

# Borrower Satisfaction in Housing Finance: An Empirical Study

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## Abstract

*Housing finance plays a key role in helping people achieve their dream of owning a home. In recent years, the housing finance sector has expanded quickly, resulting in more competition among banks and housing finance institutions. In this situation, borrower satisfaction has become an important way to measure service quality and institutional performance. This study aims to examine the level of satisfaction among borrowers who take out housing loans and identify the factors that affect their satisfaction. The research is based on primary data collected through a structured questionnaire from chosen housing loan borrowers. We use percentage analysis and other statistical tools for data analysis. The findings show that factors like interest rate, loan processing time, transparency, and customer service greatly influence borrower satisfaction. The study offers suggestions to improve service quality and boost borrower satisfaction in housing finance institutions.*

**Keywords:** Housing Finance, Borrower Satisfaction, Home Loans, Service Quality, Financial Institutions.

## Introduction

Housing finance plays a key role in promoting home ownership and supporting economic development. As urban areas grow quickly and the demand for homes rises, housing finance institutions like banks and housing finance companies have become essential in meeting people's housing needs. Borrower satisfaction is now an important measure of how well these institutions perform and compete. It shows the quality of their services, interest rates, loan processing speed, transparency, repayment options, and support after loans are issued.

In a competitive financial market, keeping borrowers relies mainly on how satisfied they are. Unsatisfied borrowers might change institutions or dissuade potential customers with negative feedback. Assessing borrower satisfaction allows housing finance providers to find service gaps, improve how they operate, and build long-term customer relationships. This study looks at borrower satisfaction levels in housing finance and the factors that affect their satisfaction.

## Statement of the Problem

The housing finance sector in India has witnessed significant expansion due to rising income levels, government housing schemes, and easy availability of home loans. Despite this growth, borrowers often face challenges such as high interest rates, complex loan procedures, delays in loan sanction and disbursement, lack of

transparency in charges, and inadequate customer support. Borrower dissatisfaction can adversely affect the reputation and sustainability of housing finance institutions. Many institutions focus more on loan disbursement targets than on service quality and borrower experience. Hence, there is a need to systematically examine the satisfaction level of borrowers and identify the key determinants influencing their perception. This study seeks to address this gap by empirically analyzing borrower satisfaction in housing finance.

### **Objectives of the Study**

The specific objectives of the study are:

1. To study the socio-economic profile of housing loan borrowers.
2. To analyze the level of borrower satisfaction towards housing finance services.
3. To identify the factors influencing borrower satisfaction in housing finance.
4. To examine the relationship between borrower characteristics and satisfaction level.
5. To offer suitable suggestions for improving borrower satisfaction.

### **Scope of the Study**

The scope of the study is confined to borrowers who have availed housing loans from selected banks and housing finance companies. The study focuses on evaluating borrower satisfaction with respect to:

- Interest rates and repayment terms
- Loan processing time and documentation
- Transparency in charges and communication
- Customer service and grievance handling
- Overall satisfaction with housing finance services

The findings of the study will be useful to housing finance institutions in improving service delivery and to future researchers as a reference for similar studies.

### **Limitations of the Study**

The study is based on a limited number of respondents; hence, the findings cannot be generalized. The study depends on the responses given by borrowers, which may be biased. Only selected banks and housing finance institutions are covered. The study is conducted within a limited time. Borrower satisfaction is measured at one point of time only.

### **Research Methodology**

The present study adopts a descriptive and analytical research design. Primary Data: Collected through a structured questionnaire administered to housing loan borrowers. Secondary Data: Collected from books, journals, RBI reports, bank websites, and previous research studies. The researcher used convenience sampling. The sample size is 150 borrowers. Structured questionnaire using a Likert five-point scale. The study covers a period of 3 months.

### **Review of Literature**

Mishra & Verma [2024]: According to the recent study on “formal sources on finance”, “Stamp duty”, “registration fees”, and “legal verification” continue to be most annoying aspects of the process despite digital advances.

Sharma & Bhatnagar [2022]: concentrated on the effects of the RERA act (2016). They contended that RERA greatly enhanced borrower satisfaction not by altering the loan itself but by lowering the risk linked to the underlying property, which in turn made the documentation process seem more reliable.

Jetir Research [2024]: A study in the Ahmadabad district highlighted that while borrowers are satisfied with “Down payment” terms, there is high dissatisfaction regarding prepayment penalties and “Default penalties” which are often hidden in fine print.

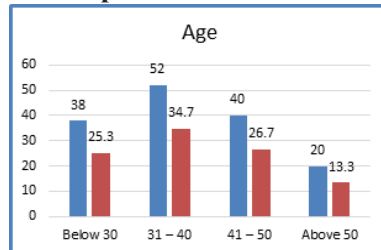
Chola case study [2025]: Research into NBFCs (Non-banking financial companies) like chola mandalam and home first finance highlights that “mobile app usability” is now a top-three satisfaction driver for Indian gen-z borrowers.

Kumar [2019] & Sasikala [2023]: These studies compared SBI and HDFC, concluding that while interest rate competitiveness is a strength for PSBs, private institutions dominate in loan processing speed and customer empathy. A survey of 450 respondents in India revealed that “Time-to-disbursement” is the single biggest factor shifting borrowers towards private HFCs.

### Data Analysis & Interpretation

**Table 1 Age-wise Distribution of Respondents**

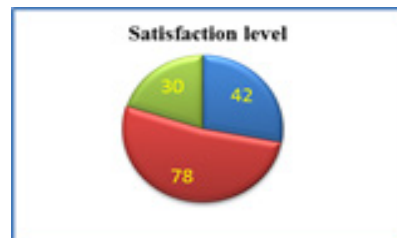
Age Group	No. of Respondents	Percentage
Below 30	38	25.3
31 – 40	52	34.7
41 – 50	40	26.7
Above 50	20	13.3
<b>Total</b>	<b>150</b>	<b>100</b>



The table shows that the majority of housing loan borrowers belong to the age group of 31–40 years. This indicates that individuals in their prime earning stage are more interested in purchasing houses. The age group of 41–50 years also represents a considerable proportion of borrowers. Younger borrowers below 30 years form a moderate segment. Borrowers above 50 years constitute the smallest group. Overall, age plays an important role in housing loan demand.

**Table 2 Overall Level of Borrower Satisfaction**

Satisfaction Level	No. of Respondents	Percentage
Highly Satisfied	42	28.0
Moderately Satisfied	78	52.0
Dissatisfied	30	20.0
<b>Total</b>	<b>150</b>	<b>100</b>



The table reveals that most of the respondents are moderately satisfied with housing finance services. A reasonable proportion of borrowers are highly satisfied, indicating acceptable service quality. However, a notable percentage of respondents are dissatisfied. This shows that certain areas of housing finance services require improvement. The results suggest that institutions should focus on enhancing customer satisfaction. Improving service delivery can help convert moderate satisfaction into high satisfaction.

### Mean Score Analysis (Satisfaction Factors)

Factors	Mean Score	Rank
Repayment flexibility	4.20	I
Loan tenure	4.05	II

Interest rate	3.60	III
Customer service	3.45	IV
Loan processing time	3.10	V

The mean score analysis indicates that repayment flexibility has the highest mean score, showing high borrower satisfaction. Loan tenure and interest rate also receive favourable responses. Customer service records a moderate level of satisfaction. Loan processing time has the lowest mean score, indicating dissatisfaction among borrowers. This highlights delays and procedural complexity as major concerns. Housing finance institutions need to address these issues to improve satisfaction levels.

### Chi-Square Test (Income vs Satisfaction)

- **Calculated  $\chi^2$  value** = 12.48
- **Table  $\chi^2$  value** (at 5% level of significance) = 9.49
- **Degrees of Freedom** = 4
- **Level of Significance** = 5%

Since the calculated Chi-square value (12.48) is greater than the table value (9.49) at 5% level of significance, the null hypothesis is rejected. This indicates that there is a significant relationship between income level and borrower satisfaction towards housing finance services. Hence, income level influences the satisfaction of borrowers. Borrowers with higher income levels tend to show higher satisfaction compared to lower-income borrowers.

### Findings

1. Majority of borrowers belong to the age group of 31–40 years.
2. Most respondents are moderately satisfied with housing finance services.
3. Repayment flexibility is the most satisfying factor.
4. Loan processing time causes dissatisfaction among borrowers.
5. Income level significantly influences borrower satisfaction.

### Suggestions

1. Simplify loan procedures and reduce documentation.
2. Improve loan approval and disbursement speed.
3. Enhance customer service and grievance handling.
4. Provide clear information on interest rates and charges.
5. Increase digital support for borrower convenience.

### Conclusion

The study concludes that borrower satisfaction in housing finance is influenced by service quality, repayment flexibility, and transparency. Although borrowers are moderately satisfied overall, improvements in loan processing and customer service are necessary. Enhancing these aspects will help housing finance institutions strengthen borrower trust and long-term relationships.

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