



CUSTOMER SATISFACTION AT LIC HOME FINANCE LTD.

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➤ Abstract:

The objective of the study is to assess the satisfaction level of LIC Home loan customers on the basis of several factors such as bank's legal formalities and procedures, bank's internal environment, likelihood to recommend others, bank's festival schemes and offer. This study is descriptive in nature and the sampling method which has been used in the study is Convenience sampling. The sample size includes 90 respondents which have taken home loan from LIC Home Finance Ltd. Discriminant Analysis has been used to analyse the data collected through questionnaire with the help of statistical software SPSS. In this study it has been found that the customers availing overdraft facility are more satisfied than the customers who have not availed this facility. Legal formalities and Procedure affect the customer satisfaction in more extent. Great efforts must be taken to make people aware about the schemes and offers launched by the bank.

➤ **Key Words:-** Yojana, LIC, Housing Loan, Finance, GDP.

➤ Introduction

Introduction 'Home' is one of the basic human needs next to Food and wearing cloths. It is not only a shelter but also an asset and wealth of human being. Home finance/ loan means 'finance for meeting various needs relating to home such as purchase of a flat/house, acquisition of a plot and construction of a house, extension of a house, repairs, renovation and up gradation of a house /flat with Home ranks third amongst 14 major industries in terms of total linkage effect in the economy. It is the 2nd largest employment generator in the country after agriculture. As per the report of technical group on urban home shortage in India (2012-2017), the home shortage in the urban areas is 18.78 million units while in the rural area it is 43.67 million units. In 2012, Home loans as a percentage of GDP have remained at around 7 per cent. From the above data it can be said that there still required the need of houses in India. According to 2015-16 report of National Home Board, of the total loan granted by public sector banks, 67% (48178 cr.) was for home sector. Thus banks are facing a tough competition. The Government of India is also supporting development in home sector by taking initiative like "House for All by 2022", "Make in India", "Pradhan Mantri Jan Dhan Yojana."

The Banking Companies Act of India defines Bank as, "A bank is a financial institution which accepts the money from the public for the purpose of lending or investment repayable on demand or otherwise withdrawal by cheque, drafts or otherwise."

Home finance system in India: It has two components viz. formal and informal Home and related infrastructure is one of the principal sectors. That can revitalize and sustain economic growth and development. Besides Home has the maximum propensity to generate income. Approving applications and providing customers with an access to their fund quickly. Setting and meeting expectations during the application approval process. Avoiding surprising the customer during the origination process. Being versatile and flexible in the location of the closing and demand for materials, equipment and services; it is a chronic problem for countries like India.

The high rapid growth of population, increasing urbanization, break-up of joint families; low income level and incorrect maintenance of home stock have created shortage of dwelling units not only in urban areas but also in rural areas in India. The matters relating to home and urban development has been assigned to the State Government and urban local bodies by the constitution of India. The Ministry of Urban Development and Poverty alleviation is the apex authority of Government of India at national level to formulate policies, sponsor and support program. Reserve Bank of India also supports the home sector through its subsidiary National Home Bank.

METHODOLOGY

Objectives of the study

The following are the objectives of the study:

1. To understand the procedure for sanctioning of credit more specifically for home sector.
2. To find the satisfaction level of their customers towards home loans provided by LIC Home Finance Ltd.
3. Research Type and Research Design We are interested in assessing the satisfaction level of LIC Home loan customers on the basis of several factors such as bank's legal formalities and procedures, bank's internal environment, likelihood to recommend others, bank's festival schemes and offers.
4. This study is descriptive in nature and the research design used in this study is cross sectional research design.

Data Sources

The study was based on Primary and Secondary data.

1. The Primary Data was collected through direct interview method using structured questionnaires.
2. Questionnaire has been designed with the help of previously validated study and personally administered.
3. Five point Likert's scale is used for measurement.
4. The Secondary data was collected from their Financial Year report and also from report of National Home Board.

➤ Hypothesis

Null Hypothesis : There is no significant discrimination among the group who are availing the overdraft facility of LIC Home Finance and who are not. Statistical Test & Software Discriminant Analysis has been used to analyse the data collected through questionnaire with the help of statistical software SPSS.

➤ Limitations of the Study

The study was conducted in Prakasam districts of the state with limited number of sample units due to time and resource constraints.

Therefore the findings may be interpreted cautiously with respect to time and space Home Loans & LIC Home Finance Retail Loans.

The Core Retail Advances comprising Home, Vehicle, Education, Personal & Pensioner, Gold Mortgage & Reverse Mortgage Loan Schemes. The growth of Retail Loan portfolio continued to be the thrust area of the Bank in Financial Year 2016.

In the figure given below: Aggregate Retail portfolio of Rs 38,864 crore as on 31.03.2015 increased to Rs 48,415 crore as on 31.03.2016 showing growth of 24.60% of Home Loans LIC Finance of India Ltd.

It is a commercial bank to provide home loan facility. Due to increase in demand of the home loan they have also opened a separate Subsidiary, named "LIC Home Finance Ltd."

The Home Loan segment registered growth of 26% with an outstanding amount of 21,544 crore as on 31st March 2016.

➤ Sampling Technique & Sample Size

This study has been conducted to analyze customer satisfaction level towards home loan at LIC Home Finance, Prakasam district A.P.

The Convenience sampling has been used for data collection. The sample includes 90 respondents which have taken home loan from LIC Home Finance Ltd. In 2016 LIC Home Finance has launched overdraft facility so our main focus revolves

around the customer who have availed this facility. Table 1: Category Wise Sample Collection for the Study Overdraft facility No. of Samples Overdraft facility availed 71 Overdraft facility not availed 29 Home Purchase Loan: This is the basic loan for purchase of new house.

➤ **Home Improvement Loans:**

These loans are given for implementing repairs and renovations in a home that has already been purchased Home Construction Loans: The loan is available for construction of a new house. Home Extension Loans: This is given for expanding or existing an existing home. Overdraft facility: For home loan customers LIC Home Finance has launched an Overdraft facility in which the person can take personal loan on less rate of interest. The maximum extent of loan is Rs.25lac.

➤ **Festival Bonanza offer:**

This is a beneficial offer for customers as in this bank removes the charges of processing and documentation fee. Eligibility Criteria for Home Loans If the borrower is able to repay the amount any amount of loan can be granted to him/her, for this purpose pre-sanction appraisal is done which is explained further in this report.

Parameters Involved in Home Loan Tenure The tenure of the home loans refer to the time limit for a customer to repay the loan, generally, the maximum limit for the repayment is 25 years.

The longer the tenure, more a customer pays in total interest, but monthly payment will be less. Amount Paid by the Financer/Margin Requirement: The financer does not pay the entire amount of the loan, customers are requested to keep some margin. Most banks go in for 75% of the funding .Example: An apartment costing Rs.10lac may get 75% of the funding by the bank.

Interest Rate The most important parameter to factor in home loan is the interest rate, it is the amount charged as a percentage of principle by the lender to a borrower. There are two kinds of interest rates: Fixed rate of interest Floating rate of interest

Prepayment Fee Charges are levied on floating rate of interest on Home Loans while in case of fixed rate of interest no prepayment charges are to be levied in when the loans are prepaid by the borrowers from their own sources. The Loan Procedure followed by LIC Home Finance The process involves the disbursement of home loan,

It involves following steps: Home loan application form is first submitted by the customer covering all the details Checklist of requirement is requested for from the customers and all documents are requested to be submitted ,they are then verified whether details are details are failed in correctly and whether all the documents are submitted.

Pre sanction appraisal is done by the bank in which type fixed interest rate remains fixed over 3 years and then changes according to the market conditions. Whereas Floating interest rate are affected by the rates in the market .The current interest rate on home loan by LIC Home Finance is Current Fixed rate of interest is 10.50%, Floating rate of interest is 10.25% and that on overdraft is 10.50% (overdraft). Maximum Permissible Deduction The bank cannot deduct amount more than prescribed limit, so if a borrower ask for certain amount for loan and after deduction of maximum permissible amount the person is not able to repay within 35 years of time span then he is denied for this loan.

➤ **Miscellaneous Charges**

All banks charge certain amount of processing fee and document charges which cannot be ignored.

➤ **Processing Fee:**

Bank charge certain amount of fee for processing of the loan

➤ **Documentation charges:**

Amount charged by the banks to borrower for checking and preparation of documents required for sanctioning the loan is termed as documentation charges.

The Processing fee and Documentation charges imposed by LIC Home Finance are given in below table: of land (whether agriculture or residential), legal aspect in case of builder and NEC (non encumbrance certificate) etc. is checked. Home Finance Schemes of LIC Home Finance

The Home Loan segment registered growth of 26% with an outstanding amount of ` 21,544 crore as on 31st March 2016. In 2015-16 the total home loan issued was Rs. 8650 lakh which amount 17.866% of the total loans. The Bank also implemented various Government of India schemes such as Credit Guarantee Fund Scheme for Low Income Home (CRGFSLIH), Home Interest Subsidy Scheme under the name of “Rajiv Rin Yojana” launched by Ministry of Home & Poverty Alleviation and Education Loans interest Subsidy under Central Scheme for Interest Subsidy (CSIS), New CSIS and ‘Padho Pradesh for Minority Communities’.

Following are the Home finance schemes of LIC Home Finance: A. Direct finance B. Indirect finance B. Analysis & Interpretation Discriminant analysis has been performed on the items to which respondents have responded.

Respondents were asked to respond on the items measuring bank’s legal formalities and procedures, bank’s internal environment, likelihood to recommend others, bank’s festival schemes and offers. We have selected the 69 cases for analysis and 21 cases for validation.

On the basis of these 21 cases we want to interpret that the customers who are availing the overdraft facility are generally satisfied with the bank services.

The following table depicts the data very clearly:

The group statistics table given below reveals that for all four predictors, larger group means are associated with larger group standard deviations. (The means and standard deviations for the group who are availing the overdraft facility are considerably higher).

➤ CONCLUSION

In this study, we have included the step by step procedure involved in granting the home loans. Initially presentation appraisal requires preparation of credit reports which helps the bank in studying the borrower’s character, capacity and capital (3c’s). Internal and external credit ratings are taken with respect to the account under study.

Previous repayment behavior is checked for character through reports and credit ratings from while future cash flow projections are checked for the repayment capacity of the borrower. Borrower’s habits on following up the rules and regulations are checked and if some irregularities are found it are reported accordingly. Pre-release audit is done to deal with the above mentioned requirement.

To understand the nature of the securities entrusted with the bank Legal audit reports are studied. The next thing done after the follow-up is the documentation of necessary formats and document that is essential to be issued to the borrower on sanction of enhanced/renewed credit facility.

Drawing limits of various accounts are calculated.

As part of post sanction monitoring book of debts and stocks are audited to check the adequate security, nature and quantity. Some activities are part of monitoring which are done periodically such as unit inspection with the bank officials to verify the stock statements.

Finally a study is done to check the NPA’s and understand the nature of the non-remunerative borrowers and suggest possible measures to overcome the slippage of an account into an NPA.

This study at LIC Finance of India Ltd. it was an extremely informative one.

It gave us an excellent opportunity to learn, as well as contribute to the organization.

Their home loan section holds second position in retail loan category after credit given to SME.

From the customer feedback we have taken, this can be generalized that the people who have taken overdraft facility are more satisfied.

Legal formalities and Procedure affect the customer satisfaction in more extent.

Great efforts must be taken to make people aware about the schemes and offers launched by the bank.

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