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Service Quality Dimension Towards The Impact On Customer Satisfaction In The Housing Finance Companies In Coimbatore District

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ABSTRACT

Customer satisfaction and service quality are inter-related. This paper measures the customer service rating of housing finance companies in Coimbatore district. In order for the research to produce a realistic outcome the collection of data has to be distributed over a large population. Thus the survey questionnaire ate designed to apply to a heterogeneous population where targeted respondents come from the general open public (from different genders, age groups, marital status, education backgrounds, designation and professions). The aim is to collect the opinion of the respondents in response to the importance of SERVQUAL model in housing finance companies. The study highlights implications for housing finance company for improvement in delivery of service quality. The result of this study is proven the SERVQUAL model is still the effective model to measure customer satisfaction in housing finance companies. Managers from various housing finance companies should continuously measures and improve level of customer satisfaction using the SERVQUAL model in order to maintain competiveness in the market place. Market perception and customer expectation can change rapidly from time to time hence the housing companies should ensure that right products and services supported by the right promotion are made available at the right time for customers to ensure their services.
KEYWORDS: Satisfaction, Expectation, Competitiveness, Services

1. INTRODUCTION

A developing nation like India has to focus more on housing sector to cater to the housing needs of burgeoning population and to accelerate the economic growth. The housing sector has been globally used as an engine to propel the economic growth as it generates employment and demand in the market Housing being one of the three basic needs of life always remains in the top priorities of any person, society and economy. As a human being, an individual needs his own space and privacy, which can be provided by the ownership of a house. The home is the basic unit of the society. Home provides a platform to the family and the family is the most important social institution, which leaves its imprint on an individual for whole life. Thus housing deserves significant attention in the context of developing policies and strategies for human development. But still the majority of human populace lives in slums, shanties and temporary shabby shelters in rural areas. The shortage of housing is a big impediment in the healthy development of an individual and consequently the society, and the nation. The problem of space, privacy, security and sanitation leads to social, economic and environmental degeneration. The perpetual strife for space and house-ownership leads to personal and social disorganization, which is detrimental for the society and the economy. Last one decade has witnessed the authorities giving significant focus on the housing sector in India Housing is one of the primary human needs and is second to the need for food and clothing. Housing finance is a specific form of finance and efficiency of housing finance system in a country is one of the basic indicators of the growth of its economy.The

appearance of a formal institutional system for housing finance has been quite late in India, with the formation of National Housing Bank (NHB) in 1988, since then housing is being accorded high priority by the Government. Housing and housing finance activities in India have witnessed tremendous growth over the years. Some of the factors that have led to this growth are - tax concessions to borrowers, increase in disposable income levels, changing age profile of the borrowers, easy availability of loans, nuclear families and urbanization, etc Indian Housing Finance sector attained a unique change in its structure and policies from its starting period. At present majority of the banks and housing finance institutions considered housing finance is low risk and fast growing business. The importance accorded to the housing loan is a recent phenomenon in India. In the first 25 years of post independence period government concentrated mainly on agricultural development. After industrial revolution and urbanization trend will increase and urged the housing need in the economy. The two most widely used types of home loans are fixed-rate loans and adjustable rate loans. A fixed-rate loan keeps the same interest rate for the life of the loan, which means that the principal and interest portions of the monthly payment stay the same. Adjustable-rate mortgages begin with a lower interest rate for the first few years and then adjust to market rates after the initial period is over. Caps are placed on how much the rate can adjust at any given time, as well as on how much the rate can increase over the duration of loan. This means the principal and interest portions of the monthly payment change repeatedly through the duration of loan. There are different types of home loans tailored to meet our needs. Here is a list of few: Home Purchase Loans: This is the basic home loan for the purchase of a new home. Home Improvement Loans: These loans are given for implementing repair works and renovations in a home that has already been purchased. Home Construction Loan: This loan is available for the construction of a new home. Home Extension Loan: This is given for expanding or extending an existing home. For eg: addition of an extra room etc. Home Conversion Loan: This is available for those who have financed the present home with a home loan and wish to purchase and move to another home for which some extra funds are required. Through home conversion loan, the existing loan is transferred to the new home including the extra amount required, eliminating the need of prepayment of the previous loan. Land Purchase Loans: This loan is available for purchase of land for either construction or investment purposes. Customer satisfaction is multifaceted phenomenon and it consists of different dimensions and service quality is known as a predominant factor as the most studies revealed that a close relationship between customer satisfaction and service quality exists

IMPORTANCE OF THE STUDY

Since not much research work has been done in the area of service quality in housing finance provided by various types of bank from the customers' point of view; it was decided to undertake one such study in Coimbatore city which is the fastest growing city in India, as per the latest census data. It was decided to select housing financial companies namely; HDFC, DHFL, REPCO HOME FINANCE, INDIABULSS HOUSING FINANCE and LIC HOUSING FINANCE LTD.

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REVIEW OF PREVIOUS STUDIES

Service quality in recent housing and housing finance issues are receiving great attention from the side of government and policy makers. There has been vast literature covering this area, let us review some of the research work carried out in this area. Chandrasekar,(2010). Prasuna (2003) examined the performance of 65 Indian banks according to the CAMEL Model and concluded that

better service quality, innovative products and better bargains were beneficial because of the prevailing tough competition. Baral (2005) studied the performance of joint ventures banks and commercial banks in Nepal by applying the CAMEL Model. The study revealed that the financial health of joint ventures is more effective than that of commercial banks. Bodla and Verma (2006) investigated the performance of SBI and ICICI through CAMEL model for the period of 2000-01 to 2004-05. With the reference to the Capital Adequacy, it concluded that SBI has an advantage over ICICI. Regarding to assets quality, earning quality and management quality, they inferred that ICICI has an edge upon SBI. Gupta and Kaur (2008) examined the performance of Indian private Sector banks by using CAMEL model and by assigning rating to the top five and bottom five banks. The CAMEL model revealed that HDFC was at its higher position of all private sectors banks in India succeeded by the Karur Vysya and the Tamilnad Mercantile Bank. Examined the structure and evolution of the housing finance system in India, USA and UK economies. This study also evaluated the performance of major housing finance institutions in India. Shaw (2014) Studied about the growth of Housing Finance companies in India for the period from 2005 to 2014. Role of commercial banks in tackling the housing problem in India are analyzed by (Shankar, 2014; Manoj, 2016) (Manoj, 2016) in his another study analyzed the significance of Housing Finance Companies to solve the housing problem in India. A detailed analysis of housing finance scenario in India was explained by (Manoj, 2008; Rao and Apparo, 2012) and mentioned about institutional performance of housing finance companies.(Roy and Gupta, 2016) their study critically analyzed the operational performance of Scheduled commercial banks and Housing Finance Companies in India for the period 2010-2014.. The principal variables analyzed are branch networks outstanding housing loans, housing loan disbursement etc. (Kumaraswamy and Nayan, 2014) studied about the importance of marketing of housing finance, marketing strategies of major housing finance institutions and to camper marketing strategies of public and private sector banks in housing finance and found that housing finance companies are not marketing their products properly, the present rate of interest is lower than earlier and Public banks are charging higher interest rate than private banks. The regulatory aspects pertaining to housing finance companies in the light of various directions and guidelines issued by National Housing Bank National Housing Bank (NHB) were examined by (Jasmin et.al, 2012) (Piyush et.al, 2016) explained about the meaning and significance of housing finance and the procedures of home loans it also examined the customers` satisfaction levels towards housing finance banks in India. (Srujanlal, 2017) clearly explained about the policies and procedure for sanctioning housing loans in India. Earlier literature brings out the fact that there are so many studies held on housing finance by Commercial Banks and Housing Finance Companies in India, but only a few studies on the comparative analysis of performance of Scheduled Commercial Banks and Housing Finance Companies on housing finance. So the present study will help to fill this research gap.

2. SCOPE OF THE STUDY

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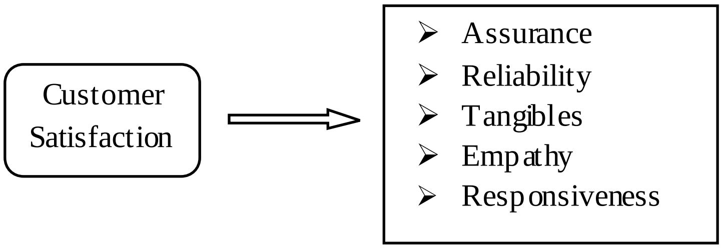
- Demographic profile of respondents
- Customer expectation form the quality service offered by the housing finance companies
- The importance of SERVQUAL measurement for a customer to choose housing finance company.

3. OBJECTIVE

- To analyze the factors determining customer service rating
- To measure the level of customer satisfaction
- To analyze SERVQUAL model through customer satisfaction

4. RESEARCH METHODOLOGY

For the purpose of this research, several attributes were specially identified as the general measure. From Parasuraman's Service-Quality model, (Parasuraman et al., 1988) five general attributes were identified for the research and hypothesis statement development. The theoretical framework developed (See figure1) is aimed at examine the strength of relationship between the SERVQUAL's instruments and the customer's satisfaction



Source: Servqual Model, Parasuraman et al (1998)

FIG NO 1

INDEPENDENT VARIABLES

All independent variables were measured against the 5-pont likerts scale. They were measured by the following dimensions: "Strongly disagree" (1-scale), "Disagree" (2-scale), "No comments" (3-scale), "Agree" (4-scale) and Strongly Agree (5-scale).

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Reliability	➢ Accuracy in service delivery ➢ Handling consumer complaints ➢ Maintaining accuracy records. ➢ Assurance ➢ Product knowledge ➢ Security of transactions ➢ Representative supporters
Tangibles	➢ Credit facilities ➢ Saving and investment plan ➢ Purchasing quality product/services ➢ Reputable company
Empathy	➢ Customer needs ➢ Customers convenient business hours ➢ Technology enhancements ➢ 24hours help desk ➢ Answers Customers enquiry promptly
Responsiveness	➢ Customers needs ➢ New dimension of responsiveness ➢ Account transaction ➢ Better services
Dependent variables	➢ Knowledge and ability of employee in housing finance companies ➢ Safe to transact with housing finance companies ➢ Delivers promised services ➢ Accurate and realistic information ➢ Employee appealing ➢ Provide individual attention ➢ Convenient location ➢ Employee helpfulness or responsiveness promptly

TABLE NO 1

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RESEARCH DESIGN

The quality of service provided by the housing finance companies in Coimbatore District is examined and analyzed through the perception of the customers. Since it is a measurement of service rating aspect, the scaling techniques is adopted to analyze the quality of services. For the purpose of the present study housing finance companies in Coimbatore are chosen as sample, based on random sampling method. Total sample chosen for the study is 117 out of 145. Which yield a total respond rate of 84.65%. The secondary data has been collected form published reports, magazines, newspapers, journals and websites of the housing finance companies.

Descriptive analysis is used to describe the background of the respondents in the quantitative term. The demographic characteristics of respondents focused on the gender, age, marital status, educational background, designation, and department. Table1 illustrates the demographic frequency distribution of respondents.

RESULTS AND DISCUSSION

VARIABLES	PARAMETERS	FREQUENCY	PERCENTAGE	CUMULATIVE PERCENTAGE
Gender	Male	38	32.5%	32.5%
	Female	79	67.58%	100%
Age	Below 20	6	5.1%	5.1%
	Between 20 to 30	44	37.6%	45.7%
	Between 31 to 40	36	30.8%	73.5%
	Between 41 to 50	29	24.8%	98.3%
	Above 50	2	1.7%	100%
Marital status	Single	51	43.6%	43.6%
	Married	53	45.3%	88.9%
	Divorce	13	11.1%	100%
Education	Certificate/diploma	47	40.2%	40.2%
	Bachelor degree	36	30.8%	70.9%
	Master	21	17.9%	88.9%
	Doctorate	3	2.6%	91.5%
	Others	10	8.5%	100%
Designation	Staff	25	21.4%	21.4%
	Executive	52	44.4%	65.8%
	Manager	17	14.5%	80.3%
	Senior manager	18	15.4%	98.7%
	other	5	4.1%	100%
Department	Administration	18	15.49%	15.4%
	Human resource	2	1.7%	17.1%
	Finance	17	14.5%	31.6%

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	Marketing	31	26.5%	58.1%
	Information tech	15	12.8%	70.9%
	Operation	25	21.4%	92.3%
	Others	9	7.7%	100%

Frequency Distribution (Source: Primary data)

TABLE NO 2

INFRASTRUCTURE FACILITIES IN THE SAMPLE HOUSING FINANCE

S.NO		VARIABLE PERCENTAGE OF RESPONDENTS					TOTAL SCORES	WEIGHTED AVERAGE	RANK
		POOR	AVERAGE	GOOD	VERY GOOD	EXCELLENT			
1.	Appearance	8	19.20	39.20	20.80	20.0	424	3.40	IV
2.	General layout	0	6.40	45.60	32.0	16.0	467	3.74	I
3.	Housekeeping	0	12.80	30.40	36.80	20.0	455	3.64	II
4.	Adequacy of space	0	14.40	40.0	25.60	20.0	439	3.51	III

TABLE NO 3

The infrastructural facilities analyze the appearance of premises at (Table2) reveals that 39.20% of the respondent rated the appearance of premises as good and 20% as excellent. Majority of the customers are satisfied with waiting space and sitting arrangement good 40%, Very good 25.60% and excellent 20%. Overall rating of the infrastructural facilities I the sample banks shows theat the highest score is secured by the component general layout.

Reliability analysis analyzes the properties of measurement scales and the item that compose the scales. The reliability analysis procedure calculated\s a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. A Cronbach's alpha, is commonly used to measure scale reliability. Cronbach Alpha reading indicating that internal consistency reliability for the tangible variable measures is considered good (Cronbach Alpha > 0.7) indicated in Table 2

	SCALE MEAN IF ITEM DELETED	SCALE VARIANCE IF ITEM DELETED	CORRECTED ITEM TOTAL CORRELATION	CRONBACH'S ALPHA IF ITEM DELETED
Assurance	103.0940	306.379	0.668	0.869
Reliability	103.2991	329.332	0.463	0.895
Tangible	102.7265	269.787	0.779	0.848
Empathy	104.1880	269.895	0.871	0.835
Responsiveness	103.5214	277.993	0.882	0.837
Customer satisfaction	85.6923	241.542	0.653	0.889

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Reliability statistic of both variables (Dependent and Independent)

TABLE NO 4

The correlation coefficient between assurance and reliability is 0.7878 and it is significant at 0.01 levels. The correlation between assurances and tangibles is 0.421 and is at significant level of 0.001. The correlation coefficient between assurance and responsiveness is 0.709 and its significant level is 0.001. The correlation coefficient between assurance and customer satisfaction is 0.369 and it is significant at 0.01 levels. The correlation between tangibles and empathy is 0.823 and it is significant at 0.01 levels. The correlation coefficient between empathy and responsiveness is 0.840 and its significant level is 0.01. The following significance was indicated in Table3 of Pearson Correlation

	ASSURANCE	**RELIABILITY**	**TANGIBLE EMPATHY**	**RESPON SIVENESS**	**CUSTOMER SATISFACTION**
Assurance Pearson Correlation Sig. (2-tailed)	1 17				
Reliability Pearson Correlation Sig. (2-tailed)	. 778*** .000 117	1 117			
Tangible Pearson Correlation Sig. (2-tailed)	.421*** .000 117	.214* .021 117	1 117		

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Empathy Pearson Correlation Sig. (2-tailed)	.638** .000 117	.451** .000 117	.823** .000 117	1		
Responsiveness Pearson Correlation Sig. (2-tailed)	.709*** .000 117	.573*** .000 117	.765** .000 117	.840** .000 117	1 117	
Customer satisfaction Pearson Correlation Sig. (2-tailed)	.369** .000 117	.168 .070 117	.782** .000 117	.682** .000 117	.639** .000 117	1 117

** Correlation is significant at the 0.01 level (2-tailed) * Correlation is significant at the 0.05 level (2-tailed)

TABLE NO 5

FACTOR ANALYSIS

The Kaier-Meyer-Olkin (KMO) is used to measure the sampling adequacy whether the partial correlations among variables are small Bartlett's Test of Sphericity test whether the correlation matrix is an identity matrix, which should indicate that the factor model is inappropriate, besides that the Varimax (orthogonal) rotation method is use3d to simplify the interpretation of the factors. The KMO measure of sampling adequacy should be greater than 0.5 for a satisfactory factor analysis. This study showing 0.806 in KMO measure of sampling adequacy indicates sufficient inter-correlation while the Bartlett's test of Sphericity was significant (Chi square = 5082.161, KMO =0.806, p –value<0.01)

KMO AND BARLETT'S TEST

In selecting the items for each of the scale items should have a factor loading of 0.5 or more or a single factor analysis's and items that have a reading less than 0.50. Were deleted from the scales

Kaiser- Meyer-Olkin Measure of Sampling adequacy		0.806
Barlett's Test of Sphericity	Approx. Chi-square	5082.161
	Df	595
	Sig	.000

TABLE NO 6

ROTATED COMPONENT MATRIX TABLE OF 5 FACTORS EXTRACTED

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COMPONENT					
	1	2	3	4	5
Customer satisfaction Tangibles	.862 .849				
Tangibles	.834				
Tangibles	.829				
Customer satisfaction	.821				
Tangibles	.819				
Empathy	.7483				
Responsiveness	.782				
Responsiveness	.777				
Empathy	.776				
Empathy	.757				
Customer satisfaction	.713				
Empathy	.680				
Empathy	.660				
Responsiveness	.627	.611			
Assurance		.795			
Reliability		.752			
Reliability		.750			
Assurance		.738			
Assurance		.730			
Assurance		.684			
Assurance		.680			
Reliability		.632			
Reliability		.614			
Customer satisfaction			.961		
Customer satisfaction			.909		
Customer satisfaction			.905		
Responsiveness				.775	
Responsiveness				.692	
Customer satisfaction				.501	
Customer satisfaction					.640
Reliability					.615
Tangible					.530

TABLE NO 7

According to the data a subjective rating of appeal in housing finance sector measure the relation to customer satisfaction to determine the service provided towards quality.

6. FINDINGS AND SUGGESTIONS

- Assurance as the positive relationship with customer satisfaction. In this aspect housing finance companies assured there is no problem in dealing with any transaction in housing finance companies were the transactions are secured.

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- With the rapid growth in the internet technology many housing finance companies have set up their internet housing portal and the finance companies have spend great effort such as TV advertisement, free gifts, lucky draws and many other ways to encourage their customers to use the internet portal of their housing finance companies to browse and also avail the services of products.
- Tangible encompass the appearance of the company representatives facilities materials and equipment. The result of the research suggests that is no significant positive relationship between empathy and customer satisfaction.
- Responsiveness is the timely reaction towards the customers' needs. Human responsiveness can sometimes be affected by emotions, causing low productivity.

7. LIMITATION OF RESEARCH

This paper attempts to illustrate the factors that might affect customer satisfaction in housing finance company in Coimbatore. The current study however has some limitation. The impact of certain environmental variables and their influence shaping service quality need to be further explored. This study also does not separate the population sample into separate geographical locations, for instance a person who lives in a remote place may have a different expectation and perceptions towards customer services offered by housing finance companies owing to different culture, level of education and some other demographic factors.

8. CONCLUSION

The SERVQUAL model of Parasuraman et al (1988) propose five dimensional construct of perceived services quality, tangibles, reliability, responsiveness, assurances and empathy. The construction of qualitative houses in adequate members is an indicator of development of a country. Without any doubt, service quality is very important component in any business related activity. This is especially so to a marketer a customer evaluation of service quality and the resulting level of satisfaction are perceived to effect bottom line measure of business concerns. Housing Finance Companies are established solely and exclusively for the housing purpose. Though the number of institutions of commercial banks reduced in numerical terms, in respect of housing market shares the commercial banks have outstripped Housing Finance Companies. They thrive well in the housing finance sector. Presently housing finance is in the ascendant, the competition between these players and their subsequent growth towards service quality augur well for the growth in the housing finance sector

SIGNIFICANCE OF FURTHER RESEARCH

The study suggest the future research in this area should attempt to extend the study on relationship between cities and remote places in term of cultural issues, education leval and demographic factors which are missing in this study. Further research should be conducted to determine the factors that actually contribute to the difference in customer satisfaction between cities and remote places, coverage on a wider geographical area or city could be considered for future study inb order to enhance the generalization o the finding to further investigate potential differences n customer satisfaction between these areas.

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