	84	35	80
Bank employees	48	20	100
Total	240	100	

Source: Primary source based on questionnaire result

Table 3 shows that 45 percent of the respondents were influenced for availing home loans from ICICI Bank ltd by their friends/relatives, followed by 35 percent of the respondents who were self-influenced due their trust in the bank. Further, nearly 20 percent of the respondents were motivated by the employees of the bank. Therefore, it can be concluded that a large majority of the respondents were influenced by their friends and relatives for selecting ICICI Bank ltd for availing home loans. The opinion of the respondents regarding the statement that whether interest rates of ICICI Bank Ltd are comparatively

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less than the other the bank as observed during the data collection process. Which provide that 37.5 percent of the respondents were found satisfied, followed by 27.5 percent who were neither satisfied nor dissatisfied and 17.5 percent who were dissatisfied. The mean score of 3.05 indicates that the responses are concentrated towards the satisfaction level. Negative value of skewness (-0.438) also support the above finding and reflects that the large number of the respondents are satisfied with this statement. Hence, from the above discussion it is concluded that a large majority of the respondents are of the view that the interest rates of ICICI Bank ltd are less than other banks. When the respondents asked regarding the services of employees than by more than 90 percent of the respondents. The value of mean score of 4.27 with negative value of skewness of -1.274 indicates that the distribution of the respondents is highly skewed towards higher side of the mean. The value of chi-square is significant at 1 and 5 percent levels of significance. From the above analysis it is concluded that the bank is providing efficient services to its customers.

The opinion of the respondents regarding the statement that whether paper work for loan processing is time consuming than majority of the respondents (45 percent) were neither satisfied nor dissatisfied with the statement, followed by 22.55 percent who are satisfied and the same percent who are highly dissatisfied with the statement. The mean score of average responses of 2.67 with negative value of skewness of -0.482 indicates that the responses of customers are concentrated towards satisfaction level. The value of chi-square is insignificant. Hence, from the above finding we conclude that there is a mixed response for the statement but more number of respondent feel that paper work regarding loan processing is time consuming. Further the opinion of the respondents regarding bank employee’s co-operation has a mean score of 2.60 which is almost equal to the average mean. Value of skewness (0.528) is low and positive depicting concentration of the opinion of respondents towards higher side of the mean. Thus, the opinion of the respondents is slightly skewed towards satisfaction with the cooperation of the bank employee at ICICI Bank ltd. However the opinion of the respondents regarding the repayment period provided by bank is endorsed by four-fifth of the respondents who were either satisfied or highly satisfied with the statement. The mean score of responses of 4.250 with negative value of skewness of -0.242 indicates that a large number of

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respondents are satisfied with the repayment period of the bank. There is a significant difference in the opinion of respondents at 5 percent level of significance. Hence, it is concluded that the respondents are satisfied with the repayment period of the bank under study. It was also observed that more than half (65 percent) of the respondents are either satisfied or highly satisfied with the assistance provided to them by the employees of ICICI Bank ltd. The mean score of responses is 3.625 which is higher than the average mean of 2.5 indicates that the majority of respondents opinions are concentrated towards satisfaction level. Negative value of skewness (-.796) also supports the above findings. Therefore, it is concluded that the professionals at ICICI Bank ltd assist their customers satisfactorily.

Further when they were asked about the time taken for loan approval than the the opinion of the respondents regarding the statement that whether they are satisfied with the time taken for loan approval at ICICI BANK LIMITED. The mean score of responses (3.125) indicates that the opinion of majority of the respondents is concentrated towards satisfaction level. Negative value of skewness (.171) also indicates that the views of respondents are skewed towards higher side of the mean. Thus, it is inferred that a large majority of the respondents are satisfied with the time taken by the bank for loan approval. Further it was also observed that 37.5 percent of the respondents are satisfied with the reliability and transparency of the services of ICICI Bank ltd, followed by 25 percent who are highly satisfied. The mean score of responses (3.55) indicates that the opinion of the majority of respondents lies towards satisfaction scale. Negative value of skewness (-0.844) supports the above finding and indicates that the respondents opinion is concentrated towards satisfaction level. Thus, it is concluded from the above analysis that the services of the ICICI Bank are reliable and transparent. It was also found that regarding easy query handling by the bank employees has mean score of responses is 3.625 with negative value of skewness of -0.986 which indicates that the responses are skewed towards higher side of the mean. Value of chi-square indicates significant difference in the opinion of respondents at 1 and 5 percent levels of significance. Thus, it is concluded from the above analysis that majority of the respondents are satisfied with the fact that bank employees easily handle the query of its customers. Further nearly half of the respondents either disagree or strongly disagree with the problem of lack of

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knowledge. The mean score of responses is 2.850 with positive value of skewness of 0.278 which indicate that the responses are skewed towards the satisfaction scale on five point scale. Thus, it is concluded that a large majority of the respondent are facing problem of lack of knowledge while availing home loan. Further the mean score of 3.77 indicates that majority of the respondents either agree or strongly agree with the statement that there are procedural delays while availing home loan. Negative value of skewness (-0.440) indicates that the distribution of respondents is highly skewed towards higher side of the mean. Therefore, it is concluded from the above analysis that there are procedural delays in disbursing the home loan amount in bank under study. The mean score of responses is 2.40 which indicates that a number of respondents do not agree with the statement. Positive value of skewness (0.565) points out that the distribution of respondents is skewed towards lower side of the mean. Hence, it is concluded from the above analysis that respondents do not face the problem of guarantors. Nearly half of the respondents (47.5 percent) neither agree nor disagree with the statement. The mean score (2.47) and negative value of skewness (-0.211) indicates that the respondents do not agree with the statement. The highly significant value of chi-square statistically brings out the fact that there is a significant difference in the perceptions of the respondents. The opinion of the respondents regarding red-tapism has been presented in Table 5. The mean score of responses is 3.55 which is higher than the average mean of 2.5 and indicates that the majority of respondents (52.5 percent) agree with the statement. Negative value of skewness (-0.832) reflects that the distribution of respondents is skewed towards higher side of the mean. Value of chi-square supports the above findings that there is a significant difference in the opinion of the respondents at 5 percent level of significance. All these statistical values clearly indicate that a vast majority of the respondents are facing problem of bureaucracy prevailing at ICICI BANK LIMITED.

Conclusion and suggestions

It can be concluded that ICICI Bank is very popular among the customers these days. The trust level that customer have with these banks is very high in comparison to other banks. Customer are associated with banks for many services that they require on regular basis and people tend to prefer banks which provide better facilities and convenient banking. From the overall analysis it can be said that the satisfaction level of

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workers in relation to the services provided by ICICI Bank Limited is very high. Different banks offer same product but their services differentiate and the bank has gone far in this direction. The higher satisfaction level among the respondents indicates that the bank is responsive to the needs and problems of the customers. The success of the housing companies in the market rest on the availability of customized product and also the service quality offered to customers. The future growth of the companies depends upon its qualitative service to the customers. At this juncture, the banks should evaluate their services and identify their distinction from others. Changing customer needs and uncertain economic conditions in are exerting pressure on housing companies while testing their ability to survive. The only way to succeed in the market is the formulation of differentiated service to different customer segments. It suggested that banks specially the ICICI should focus more on providing housing finance to low income persons in order to provide them affordable housing and also the process of loan disbursement can be fasten. It will bring more customer with greater satisfaction level. The NCR has huge potential for housing and can play major role in the ICICI housing finance loan business.

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