



AN EMPIRICAL EXAMINATION OF BORROWERS PERCEPTION REGARDING AWARENESS OF HOUSING FINANCE PARAMETERS

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Abstract:

The Indian Housing Finance Market witnessed dramatical changes as a result of Policy initiatives, characterized by institutional build up, technological advancements, modernization and transparent practices. The change in the Housing Finance Market is also reflected in the increased number of Borrowers. In spite of the developments in the Housing Finance Market, many low income borrowers continue to keep away due to prevalence of uncertainty in their income and investment knowledge and affordability criteria. This calls for the attention of the government and policy makers to understand the factors influencing the Housing Finance Market operations which enable them to decide the options. In effect, it can be reasoned that a prospective borrower is faced with the problem of choice in his attempt to access a housing loan. Which factors would affect his ultimate choice of a housing loan from available financing sources? This paper aims to examine the awareness level of the Borrowers with respect to different housing parameters.

Key Words: Housing Parameters & Housing Finance

Introduction:

Housing is a significant engine for growth and development of the Economy. The importance of housing sector as the 'engine of growth' has been historically acknowledged in most of the developed nations of the world. The accessibility to housing finance for the people at large has improved over the years with the emergence of housing finance as a major business in the country, an increasingly large number of Prospects for home loans.

Statement of the Problem: Both public and private sectors are competing for their share. The Private lenders have been doing considerably well, but the Public sector lenders have been below the mark. It is in this backdrop, the study attempts to an empirical examination of borrowers awareness of housing finance parameters.

Objectives of the Study: The objectives of the study are detailed as follows:

Primary Objectives:

- To Study the Association between various Housing finance Parameters among the Borrowers of select Housing Financial Institutions.

Secondary Objectives:

- To assess the impact of Processing/Administration fees charged among the Borrowers of different Housing Financial institutions.
- To assess the level of Perception regarding the awareness of Taxation Benefits under IT Act 1961
- To assess the level of Perception regarding the awareness of EMI calculation
- To assess the level of perception regarding the awareness of Government Budget
- To assess the level of Perception regarding the awareness of National Housing Habitat policy or Pradhan Mantri Awas Yojana (Housing for all by 2022)

Hypothesis: The following hypotheses are tested using several statistical tests (Chi-Square, ANOVA, t test, Percentage Method etc.) to test if there is any significant difference in the different categories of Borrowers in their perception of Housing Finance.

- There is no Association between the awareness level and Educational Qualification of the Borrowers
- There is no Association between awareness of taxation benefits Income levels
- There is No Association between impacts of Processing/Administration fees charged among the Borrowers of different Public sector Housing Financial institutions.
- There is No Association between Knowledge of Income Tax Act 1961 among the Borrowers with different categories of Income.

Research Design: Descriptive Research design is used in the study. Observation method and through the interviews and questionnaires are used in the research.

Sampling Design: The sampling design is based on the representation.

Sampling Technique: Non Probability sampling is adopted in this research.

Sampling Size: The sample size is calculated using the formula for the standard error of the proportion. Sample size n=300. (Only Borrowers are considered).

Sampling Unit: In the present study the Housing loan borrowers (300) and the Lenders of Housing finance (5 Housing Financial Institutions) are the units of study.

- HUDCO-Housing & Urban Development Corporation Ltd.
- LICHF-Life Insurance Corporation Housing Finance.
- BOBHF-Bank of Baroda Home Finance.
- SBIHF-State Bank of India Home Finance.
- IBHF-Indian Bank Housing Finance

Sampling Frame: The sampling frame of the Housing Financial Institutions and the sample frame of beneficiaries for each of the financial Institutions are the fundamental units of the study,

Data Collection: This involved both Primary and secondary data. Primary data collected from 300 beneficiaries of 5 public sector Housing Financial Institutions. Secondary data was collected from various Reports, Manuals and Journals.

Tools Construction: The Questionnaire is used an important tool to elicit borrowers perceptions of housing finance. Questions were asked relating to Awareness and knowledge of General Housing Parameters

Secondary Data: Secondary Data was collected from various Reports, Manuals, Journals, Training Materials published by International Organisations and central and state Governments. Annual Reports published by LICHF, HUDCO, SBIHF, BOBHF, IBHF and other institutions were also consulted and used.

Tools Applied for Data Analysis: The following tools were used in the study. Simple Percentages, Measures of Central Tendency, Anova, Chi square test χ^2

Review of Literature:

- Das Gupta 1999, Housing Triangle for Low income groups, -Research Report.
- Hari Srinivas, 2002 on Informal credit Markets and the Housing Finance Industry”
- Jogarsen N.O, 2000, “A study on Income Elasticity and Housing Finance”.

Muthu (1960) defines supply in terms of service units, which is any physical unit can be deconstructed into the services that it provides.

Olsen (1969) describes these units of housing services as an unobservable theoretical construct. Housing stock depreciates making it qualitatively different from a new building.

Demand for Housing: The price of housing is also an important factor. The price elasticity of the demand for housing service is estimated as negative 0.4 by Polinsky and Ellwood (1949) and as negative 0.9 by Maisel, Burnham, and Austin (1941)

Supply of Housing: Considering the current state of affairs, there is a need for a supportive role on the part of the government and commercial banks and a streamlining developmental role on the part of the Financial Institutions [Germidis, 2000: 214-23. Heterogeneity that enables the informal savings and credit activity to profitably reach those income-groups not served by commercial banks and other financial institutions [Das-Gupta, 1999: 8-13, Srinivas, 2000: 44-44]

Raj M and Baross (2000) Account that the housing shortage is taken as a measure of homelessness.

Jogarsen N.O (2002) Studied the effective demand for housing and other factors such as Market, price, rental value, location, appearance, Infrastructural services and the availability of finance.

Data Analysis: In the case of primary data selection of data through non probability method adopted from the sampling frame of individuals who have availed housing loans. Based on the number of beneficiaries availing housing loans the sample size was arrived at 300 Beneficiaries

Awareness of the Borrowers Relating to Housing Related Parameters: Awareness level is a very important factor involved in the House Loan availing decision. When high awareness of the Institution is combined with positive brand image it can increase Communication effectively and thereby enhancing Borrowers Perception. An attempt is made to check the awareness of the borrowers of Housing Finance Institutions with respect to certain housing parameters

- Knowledge of Calculation of EMI
- Awareness of Income Tax Act 1961
- Awareness of the Borrowers based on the knowledge of either National Housing and Habitat policy of 2007 or RRY (2013), RAY (2009) PMAY (2015)
- Awareness of Government Budget
- Knowledge of Processing and Administration Fees

Hypothesis: The following hypotheses are tested using Chi square and Anova to test if there is any difference in the different categories of Borrowers in their awareness, Opinion and Knowledge regarding Housing Financial Institutions, Processing and administration policy.

H₀: There is no Association between Awareness level and Educational Qualification of the Borrowers

H₁: There is Association between Awareness level and Educational Qualification of the Borrowers

Table: Chi square Analysis of the Awareness of Public sector Housing Financial Institutions based on Educational Qualification

HFI	Chi	Sign
LICHF	6.54	NS
HUDCO	3.24	NS
SBIHF	12.87	NS
BOBHF	5.21	NS
IBHF	3.2	NS
D.F		4
Table Value		21.2

Source: Primary Data

The respondents are categorized based on educational qualification. Chi square analysis is done in order to check whether there is difference in the awareness level among the Housing financial institutions with different educational qualification at 5% level of significance.

Inference:

LICHF: The calculated Chi square value is 6.54 is less than the tabulated value 21.2. Hence it is concluded that there is no difference in the awareness of LICHF among groups with different educational Qualification. The Awareness rate of LICHF is very high.

HUDCO: The calculated Chi square value is 3.24 is less than the tabulated value 21.2. Hence it is concluded that there is no difference in the awareness of HUDCO among the groups with different educational qualification. The Awareness rate for HUDCO is very high.

SBIHF: The calculated Chi square value is 12.87 is less than the tabulated value 21.2. Hence it is concluded that there is no significant difference in the awareness of SBIHF among the groups with different educational qualification. The awareness rate for SBIHF is moderate.

BOBHF: The calculated Chi-square value 5.21 is less than the tabulated value 21.2. Hence it is concluded that there is no significant difference in the awareness of BOBHF among the groups with different educational qualification. The awareness rate for BOBHF is very high.

IBHF: The calculated Chi square value is 3.2 is less than the tabulated value 21.2. Hence it is concluded that there is no significant difference in the awareness of IBHF among the groups with different educational qualification. The awareness rate is moderate.

Distribution of the Borrowers Based on the Knowledge of EMI (Equated Monthly Installments):

The following table gives details of Borrowers knowledge on calculation of EMI.

Table: Distribution of the knowledge of Equated Monthly Installments

Knowledge of EMI		No Knowledge of EMI	
Borrowers in Nos	%	Borrowers in Nos	%
202	67	98	23

Source: Primary Data

The above table positively portrays that the Borrowers have strong hold on the method of repaying the loan amount.

Distribution of Processing/Administration Fees: The following table illustrates the impact of processing administration fees impact on Home loan choice by the borrower.

Table: Opinion regarding Processing /Administration fees

Respondents Aware	Respondents Unaware
190	110

Source: Primary Data

H₀: There is No Association between impact of Processing/Administration fees charged among the Borrowers of different Public sector Housing Financial institutions.

H₁: There is Association between impact of Processing / Administration fees charged among the Borrowers of different Public sector Housing Financial institutions.

Chi square is done in order to check whether there is association between opinion regarding impact of Processing and administration fees and Housing loan decisions among the 190 Borrowers who are aware about it.

Table: Chi square Analysis for Opinion regarding the impact of Processing /Administration fees for availing Housing loan

	Mean
LICHF	0.16
HUDCO	0.24
SBIHF	1.2
BOBHF	1.4

IBHF	1.3
Chi	34.21
Df	16
Table Value	32.21
Sig	NS

Source: Primary Data

Inference: Chi square value is greater than Table value, hence reject H_0 .

There is association between the opinion regarding the impact of processing and administration fees on availing housing loans among the different institutions. Borrowers of LICHF and HUDCO feel its impact will be slightly negative while SBIHF, IBHF and BOBHF feel it would not alter decisions in availing Housing loan.

Distribution of the Borrowers based on the knowledge of either National Housing and Habitat policy of 2007 or RRY (2013), RAY (2009) PMAY (2015): The table represents Borrowers Knowledge of either any of the policies like Pradhan Mantri Awas Yojana Housing for all by 2022

Table 5: Knowledge of various Policies

S.No	Knowledge of National Housing and Habitat Policy / PMAY		No Knowledge of National Housing and Habitat Policy / PMAY	
	Borrowers in Nos	%	Borrowers in Nos	%
1	91	30	209	70

Source: Primary Data

Majority of the Borrowers are Unaware of the Policy (70%) and 30% are aware of the policy.

Distribution of the Borrowers based on Awareness about Central Government Budget: The following table 6 illustrates borrowers awareness about Central Government Budget.

Table 6: Awareness about Central Government Budget

S.No	Options	Respondent (in Nos)	Percentage
1	Yes	195	65
2	No	105	35
	Total	300.00	100.00

Source: Primary Data

It is happy to note that a sizable number of Borrowers are aware of the Budget. Concessions and deductions as per the relevant Budgets

Distribution Based on Knowledge of Taxation Benefits on Housing Loan under Income tax at 1961: The following table presents knowledge of taxation benefits on housing loan based on the income level of the borrower. Chi square analysis is used to find the relationship between knowledge and Educational Qualification.

H_0 : There is No Association between Knowledge of Income Tax Act 1961 among the Borrowers with different categories of Income.

H_1 : There is Association between Knowledge of Income Tax Act 1961 among the Borrowers with different categories of Income.

Table: Knowledge of Taxation Benefits on Housing Loan under Income Tax at 1961

D.F	Chi	Table Value	Sign
4	23.32	13.4	0.01

Source: Primary Data (Figures in Parenthesis represent percentages)

Inference: Chi square with respect to Income levels .The calculated value 22.32 is greater than the 13.4 and hence significant at 0.01 levels. The awareness Income group $\leq 3,00,000$ is low compared to other groups.

The income level of the borrower has an impact on the awareness of Taxation Benefits available for housing loan.

Major Findings: Based on the data collected and analysis made the following are the findings of the study in understanding.

- On the basis of statistical tools like chi square and t test it was found there exists association
 - Between the awareness level and Educational Qualification of the Borrowers
 - Between awareness of taxation benefits under IT Act 1961 and Income levels
- LICHF: The Awareness rate of LICHF is very high.
 - HUDCO: The Awareness rate for HUDCO is very high.
 - SBIHF: The awareness rate for SBIHF is moderate.
 - IBHF: The awareness for IBHF is moderate
 - BOBHF: The awareness rate for BOBHF is very high.
- 87% Borrowers have knowledge of EMI, and 13% do not have knowledge of EMI. The Borrowers have strong hold on the method of repaying the loan amount. They feel that steady repayment will not be a burden

- There is significant difference in the opinion regarding the impact of processing and administration fees on availing housing loans among the different institutions as calculated chi square value greater than table value and hence significant at 0.05 level. Borrowers of LICHF and HUDCO feel its impact will be slightly negative while SBIHF and BOBHF feel it would not alter decisions in availing Housing loan.
- Majority of the Borrowers are aware of the Government Budget 84% are aware and 16% are not aware.
- Among the borrowers belonging to different categories of Educational Qualification and Income. Majority of the Borrowers are well aware of these parameters regarding Income tax benefits and other incentives offered in this connection.

Summary:

Apart from the core offering of housing Loan to Borrowers, awareness on Housing finance parametres facilitate in making informed choices from the prospective Borrowers. The public and Private sectors with an impetus given in the several 5 year plans and three year action plans now have done their best to meet the shortages and to remove the deficit of housing finance. The Public sector Housing Financial Institutions have played a major role since a decade and have been responsible to access finance over the years in balancing the supply and demand of finance to the real estate segment.

Conclusion:

In this intense competition housing finance institutions are now operating on squeezed margins have to pay due attention to these factors in their order of importance to expand their volume of business.

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