



A STUDY ON MARKETING EFFECTIVENESS AND BUSINESS PERFORMANCE OF HOUSING FINANCE INSTITUTIONS IN THANJAVUR DISTRICT

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Abstract

The housing finance companies as well as the banks have started attracting the customers to gain a greater market share. A number of players have virtually entered an 'interest rate war' with a common service. The biggest segment that is targeted by all housing finance institution is the middle class. The drop in the interest rates and the bigger middle class segment needs initiates the marketers to compete in this field of housing finance services. The competition has resulted the players moving into the untapped rural markets also. The pressure on spreads has resulted in the players eyeing the economically weaker segments and the self-employed categories of the customers. The good marketing backup with service orientation is bound to become very useful. The significance of good marketing efforts will thus revolve around identifying the stable factors that add brand image of the company. The overall demand for housing is ever rising and the same would be reflected on the demand for funds. The buyers are the ultimate beneficiaries. There are several bottlenecks in this industry that have to be taken care of before bringing about any improvement in the prospects of the industry.

Key Words : Housing Finance, Business Performance, Marketing Effectiveness, Hfis.

1.1 Introduction

Housing is an enigma to the developing countries; it is simultaneously the hardest problem to solve as housing or shelter is the basic need of human being. This is accepted by the civilized society. Housing has commonly acquired a product dimension which essentially professes the existing housing stock and ways and means by the agencies to provide more housing. Man is always fascinated by the acquisition of a house. But the greed to acquire a house for economic reason or to accrue wealth out of a house has given a new dimension to housing. Housing being one of the basic needs and an indicator of the quality of life that a citizen enjoys, it also helps in creating conditions conducive to the achievement of crucial goals in matters pertaining to education, health, sanitation and the living standards of the people. In several developing nations including India, house is a workplace. As such better housing facilities would mean improved productivity. Housing activity involving the productive investment, promotes economic activities and thereby substantial employment opportunities. Adequate shelter implies more than a roof over one's head, which includes adequate privacy, adequate security, space, adequate ventilation, lightening, adequate basic infrastructure and location with regard to work and basic facilities at reasonable cost.

1.2 Housing Finance in India

The financial sector in India has witnessed deepening and widening of its services since liberalization from 1992 onwards. The expansion and diversification became the hallmark of banking and nonbanking financial sectors. The problem in this transition period is the emergence of various spurious companies which increased the competition. In this situation the weak and inefficient firms found it difficult to survive in the market. The challenges posed to the financial sector in the market place are deregulation, advanced information technology and globalized markets. The other challenges are the growing volumes of financial transactions, volatility of the markets, increased customer demand and sophistication of markets and customer in this new competitive environment and globalized trading practices the marketing of financial services assumed greater significance.

Today's financial services market requires new strategies for survival and continued operation. They have to adopt new marketing strategies and tactics. This will enable them to capture the minimum opportunities with the lowest risks to meet the tough competition from global players of domestic and foreign origin. The financial services marketing is more a human element and hence personal skills, attitude and motivation play a greater role in it. The personal touch and quality are more important in this sector. The financial services are specific to customers. So the customer has to be treated as the king. The customer satisfaction is paramount particularly in this sector. The housing finance is a special category of industry, which comes under financial services industry. The housing industry has been placed under priority sector, as housing is a necessity for human beings. In India, there is an ever-widening gap between the supply and demand for housing.

The housing sector in India has witnessed dramatic changes over the last few years. The Government has been supporting the housing sector through a series of fiscal incentives in the budget. The Five Year Plans have emphasized on the need for promoting housing finance schemes, particularly for the poor and weaker sections of the society. The properly priced, more or less stabilized interest rates have been showing a steadily declining trend. The purchasing power and borrowing power



of the people have significantly gone up. These factors drove the people to invest in housing sector creating a better demand for housing.

The increasing demand for housing has increased the demand for housing finance too. There is an exponential growth in housing finance market. This has prompted many aggressive new players to enter the housing finance market. The housing finance is considered to be a relatively low risk form of advance (Umesh Shenoy, G 2000) This prompted commercial banks, public sector and private sector housing finance companies to become active in housing finance. These developments have fuelled in an unforeseen competition among the various players and triggered an interest rate war in the housing finance market.

The ultimate beneficiary in this stiff competition is the home finance seeker. The players in the housing finance market, due to tough competition, started offering hefty concessions to the home finance seekers. The various players are competing with one another to provide most value added and efficient service to the customers. The housing finance market is virtually dominated by the customer with various home loan options. The housing finance providers should express integrity, reputation for quality, and timeliness of delivery to meet this competitive environment. The best advertisement for them is the mouth-to-mouth word through the satisfied customers for building a good corporate image. The customer satisfaction is the best marketing strategy used to withstand in the competitive market for any housing finance institution. This can be achieved by maintaining quality human approach, courtesy of the personnel and the available infrastructure facilities. The familiarity with the various laws, environmental constraints, its competitors and their charges etc., will also help the housing finance providers to compete in the market. Above all, the housing finance institutions should be clear about its potential customers and their requirements.

1.3 Review of Literature

The reviews of past studies are important in any empirical study. This study also has been developed after reviewing a considerable number of past literatures. The content of the review is limited to the objective of the study.

Kwarku Appaih-Adu, Alan Fyall and Satyendra Singh (2001) examined the link between effective marketing practices and business performance in the financial service industry. The data has been generated from a cross section of 121 banks and building societies from the UK financial service industry. The marketing directors were chosen as key informants. The marketing effectiveness construct used in the study consists of 31 statements, which were derived from Kotler's operationalization. The five dimensions were customer philosophy, operational efficiency, strategic orientation, integrated marketing organization and adequate marketing information. The performance was evaluated on the basis of three measures namely customer retention, sales growth and profit margin for five years with that of their competitors.

George J. Avlonitis and Spiros P. Gounaris (1997) in their paper entitled 'Marketing orientation and company performance - Industrial vs consumer goods companies' developed a meaningful classification scheme for companies. Different levels of marketing orientation adoption characterized these companies. They also examined the relationship between the degree of marketing orientation adoption and company performance. The study compared the marketing orientation between industrial and consumer goods companies. The data for the study were assessed from a cross section of 444 Greek companies. The marketing orientation measured as an attitudinal concept, marketing orientation measured as a behavioral concept and company performance were the three blocks of variables used in the study. The performance evaluation included the profits, annual turnover, return on investment and market share.

Vidhyavathi. K. (2002) in her paper entitled 'Role of urban housing finance institution in Karnataka. A study of selected housing finance Corporations in Bangalore city' formulated the study in two different dimensions. The first dimension covered the evaluation of the performance of selected housing finance corporations during 1989-99. This was evaluated in terms of various business parameters as well as ratios pertaining to profitability and efficiency levels. The second dimension attempted to measure the perception of the borrowers about the housing loans provided by housing finance companies. The six housing finance institutions selected for the study were Housing Development Finance Corporation Limited (HFDC), LIC Housing Finance Corporation Limited, GIC Housing Finance Corporation Limited, Can Fin Homes Limited, SBI Home Finance Limited and Dewan Housing Finance Limited. The sample consists of 200 home loan borrowers through personal interview method. The annual reports and government reports were used for getting the financial ratios. The statistical chi square test, ratios, percentages, rank correlation and averages were used for the study. The study concluded that the performance of HFDC was excellent and superior to other housing finance companies. The performance of Dewan Housing Finance Ltd. and Can Fin Homes was satisfactory but the performance of SBI was very poor in terms of business parameters as well as profitability and efficiency standards. The second dimension concluded that the home loan borrowers were influenced by the rate of interest, speed of service, liquidity, location, advertisement, courtesy, etc.



1.4 Scope of the Study

Marketing effectiveness depends on the ability to implement marketing plans successfully at various levels of the organization. There has been a growing call for firms to increase the degree of marketing effectiveness. The benefits of successful marketing should be self-evident. The successful marketing is the key to retain the customers. The effective marketing has the features of customer orientation, service quality, diverse product offer and satisfaction of customer needs. The high level of marketing effectiveness is said to possess by an organization if it has a close relationship with customers. The business should be guided by a common set of values and this exhibits an external orientation to its markets. The companies today are struggling with the changing customer values and orientation. The companies need to undertake a critical review of overall marketing goals and effectiveness. The company should periodically reassess its strategy by marketing effectiveness review and market audit. The marketing effectiveness is particularly significant for a finance service industry. There is an increase in the liberalization of the financial service market and a gradual transition from a sellers' market to a buyers' market. The rapidly changing electronic technology has reshaped the interaction of the customers with their financial institution. The financial liberalization intensifies competition not only within banking institutions but also with other non-banking financial firms such as housing finance, insurance, etc.

1.5 Statement of the Problem

The marketing is regarded as the pivotal force behind strategic planning and business orientation. The effective marketing calls for managers to have adequate information for planning and allocating resources to different market products, territories and marketing tools. The firm must be suitably staffed to enable it to perform marketing analysis, planning and implementation. The marketing effectiveness is contingent upon the adaptiveness of managers to deliver profitable strategies from its philosophy. The issues of marketing effectiveness are particularly significant to those associated with the management of financial services. The financial service organization should study the market, recognize the numerous opportunities select the most appropriate market segment and offer superior value to meet the selected customer's needs and wants in financial services, good customer relations and their satisfaction is the major factor contributing to the success of the organization. The housing finance is considered to possess high level of marketing effectiveness if it has a close association with its customer. This will lead to the company's increased financial performance. The Indian housing finance sector is crowded with the players of all sizes and nature due to the decreasing interest rates that have become more or less similar among all types of housing finance institutions. The customer satisfaction is the only competitive tool to differentiate one housing finance company from the others in this situation. This requires the implementation of innovative marketing strategies. The housing finance institutions are coming out with many new marketing strategies to attract the customers. Hence the present study makes an attempt to evaluate the nature and character of marketing effectiveness of housing finance institutions and its effect on performance through customer satisfaction.

1.6 Research Objectives

- To measure the extent of marketing effectiveness of the selected housing finance institution.
- To measure the business performance of the selected housing finance institutions from their performance and customer satisfaction.
- To evaluate the relationship between marketing effectiveness and business performance of the selected housing finance institutions.
- To study the inter-relationship between performance and customer satisfaction that leads to customer loyalty.
- To suggest suitable marketing strategies important for increasing the level of customer satisfaction and thereby the market share.

1.7 Research Methodology

The present study is descriptive one and it is based on identifying the marketing effectiveness and measuring the performance of the housing finance sector in Thanjavur district which is considered as the study area for this research. Before undertaking the study in full-fledged scale, a pilot study was held in various places in order to know the scope and problems involved in the present study.

1.7.1 Dimensions of the Study

The present study takes the following dimensions for its analysis.

Organizational perspective

- Demographic profile of the employees
- Marketing effectiveness
- Performance of housing finance institutions

Customer perspective

- Problems faced in housing finance



- Customers expectation
- Customer experience
- Level of customer satisfaction
- Customer loyalty

The dimensions were further split into various sub dimensions.

1.7.2 Sources of Data Used

Both types of data (i.e.) secondary and primary data are used in the present study. The secondary data have been collected at first from the text books, web sites, journals and other secondary sources. The primary data are collected then from the sample retailers of the considered in the study area.

1.7.3 Population and Samples

The employees of the housing finance institution and the customers who are involved in housing finance in the study area are treated as the population of the study. Thanjavur district is the geographical area of the present study. A variety of housing finance providers like commercial banks, insurance companies term lending institutions, public and private housing finance companies are offering housing finance in the district. The following institutions are selected for the present study who are the major players in the housing finance industry at Thanjavur region. They are State Bank of India Home Loans (commercial bank), LIC Housing Finance Corporation Limited (Insurance company) ICICI Home Loans (term lending institution), Housing Development Finance Corporation in public sector housing finance company) and REPCO Housing Finance Limited (private sector housing finance company) The present research takes 500 sample of employees from all the selected institutions and 500 customers from all over Thanjavur district using stratified random sampling technique.

1.7.4 Questionnaire

A structured questionnaire is constructed to get the primary data from the respondents who are the employees as well as customers. It includes demographic profile employees and the customers of these selected housing finance companies and all other dimensions of the study. It was pre tested among 50 retailers and appropriate modifications were made in the questionnaire.

1.7.5 Measurement Scale

The Marketing effectiveness and performance measure of housing finance institutions are measured with the help of 7 point scale such as strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree and strongly agree. Likewise, the demographic profile of the employees and the customers are studied with the help of nominal scaling or the categorical type. Lastly the problems faced by the customers, customer expectations and customer experience are measured with the help of 7 point scale such as strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree and strongly agree. Customer satisfaction and Customer loyalty are measured by means of 7 point scale such as extremely dissatisfied, mostly dissatisfied, somewhat dissatisfied, neither satisfied not dissatisfied, somewhat satisfied, mostly satisfied and extremely satisfied.

1.7.6 Analytical Tools

Apart from the percentage analysis, the study utilizes chi square test, ANOVA, correlation analysis, multiple regression, factor analysis, Neural Network method and Tree Structured Analysis for analyzing the data.

1.8 Findings of the Study

The research study was carried out mainly to measure and evaluate the effectiveness of marketing on the business performance. The inside-out performance measure and the outside-in customer satisfaction were taken as business performance measures with regard to housing finance activities. The study area was confined to Thanjavur district. Various types of institutions are providing housing finance to all types of customers. All these schemes were implemented to satisfy the customers and to increase their turnover. But the customers' expectations are countless from housing finance institutions. They expect a courteous service from personnel of the institution. They expect a prompt and quick service. Marketing effectiveness appears to be determined by the performance objective set by the housing finance institutions. The results deduced that customer philosophy is of primary importance in a housing finance services. The increasing demand for housing naturally has increased the demand for housing finance also. There is an exponential growth in housing finance market. This has prompted many new players to enter the housing finance market. These players have become very aggressive apart from the already established ones. The declining rates of interest, easier terms of consumer credit, availability of housing finance from sufficient sources with multiple options, and rebate in payment of taxes are few of those developments that have made a very positive impact of housing finance activities. The perceived opinions of the employees and customers were



obtained by posing relevant questions and their perceived answers were statistically analyzed. The findings suggest that, there is a big impact on the effective service delivery of the housing finance institutions but the situation may seem to vary in future.

1.9 Suggestions

The housing finance institutions should ensure effective marketing information and communication facilities. The strategic planning should be adopted deliberately to identify and satisfy the customer's needs and wants. The customer satisfaction should be the main focus of any financial services firms especially to the housing finance institution. These will then result in customer retention leading to improved profitability and growth of the housing finance institutions. The housing finance institutions should educate their personnel for a pleasing behavior. This can create a good image among the housing finance customers about the institutions. It will be appropriate to spend huge sums of money for promoting the housing finance services, when the services offered do not attract and satisfy the customers' need. To withstand in the competitive housing finance market in the long run, every housing finance institution should adopt new and innovative marketing strategies to attract, satisfy and retain the customers. This will definitely increase the bottom lines of the company. The marketing strategies that can be adopted by these institutions are personal selling through direct selling agents, and conducting selling camps in big organizations to meet the mass of employees of that organization at one time directly. This will make the institution to cover a wide range of customers.

1.10 Conclusion

The four constructs used in the study were marketing effectiveness, performance measures, customer satisfaction and customer loyalty. The link between these constructs has been examined in the housing finance industry in Pondicherry. The marketing effectiveness variables considered in the study are strongly contributing to the business performance. The same way the customer satisfaction is strongly contributing to customer loyalty that in turn strongly contributes to the performance. The results showed that the housing finance institutions should adopt well-planned marketing activities to improve the financial performance as well as the customer satisfaction.

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