

ORIGINAL ARTICLE

Impact of Consumer Preference for Housing Loan in HDFC Bank in Thoothukudi District

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ABSTRACT

The housing industry is a significant contributor to the overall economic growth of the nation. There are over 269 different industries that are either directly or indirectly dependent on the housing sector. The primary objective of the study is to shed light on the characteristics of the housing loans that HDFC bank provides to customers in the Thoothukudi District. It entails gathering primary data from the borrowers who have taken out loans from HDFC bank in the Thoothukudi District. Some of the secondary data came from articles that were published in the IBA Bulletin and the RBI Bulletin, as well as pamphlets that were prepared by various banks. According to the findings of the study, eleven percent of customers have selected HDFC Bank because of its proximity to their place of residence; twenty-seven percent have selected the bank because of its low rate of interest; fourteen percent have selected the bank because of its excellent customer service; ten percent have selected the bank because of the friendly behaviour of field staff response; fourteen percent have selected the bank because of its prompt service; seven percent as a result. As a result, it is evident that the interest rate that is provided by HDFC bank is a significant aspect that influences the borrowers' decision to approach the bank. According to the findings of the survey, it is clear that house loan borrowers prefer HDFC for a variety of reasons, including the speed with which their loan applications are processed, the reduced number of procedures required, the low interest rate, the excellent customer service, the flexible repayment method, and the nice conduct of field workers, among other reasons. On the other hand, those who are interested in obtaining a home loan from HDFC in the study area face a few challenges. Following careful consideration of the recommendations made by the researcher, HDFC ought to take the appropriate actions to address the issues in order to improve its overall performance. It is possible for banks to play a significant part in the process of encouraging the construction of homes in rural areas. Banks

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need to focus on mass customisation rather than mass market, and they also need to develop housing loan programs that are more dynamic and innovative.

KEYWORDS

• Housing sector • Economic development • Property rights • Loan schemes

INTRODUCTION

The banking sector's contribution to India's economic activities has been rising relative to other sectors. The banking sector's contribution to national income is substantial. The banking sector impacts individuals' lifestyles. It positively influences several aspects of everyone's life. Banking services are vital to the economy. Individuals have grown more cognisant of banking services and have commenced opening bank accounts with financial institutions. Customer service was essential for the banking industry. The advent of information technology has created a global village and transformed the financial industry (Acharya, 2022).

The banks seem to be rapidly advancing towards IT-based products and services. Bank clients are growing increasingly demanding, and the extensive use of technology allows banks to effectively meet their consumers' needs. The introduction of Electronic payments transmission (EFT) marked a significant achievement, enabling the effortless transmission of payments among clients, branches, banks, and other institutions (Venkatesvaran, 2017). The RBI is the central bank that oversees all banks functioning within the nation (Avanindra Nath Thakur, 2010).

Technological improvement has resulted in recent alterations in banking behaviour and characteristics; nonetheless, its impact has been paradoxical: initial monetary transactions have grown less expensive, although bank investments have not risen (Costas Lapavitsas and Paulo L. Dos Santos, 2008). India's banks possess a promising future in the digital realm, contingent upon the implementation of adequate protections against cybercriminals. Such protections should encompass two-factor authentication (Shekhar Kirani, 2010). Information Technology (I.T.) is regarded as a dynamic catalyst and is essential for the advancement and expansion of the banking sector.

Advanced technology and competition have resulted in significant transformations in the contemporary banking and financial sector

(Marcus, 2010). The use of e-banking services was in its nascent phase, and the quality of these services would offer the banking industry to the public at a reasonable cost (Philo Francis and Shine Paul, 2012).

The implementation of advanced banking technologies in the financial industry is a novel development in the history of banking globally. Consequently, extensive awareness efforts should be implemented among the general populace of Kerala to promote the notion of Hi-Tech banking (Joicey Jose and Roy Jose, 2013). The future is promising for individuals who comprehend the dynamics of mobile banking and leverage them effectively (Deepak Satpahy, 2014). Consequently, Internet banking alleviates the burdens faced by both customers and banks in contemporary society, facilitating savings in time, money, and energy, which are highly valued (Uppal, 2011).

Housing is an essential requirement for all individuals. Acquiring or constructing a residence entails numerous activities. Financial resources are a crucial element in constructing a house. Every person desire to reside in their own home. At this point, housing finance is essential for individuals seeking to purchase their own homes. A home offers not only shelter from inclement weather but also psychological fulfilment, social stability, security, financial assurance, a sense of belonging, and an emotional connection to life (Amutha, D. 2016). Numerous home finance institutions exist in India. The researcher intends to investigate HDFC housing loan recipients. The article investigates the factors impacting customers' selection of HDFC housing finance.

Indian housing finance industry

The principal entities in the Indian housing finance sector are Housing Finance Companies (HFCs), Scheduled Commercial Banks, and Co-operative Banks. The cumulative incremental disbursements of the HFCs and Banks have escalated from around ₹ 16,838,437 crore in

2019-20 to around ₹ 39,731,295 crore in 2022-23, with direct incremental disbursements rising from roughly ₹ 10,732,154 crore to ₹ 34,237,654 crore within the same timeframe.

During the year 2022-23, total incremental disbursements increased by 29 percent, while direct incremental disbursements rose by 33 percent compared to the previous year. Total incremental disbursement minus Bank loans to Housing Finance Companies, Bank investments in NHB/HUDCO Bonds, and Bank loans to employees. The proportion of outstanding direct loans from HFCs to total outstanding loans is projected to have decreased from 74 percent in 2022-23 to 64 percent in 2023-24.

In 2023-24, commercial banks emerged as assertive competitors in the home loan sector, accompanied by a significant decline in interest rates across all maturities. The decline in interest rates was propelled by the reduction in the bank rate and heightened competition among banks and between banks and housing finance companies (HFCs). The focus on adjustable-rate loans increased due to the declining interest rate environment.

The India Mortgage Guarantee Company will enhance the efficacy of housing finance and safeguard mortgage lenders, including banks and housing finance businesses, in instances of borrower default. Housing finance is an extensive subject, the interpretation of which can differ among continents, regions, and nations, especially regarding the domains it encompasses. The objective of a housing finance system is to furnish the capital required for homebuyers to acquire their residences. This objective is straightforward, and the methods to do it are finite (Amutha, D. 2019).

Housing finance facilitates the construction of additional residences, thereby contributing to the development of infrastructure amenities, like roads, energy generating, and potable water supply. Housing finance generates employment, both directly and indirectly, within the financial services sector. The National Housing Bank (NHB) was established in 1988 as a premier institution for housing finance and is a wholly owned subsidiary of the Reserve Bank of India (RBI). Housing Development Finance Corporation Limited is an Indian financial conglomerate headquartered in Mumbai, India. It is a significant financier of housing in India

(Amutha, D. 2019). It also operates in banking, life and general insurance, asset management, venture capital, real estate, education, deposits, and educational loans.

The study's objectives

1. One of the primary goals of this research is to examine the socio-economic characteristics of borrowers.
2. To investigate how different factors affect the people who apply for house loans from HDFC Bank in Thoothukudi District.
3. To be aware of the interest rates associated with housing loan programs and to know where to find information about them.

METHODOLOGY

The sampling technique forms the basis of the investigation. 168 customers from HDFC Bank in Thoothukudi District were chosen using a convenient selection technique. These borrowers include a variety of occupations, including business people, farmers, government employees, employees of private companies, professionals, and self-employed individuals. The study was conducted from the perspective of borrowers, and other people were left out. An interview schedule was used to gather information from the borrowers regarding the banks' housing loan programs. A vernacular translation of the interview schedule was made. The English version of the questionnaire was distributed to the English-speaking borrowers. The survey approach serves as the empirical foundation for the current investigation. Primary data will be gathered from HDFC Bank borrowers in the Thoothukudi District. Articles in the RBI Bulletin, IBA Bulletin, and pamphlets created by some banks provided some of the secondary data. These statistics pertain to September 2024. The following methods were employed: probability analysis, chi-square testing, t tests, standard deviation, averages, Cramer's V, and percentage analysis. Rotated factor matrices were used for data tabulation and analysis.

LITERATURE REVIEW

According to a 1997 study by Peter Kangis and Vassilis Voukelatos, private sector banks offer more satisfactory ATM services than do public sector banks, and both public and private sector banks' customers have substantially

lower perceptions of productivity security and sensitivity, cost efficiency, problem handling compensation, and contact services relevant to ATM service. If both types of banks want to increase client happiness, they should be aware of the facts about ATM service.

The future of banking in India was examined by Kamesam Vepa in 2001. He outlines a few obstacles and urges a vibrant, assertive workplace culture to satisfy the requirements of cooperative governance, customer interactions, and legal requirements. By offering data warehousing and analysis solutions to enhance the financial sector's decision support, technology would play a crucial role.

The Indian banking sector has adopted numerous innovative features, such as Internet banking, ATMs, and phone banking, according to Kapil Sheeba's (2004) findings. With the advent of modern banking, banks may now provide services and products that were previously unattainable or impractical. But there is still a long way to go for Indian banks.

Jarunee Wonglimpiyarat (2006) is interested in Thai banks' technology capacities and knowledge. The use of technology in the mass automation regime is carried over into the smart automation regime, according to one of the outcomes, demonstrating that the technological transformation in the banking sector is evolutionary rather than revolutionary.

Technology-driven transactions via ATMs will be the banking of the future, according to an analysis by Vasarat Godse (2007). Either direct debit or plastic cards will be used to make the purchases. In the banking sector, technology would ultimately determine how satisfied stakeholders are.

FINDINGS OF THE STUDY

Table 1: Personal characteristics of the respondents

Sex	No. of respondents	Percentage
Male	122	72.6
Female	46	27.4
Total	168	100.0

Source: Primary Data.

A total of 168 workers were surveyed. From the table, it is revealed that the percentage of male respondents is more i.e., 73% in the sample.

Table 2: Age wise classification of the respondents

Age	No. of respondents	Percentage
Young (15-30)	49	29.2
Middle (30-45)	106	63.1
Old (45-60)	13	7.7
Total	168	100.0

Source: Primary Data.

From the table, it is revealed that the percentage of middle age respondents is more i.e., 63%. As per the survey middle age groups involvements is higher than that of old and young aged groups in the study area.

Table 3: Educational Qualification of the respondents

Qualification	No. of respondents	Percentage
Illiterate	9	5.4
Secondary	17	10.1
Hr. Sec	32	19.0
Graduate	76	45.2
Post Graduate	22	13.2
Others	12	7.1
Total	168	100.0

Source: Primary Data.

Education makes a difference in articulation of opinions. Nearly 45 per cent of the respondents have a minimum qualification as graduation, 13 per cent are postgraduates, while nearly 10 per cent of respondents have secondary and the illiterates were 13%.

Table 4: The number of respondents and their family size

Size	No. of respondents	Percentage
Low(1-3)	63	37.5
Medium (4-5)	77	45.8
Large (Above 5)	28	16.7
Total	168	100.0

Source: Primary Data.

The majority of the respondents i.e., 46 percentage of families are having medium size ranging from 4 -5 members.

Table 5: Occupation wise classification of the respondents

Occupation	No. of respondents	Percentage
Agriculture	13	7.7
Self Employed	9	5.3
Business	17	10.1
Govt. Employee	93	55.4
Private Employee	30	17.9
Professional Consultant	6	3.6
Total	168	100.0

Source: Primary data

The maximum percentage of the respondents is from government employees (55 per cent), the business persons are 10 per cent, while private employees at 18 per cent, 8 % of the respondents are farmers followed by professional consultants accounted for 4 per cent.

Table 6: Factors influencing the borrowers in HDFC Bank

Factors	No. of respondents	Percentage
Quick disposal of loan application	14	8.3
Lesser formalities	12	7.1
Free incentives	1	0.6
Low rate of interest	45	26.8
Low service charges	17	10.1
Good customer service	24	14.3
Low waiver of processing fee	2	1.2
Convenient repayment method	18	10.7
Nearer to residence	19	11.3
Friendly behaviour of field staff	16	9.6
Total	168	100.0

Source: Primary data.

The table shows that 11 per cent have chosen the HDFC Bank for its nearness to their residence; 27 per cent have chosen low rate of

interest; 14 per cent chosen the bank because of its good customer service; 10 per cent for the friendly behaviour of field staff response; 14 per cent for prompt service; 7 per cent for lesser formalities; 10 per cent on low service charges; and 1 per cent for low waiver of processing fee respectively. Hence it is clear the rate of interest offered by the HDFC bank is an important factor influencing the borrowers in approaching the bank.

Table 7: Factors inducing to Choose HDFC Housing Finance - Factor Wise Analysis

Factors	Eigen Value	Percentage of Variance	Cumulative Percentage of Variance
Low rate of interest	5.328	26.534	26.534
Good customer service	2.834	22.581	45.601
Convenient repayment method	0.983	17.692	62.579
Friendly behaviour of field staff	0.835	14.708	73.942

It is observed from the table that four factors were extracted out of ten variables. These factors account for 73.942 percentage variance in the data. Eigen value for the first factor is 5.328 which indicate that the factor contains very high information than other factors.

Table 8: Sources of Information on Housing Loan Scheme

Sources of Information	No. of respondents	Percentage
Newspapers	94	55.9
T.V.	13	7.8
Banners	17	10.1
Radio	21	12.6
Staff Members	8	4.8
Friends	10	5.9
Other Sources	5	2.9
Total	168	100.0

Source: Primary data.

The housing loan scheme awareness among the respondents was evaluated through various sources which persuade them in their borrowing. From the above table it is seen that out of the 168 respondents 94 (56%) from the HDFC bank came to know about housing loan schemes through Newspapers, 13 (8%)

through T.V., 17 (10%) through Banners, 21 (13%) through Radio, 8 (5%) through their colleagues, 10(6%) through friends, and 5 (3%) got to know through other sources.

Table 9: Availing of Loans in other Institution

Availing of Loans in other Institution	No. of respondents	Percentage
Yes	65	38.7
No	103	61.3
Total	168	100.0

Source: Primary data.

The table shows that out of 168 respondents in HDFC bank, 65(39%) have availed housing loans from other institutions, 103 (61%) have not availed the housing loans from other institutions.

Table 10: Relationship between sex and Availing of Loans in other Institution

Availing of Loans in other Institution	Male	Female	Total
Yes	54 (44.3)	11 (23.9)	65 (38.7)
No	68 (55.7)	35 (76.1)	103 (61.3)
Total	122 (100.0)	46 (100.0)	168 (100.0)

Source: Primary data.

The table shows that out of 168 respondents in HDFC bank, 65(39%) have availed housing loans from other institutions, 103 (61%) have not availed the housing loans from other institutions. The results indicated that availed housing loans from other institutions among male and female respondents showed moderate evidence against the null hypothesis ($\chi^2=5.8314055499$, $P=0.016$, $df=1$, $Correlation=0.18315657$).

Table 11: Awareness of rate of interest of other institutions

Awareness of rate of interest	No. of respondents	Percentage
Yes	72	42.9
No	96	57.1
Total	168	100.0

Source: Primary data

The table shows that out of 168 respondents in

HDFC bank, 72 (43%) know the rate of interest in other institutions, 96 (57%) don't know it.

Table 12: Relationship between sex and Awareness of rate of interest of other institutions

Awareness of rate of interest	Male	Female	Total
Yes	59 (48.4)	37 (80.4)	96 (57.1)
No	63 (51.6)	9 (19.6)	72 (42.9)
Total	122 (100.0)	46 (100.0)	168 (100.0)

Source: Primary data.

The table shows that out of 168 respondents in HDFC bank, 96 (57%) know the rate of interest in other institutions, 72 (43%) don't know it. The chi-square test value ($\chi^2=14.032430506$, $P=0$, $df=1$, $Correlation=0.277646$) assured that there are marked very strong significant differences in sex and awareness of rate of interest of other institutions.

CONCLUSION

According to the report, house loan borrowers like HDFC because of fast loan application processing, fewer paperwork requirements, low interest rates, excellent customer support, easy repayment options, and amiable field employees, among other factors. In the research area, house loan applicants encounter some difficulties when applying for a home loan through HDFC. HDFC should take the required actions to address the issues after carefully weighing the researcher's recommendations in order to improve performance. In India, there is a significant opportunity for housing promotion. Banks have a significant impact on encouraging the construction of homes in rural areas. Banks should focus on mass customisation rather than mass market and implement more creative and dynamic house lending programs.

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