



Customer Satisfaction Towards Home Loans: A Study on Home First Finance Company (HFFC), Madurai

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Abstract

This study investigates customer satisfaction levels among home loan borrowers at Home First Finance Company (HFFC), Madurai, India. The housing finance sector is experiencing rapid growth, projected at 20–22% annually, making customer satisfaction a critical competitive factor. HFFC, a dedicated Housing Finance Company catering to middle-income first-time homebuyers, lacked a formal customer satisfaction index. Using a descriptive research design with a random sample of 75 customers, this study employed percentage analysis and Pearson correlation to assess satisfaction across key attributes: loan purpose, rate of interest (ROI), tenure, loan processing, documentation, customer service, disbursement, and insurance. Results reveal that 84% of customers are overall satisfied, with notable strengths in tenure flexibility (91%), disbursement transparency (100% CSM communication), and customer service. However, significant dissatisfaction was found regarding insurance premium costs and limited insurer options. Correlation analysis confirmed that adequate ROI explanation positively influences customer perception. The study recommends improved interest rate communication, an internal legal/technical team for faster processing, and diversified insurance tie-ups to enhance satisfaction.

Keywords: Customer Satisfaction, Home Loans, Housing Finance, HFFC, Rate of Interest, Loan Processing, Insurance



1. INTRODUCTION

The housing finance sector in India is undergoing transformative growth. According to ICRA, the sector is projected to grow at 20–22% annually from 2016 onwards. As the number of Housing Finance Companies (HFCs) increases, competition intensifies, making customer satisfaction a pivotal differentiator. Housing Finance Companies registered with the National Housing Bank (NHB) have seen outstanding loan amounts grow from Rs. 33,250 crore (March 2001) to Rs. 9,90,427 crore (March 2017), reflecting massive expansion in the sector.

Home First Finance Company (HFFC), incorporated on 3 February 2010, is a dedicated HFC that targets middle-income customers, particularly first-time homebuyers seeking affordable housing priced between Rs. 5 lakhs and Rs. 30 lakhs. Co-founded by Mr. Jaithirth (Jerry) Rao and Mr. P.S. Jayakumar, HFFC aims to serve customers who are otherwise unable to access credit from conventional banks due to lack of income-tax returns or formal income documentation.

Despite serving a growing customer base, HFFC lacked a formal customer satisfaction index. This gap provided the motivation for this study, which aims to measure satisfaction levels, identify factors driving satisfaction and dissatisfaction, and suggest improvements. The study is geographically confined to HFFC's Madurai branch and covers borrowers across its loan product range.

2. LITERATURE REVIEW

Extensive research has been conducted on housing finance and customer satisfaction in the banking sector. Shani and Sopna (2011) studied customer satisfaction towards housing loans in corporation banks and concluded that prompt service and effective query handling significantly improve satisfaction levels. Their findings on interest rate perception and loan processing time are particularly relevant to the present study.

Ashok and Abinaya (2017) examined customer satisfaction towards HDFC housing loans and found that customers were generally satisfied with loan products, noting no significant relationship between satisfaction and educational qualification. Their focus on interest rates and disbursement aligns with several attributes measured in the current study.

Classical contributions by Krishna and Ganesh Murthy (1998) argue that reduced housing loan interest rates and simplified sanctioning procedures stimulate house construction. Parimal Vyas and Sandip Bhat (1999) emphasized the need for marketing-oriented restructuring of housing finance institutions to remain competitive in a liberalized economy.

Mistry (2002) highlighted HDFC's superior ability to provide expert counseling and legal advisory services compared to commercial banks, underlining the importance of value-added customer interaction. Krishnamurthy (2002) observed that housing finance's mortgage-backed nature and relatively safe returns are drawing more banking institutions into the sector, intensifying competition.

Jasmindeep Kaur Brar and J.S. Pasricha (2005) surveyed customers of five major housing finance institutions in Punjab and found that customers across all institutions perceived interest rates as too high, despite a falling interest rate regime—a finding highly pertinent to the present study. Srinivas Subbarao (2006) warned that aggressive marketing and weak appraisal standards contribute to non-performing loans and customer dissatisfaction.

The literature consistently highlights three recurring themes: the centrality of interest rate perception, the importance of processing speed and transparency, and the role of customer service quality in determining overall satisfaction. This study builds on these findings by applying them specifically to HFFC's context.

3. RESEARCH METHODOLOGY

3.1 Research Design

The study employs a descriptive research design, suitable for characterizing the frequency and nature of customer satisfaction attributes. Descriptive design allows for systematic description of demographic variables and satisfaction levels without manipulating the study environment.

3.2 Sample and Data Collection

A random sampling technique under probability sampling was adopted. The sample consists of 75 HFFC customers in Madurai who had availed home loans. Primary data was collected through a structured questionnaire comprising direct,



close-ended, dichotomous, multiple-choice, and Likert-scale questions. Secondary data was sourced from company records, published literature, and industry reports.

3.3 Analytical Tools

Two statistical tools were employed:

- **Percentage Analysis:** Used to describe the distribution of responses across demographic variables and satisfaction attributes.
- **Pearson Correlation Analysis:** Used to examine the strength and direction of relationships between key process variables and customer satisfaction outcomes.

4. RESULTS AND DISCUSSION

4.1 Demographic Profile of Respondents

The sample of 75 respondents exhibited the following demographic characteristics. Gender analysis revealed that 68% of respondents were male and 32% were female, reflecting the predominantly male profile of home loan borrowers in Madurai. Age distribution showed that 33% belonged to the 26–35 age group, while 31% each fell in the 36–45 and 46–60 brackets; only 5% were aged 18–25, indicating an opportunity for HFFC to attract younger borrowers.

Regarding occupation, 64% of respondents were salaried employees and 36% were self-employed. Monthly income analysis revealed that 32% earned between Rs. 25,001–45,000, and 23% earned Rs. 45,001–60,000, confirming HFFC's positioning in the middle-income segment. Approximately 55% of customers belonged to the Rs. 25,000–60,000 income band.

Table 1: Demographic Profile of Respondents

Variable	Category	Percentage (%)
Gender	Male	68%
	Female	32%
Age Group	18–25	5%
	26–35	33%
	36–45	31%
	46–60	31%
Occupation	Salaried	64%
	Self-Employed	36%
Monthly Income	Rs. 15,000–25,000	20%
	Rs. 25,001–45,000	32%
	Rs. 45,001–60,000	23%
	Rs. 60,001–1,00,000	17%
	Above Rs. 1,00,000	8%

4.2 Loan Purpose

The most popular loan product was SECO (Self-Employment–Construction on Own Plot), chosen by 49% of respondents. Mortgage loans accounted for 23%, flat/property purchase for 19%, extension/renovation for 5%, and land purchase plus construction for 4%. Notably, balance transfer—a product offered by HFFC—recorded zero uptake, suggesting low awareness or poor promotion of this product.



4.3 Rate of Interest

Interest rate analysis revealed that 42% of customers were charged 13.1–14.9%, and 24% were charged 15–16.9%, meaning 70% of HFFC customers paid rates above 13%. Crucially, only 68% of respondents reported that they were given any explanation for their assigned rate. Of those who expressed an opinion, 31% considered their rate high and another 31% found it low or very low, while 24% found it justified.

Pearson correlation ($r = 0.786$, $p < 0.01$) confirmed a strong positive relationship between receiving an explanation of ROI and perceiving it as justified. This underscores that proactive communication by Relationship Managers (RMs) significantly shapes customer perception of interest rates.

4.4 Tenure Flexibility

HFFC demonstrated strong performance in tenure flexibility: 91% of customers reported receiving the loan tenure they had expected. Correlation analysis ($r = 0.934$, $p < 0.01$) revealed an extremely strong association between expected tenure and tenure provided, confirming that HFFC consistently meets customer expectations on this dimension.

4.5 Loan Processing

Loan sanction time was efficient for most borrowers: 64% received sanction in 2–5 days and 13% in under one day. Final loan approval took 10–20 days for 68% of customers, and only 9% experienced delays beyond 20 days. Of those who faced delays, 91% attributed it to pending documents on their side, and only 9% cited internal company delays. Overall, 85% of customers expressed satisfaction with loan processing.

Correlation analysis ($r = 0.618$, $p < 0.01$) confirmed a positive but moderate relationship between the source of delay and customer satisfaction, suggesting that when customers understand delays are attributable to their own documentation, dissatisfaction is somewhat mitigated.

4.6 Customer Service

Customer service emerged as a clear strength. Survey responses across five dimensions—RM approachability, explanation clarity, ease of documentation, CSM guidance during loan signing, and query resolution—showed that no customer was dissatisfied with any dimension. The majority strongly agreed or agreed across all five parameters, reflecting the effectiveness of HFFC's frontline staff.

4.7 Disbursement

All 100% of customers confirmed that the CSM discussed disbursement stages with them, demonstrating excellent proactive communication. Disbursement was completed within 1–2 weeks for 48% of customers, under one week for 31%, and 2–3 weeks for 20%. Only 1% experienced delays beyond one month. Where delays occurred, 93% of customers attributed them to their own pending work, while 7% cited company-side delays.

4.8 Insurance

Insurance represents the most significant area of customer dissatisfaction. All 75 respondents reported that insurance was explained to them (100%), that they considered the Bharati Axa Life Insurance premium high (100%), and that they desired more insurance options (100%). The majority (85%) funded their insurance through an HFFC loan rather than self-pay. The universal dissatisfaction with insurance suggests a structural issue: HFFC's exclusive tie-up with a single insurer limits customer choice and inflates perceived costs.

4.9 Overall Satisfaction

Overall, 84% of customers reported being satisfied or extremely satisfied with their HFFC experience, while 16% were dissatisfied. Encouragingly, 95% of respondents indicated they would recommend HFFC to others, signalling strong word-of-mouth potential and underlying goodwill even among partially dissatisfied customers.

**Table 2: Summary of Key Findings**

Factor	Key Finding
Loan Purpose	49% preferred SECO; Balance Transfer had 0% uptake
Rate of Interest	70% charged 13.1–16.9%; 32% received no ROI explanation; $r=0.786$ with satisfaction
Tenure	91% flexibility; very strong correlation ($r=0.934$) between expected and provided tenure
Loan Processing	85% satisfied; 91% delays due to customer documentation
Customer Service	0% dissatisfaction across all 5 service dimensions
Disbursement	100% CSM communication; 79% disbursed within 2 weeks
Insurance	100% dissatisfied with premium and lack of choice
Overall Satisfaction	84% satisfied; 95% willing to recommend HFFC

5. CONCLUSION AND RECOMMENDATIONS

This study establishes that HFFC delivers a broadly satisfactory home loan experience, with 84% of customers expressing satisfaction and 95% willing to recommend the company. Key strengths include tenure flexibility, transparent disbursement communication, and responsive customer service. The strong correlation between ROI explanation and customer perception ($r = 0.786$) underscores that transparent communication can convert potentially negative reactions to interest rates into acceptance.

However, three areas require strategic attention. First, interest rate communication must be standardized: all customers should receive a clear, documented explanation of their ROI at the time of sanction. Second, loan processing can be expedited by establishing an in-house legal and technical team, reducing dependency on external agencies and decreasing final approval turnaround time. Third, insurance dissatisfaction—universal across the sample—demands immediate action. HFFC should negotiate tie-ups with multiple insurance providers, offering customers a choice of products and premium structures.

The study's limitations include its geographic restriction to Madurai and a relatively small sample of 75 respondents. Future research should extend this analysis to multiple cities and incorporate longitudinal tracking to assess how satisfaction evolves over the loan tenure.

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