



**ORIGINAL ARTICLE**

**Marketing Strategies of Banks and Housing Finance Companies in Himachal Pradesh**

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**ABSTRACT**

*Housing institutions have traditionally operated within a highly stable environment. In the last twenty years, dramatic changes have impacted on the competitive environment of the housing services industry, including institutions specialized in house loan. These changes have required providers of house loan services to re-think their marketing and distribution strategies. The era of consumerism has arrived as an immediate benefit of liberalization in India. The House loan Industry has developed immensely and with its growth came superior schemes coupled with higher competition as an implication to manage the service oriented marketing strategies for serving the customers better. This present study investigates the contributing factors which have an impact on customer experience management for a house loan. This paper intends to study the structure of the newly liberalized housing finance market in India and analyze its effect on the Indian housing market. The paper has analyzed the relationship between Housing finance variables such as House disbursements and Interest rates and Housing demand variables such as Housing sales in Himachal Pradesh. The methodology used in the study consisted of a survey among 60 people who have shown their awareness about the presence of banks dealing housing loans and the findings are fully analyzed. Furthermore, some recommendations are proposed to assist house loan providers to better manage customer experiences in the housing sector. Hence, the present study would serve as an initial and invaluable research work for house loan providers to understand the underlying motives of customers and their perceptions of customer experiences while they are dealing with housing loan.*

**Key words:** Housing Loan, Consumer, Marketing Strategies, Companies

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**INTRODUCTION**

Housing which means next to food and clothing amongst basic human needs, has always had and continues to have important socio-economic implications. Housing is one of the basic requirements for human survival. For a normal citizen-owning a house provides significant economic- security and dignity in society. It is found that housing remained a problem, not from the last few years, but from 30-50 years back also. The problem didn't confine only to ABNORMALS who live in tents, hired houses or in vacant spaces in jungles, on the land of agriculturists. But to middle and effluents sections of society too. Why problem for housing has arisen? It is because of the increasing explosion of population on earth. Government lands and forests, land owned by residents, getting reduced day by day, year-by- year, decade by decade. In the facet of vast increasing explosion of

population, which is a Non-Fixed variable, but land is a fixed variable which can't be increased.

Earlier, banks did not lend for housing, which was non-priority advance, middle and poor sections of society could only dream about good houses. With concerns efforts of parliament and state governments, housing boards and co-operatives came into existence. Housing for public requires well planned housing policies from Himachal Pradesh state government, because housing is a state government subject. Central Development Institutions have been developed under the act of parliament, i.e. RBI, LIC and NABARD. They are re-financing institutions to banks. Housing finance institutions provide housing re-finance to banks and HFCs. When the government declared finance as priority for housing the bank for having a maximum share of economy attracted towards lending house loaning.

Himachal Pradesh is not a very rich state, whose people can afford to develop very good standard houses from their pockets, except few ones. The study involves easily making housing finance available to needy persons, making them aware of facilitators and suppliers of raw material of housing units, make them aware about different housing products, coupled with different add-ons, different insurance policies. The purpose of the study is to fulfil the housing needs of different segments of society in Himachal Pradesh. The paper lays stress on implementation of policies as set out by the Government of India, Reserve Bank of India and monitoring of progress of banks and HFCs operating in Himachal Pradesh under the jurisdiction of controlling regional offices. Implementation and monitoring has to be done by controlling offices about achievements/performance vis-a-vis targets set for housing advances. Banks and HFCs have to implement the different schemes as formulated by the Government of India and H.P.

## **MARKETING STRATEGIES OF HOUSING FINANCE COMPANIES**

Marketing of any product is in four phases- product, price, policy, promotion and perfect performance.

### **1. Product:**

Product is housing to whom to be sold which groups to be talked, Types of housing, Renovation/improvement of houses and Interior/Exterior decorations.

### **2. Pricing:**

Price of house is entirely determined between buyer and seller. If it is one's own land/plot, it is the loan amount determined by the bank based on data supplied by proposed borrower to the bank regarding salary slip, service age, margin money, take home salary, repayment time etc.

### **3. Policy:**

Policies of banks are already approved by the corporate office of banks. Policy regarding simple mortgage of house or equitable mortgage of sale deed of the house / plot of land kept as collateral security for the loan. Repayment methods and recovery methods, all are mentioned in approved policies.

### **4. Promotional Methods:**

In marketing, promotional methods play an important role. The promotional methods are- Good contacts with house builders, contacts through depositors/influential persons, by signing an MOU with government departments, universities, Panchayati raj institutions' offices. Common promotional methods are publicity, advertising, media, and road shows.

### **5. Perfect Performance:**

Last and most important step of marketing strategies is perfect performance. Making of any product, fixing prices, framing suitable policies and developing better methods for

promotion of housing product by housing companies and banks is not sufficient in itself until and unless perfect performance strategies are not adopted to all things remain written on papers/books if not implemented and working persons are not given targets and they are not made to contact persons to whom housing products are to be sold. If officers are adequately trained, work with open-eyes, good performance leads their institutions to bigger heights.

### OBJECTIVES OF THE STUDY

1. To study the existing marketing strategies of banks involved in housing finance.
2. To analyze the status of banks involved in housing finance in the state of Himachal Pradesh
3. To examine the reasons and purposes of availing housing finance.
4. To know the views of respondents about the banks engaged in housing finance.
5. To identify the problems faced by the stakeholders and recommend suggestions to strengthen the existing system of housing finance.

### RESEARCH METHODOLOGY

The study is based on primary data, as well as secondary data. The secondary data was collected from Books, Journals, Internet, magazines, and newspaper reports. Primary data were collecting through questionnaires, personal interview and by observation from Respondents of Shimla Cites the State Capital of Himachal Pradesh at different places regarding housing strategies. Questions are framed to study the status and awareness of housing finance. The data were gathered from lead bank offices and from officers working in few selected banks and quantity analysis is included interviews of different officers working with a few selected banks, site visits, discussions with sample group and through questionnaire replies. While selecting the sample an utmost care has been taken to ensure that the respondents of different age, religion, educational background and family income, etc. are included. Consistent with the study objectives, different techniques like simple random sampling, percentage methods and averages have been used to analyze the data. In case of certain hypothesis, an advanced statistical technique such as Chi square test has been used. Interpretation of data is based on rigorous exercises aiming at the achievement of study objectives.

### DATA ANALYSIS AND DISCUSSION

**Table 1:** Profile of Banks Involved in House Finances in H.P.

<i>Bank</i>	<i>Total Branches in H.P.</i>	<i>Total Deposit (in crores)</i>	<i>Total Advances (in crores)</i>	<i>CD-Ratio (%)</i>	<i>Capital Adequacy Ratio (%)</i>
PNB	264	11326	3423	30.22	12.63
Bank of India	15	338	287	85.91	11.57
Canara Bank	21	715	320	44.75	13.76
Union Bank of India	19	594	235	39.56	11.85
HDFC Bank	24	562	172	30.60	16.52
ICICI	18	414	1056	25.50	18.50
SBI	203	9380	4259	45.70	13.86
Bank of Baroda	17	517	358	69.24	14.67
UCO Bank	144	3978	1597	40.06	12.35
<b>Total</b>	<b>725</b>	<b>27824</b>	<b>11707</b>		

*Source:* Primary data from field survey.

### STATUS OF BANKS INVOLVED IN HOUSING FINANCE:

The comparative chart of banks operating in Himachal Pradesh shows the total branches of banks in H.P. is 725, total deposits is Rs. 27824 crore, total advances is Rs. 11707 crore during the period of 31 March 2012 are shown in table 1 mentioned below. To analyze the status of banks involved in housing finance in the state of Himachal Pradesh PNB is the

largest bank with 264 Branches and total deposit of PNB is Rs. 11326 crore and Bank of India with 15 branches and total deposit of Bank of India is Rs.338 crore has at least a financial contribution for Himachal Pradesh. But SBI is on the top with Rs. 4259 crore in the field of total advances. With the Capital Adequacy Ratio ICICI is the largest bank with 18.50 percent and Bank of India by means of 11.57 percent is on the bottom.

#### REASONS OF AVAILING HOUSING LOANS:

In Table 2, 60 people are taken, 12 persons replied that housing loans provide economic security, 30 persons replied for social status/prestige. 8 persons estimate them as future security for children, 8 persons replied to fulfil their dream to have their house in life. The calculated chi-square value of below table is 20.53 and table value is 7.82 at 5% significance level. Since calculated chi-square value is more than table value, therefore null hypothesis is rejected and advantages of housing finance are significant.

**Table 2:** Reasons of Availing Housing Loans

	<i>Reasons</i>	<i>People</i>	<i>% of Respondents</i>
a)	Because home loans provide economic security	12	20
b)	Social Status/Prestige	30	50
c)	Future security for children	10	17
d)	Dream to have their own house in life	08	13
	<b>Total</b>	<b>60</b>	<b>100</b>

*Source:* Primary data from field survey.

*Note:* Value of Chi-Square is 20.53

#### PURPOSE OF AVAILING HOUSING LOAN:

A survey of 60 persons have replied that 30 persons are aware of first category in home loans, 15 persons are aware of purchasing flats, only 5 persons are aware of purchasing Big Bungalows' and 10 persons replied about home improvement. Different banks have named housing loans differently, but almost tabled kinds are common in all banks. The calculated chi-square value of the above table is 23.33 where at 5% significance level, critical value given is 7.80.

**Table 3:** Opinion of Respondents regarding Purpose of Availing Housing Loan

	<i>Factors</i>	<i>People</i>	<i>% of Respondents</i>
a)	Home loans individuals to purchase ready built houses	30	50
b)	Purchase of Flats in Multi-Stored buildings	15	25
c)	Purchase of Big bungalows'	05	08
d)	Home improvement/Home loan extension	10	17
	<b>Total</b>	<b>60</b>	<b>100</b>

*Source:* Primary data from field survey.

*Note:* Value of Chi-Square is 23.33.

#### BANKS INVOLVED IN HOUSING FINANCE- PERCEPTION OF RESPONDENTS:

Mainly housing loans are given to the purchasing of ready-made-built houses, purchasing of land with construction, purchasing of flats in multi-structured buildings and renovation/ improvement of houses. Table-4 shows that out of 60 person's awareness of Union Bank of India is 18%, UCO Bank 20%, PNB 21% and SBI 41%.

**Table 4:** Perception of Respondents towards Banks Involved in Housing Finance

<i>Banks</i>	<i>Awareness of People</i>	<i>% of Respondents</i>
Union Bank of India	10	18
UCO Bank	12	20
PNB	13	21
SBI	25	41
<b>Total</b>	<b>60</b>	<b>100</b>

*Source:* Primary data from field survey.

Awareness of UCO Bank is 20% and State Bank of India is 41% with reason that SBI has the highest density in H.P. as compared to UCO Bank branches. Both banks are spread everywhere in Himachal Pradesh and have deep rooted relations with customers.

### **CONCLUSION AND SUGGESTIONS**

Every individual has different types of housing requirements. These needs have been fulfilled by companies/banks, awareness of housing finance companies/banks that are providing housing finance in H.P. The study has shown that the capital adequacy ratio is not full proof that the bank is strong enough. It shows only the maintenance of deposits and advances ratio. It is only the requirement of the RBI, who enables the banks or forces the banks to lend money to people who are in need of finance to run their business/productive activities. Ultimately, a flexible policy environment that takes into account the reality of housing conditions will produce better results than strict enforcement of high minimum standards. Rigid housing and financing laws that establish high minimum standards that are unachievable for the poor will reduce rather than increase the quality and volume of available housing. Instituting regulations that reflect how the poor building can encourage lenders to develop innovative products to improve the quality of the guarantees taken by these institutions and allow the poor to improve their living conditions. Some suggestions to make the study more result oriented are-

1. Customers should have full knowledge of banks-players in providing housing finance in H.P.
2. Customers should have knowledge of different products housing loan segments.
3. Customers should contact different banks for better rates of interest on housing loans, their housing products.
4. Housing loans availed, value of houses availed, and houses situated in good localities after 25 to 30 years, values grow to the skies. Customers should obtain such information from banks and customer friends.
5. Customers should have information from banks like innovative methods of recovery, Flip repayment method.

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