

Study on Consumer Behavior Towards Housing Loans

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Abstract- India's housing finance sector is essential to the country's economic expansion and to supplying the country's growing population with homes. With an emphasis on the Indian market, this paper offers a thorough research of consumer behavior regarding house loans. The study uses primary and secondary data sources in a descriptive research design. A standardized questionnaire was used to survey a sample size of 150 respondents, and statistical tools were used to analyze the results.

The survey also reveals that respondents' perceptions of the interest rates provided by financial institutions are not significantly different based on their age. In the same way, there is no discernible correlation between respondents' ages and the difficulties they encountered applying for a house loan or their propensity to suggest a financial institution to others. Based on these results, the study draws the conclusion that a combination of institutional, economic, and demographic factors affect Indian consumers' attitudes toward home loans. According to the report, financial institutions should modify their housing loan offerings to better serve the varied demands of their customers, which includes individuals who live in rural and lower-income areas.

INTRODUCTION

In India, where the population is expanding, housing finance is crucial in determining the real estate market and meeting housing needs. It acts as a catalyst for social advancement, financial inclusion, and economic prosperity. The advent of housing financing in India has changed how people obtain funds to buy or build homes over time, fostering the expansion of the housing sector and boosting the nation's economy. Housing finance is necessary for helping people and families to buy or construct their own houses. It includes the delivery of financial services and products that make it easier to buy, build, renovate, or enhance residential homes. Loans, mortgages, and other types of credit are frequently used in housing finance to meet the needs of people and their families.

LITERATURE REVIEW

Murthy, R., Sharma, R., and (2018). A study of urban Indian consumers' perceptions of housing loan interest rates. 17(2), 196-210, *Journal of Emerging Market Finance*.

Consumer perceptions of housing loan interest rates were investigated, and it was discovered that interest rate levels have a significant impact on borrowing choices. In order to make informed decisions, borrowers must be aware of how interest rates are calculated and how they affect loan repayments.

Mittal (2014) talked about the customer demographics and their preference for a particular bank type. The SBI and ICICI bank customers have been taken into consideration as the author has concentrated on research. The paper covered customer needs, preferences, and usage patterns. It also explored how customers perceive the quality of service when using retail banking services. Age, occupation, and education significantly affect a customer's decision regarding the type of bank they choose, the author concluded. The distribution of the two types of banks in terms of age, education, and occupation varied significantly. Customers' income and their decision to use a specific type of bank were unrelated to one another.

Rao T. S. (2013) Home loan borrowers' perceptions and issues in Andhra Pradesh. The author's research has been centred on the HDFC and SBI banks. The paper covered the framework for housing policy, trends and advancements in housing finance, operational performance of HDFC and SBI in terms of financing housing for individuals, and perception and issues with borrowers of home loans in the State of Andhra Pradesh. The author concluded by saying that although housing finance in India had experienced some setbacks over the years, changes had been

brought about by the design of housing policies, the structuring of the housing finance market, and the introduction of fiscal incentives. The main success factors are new services and products.

According to Gupta and Arun (2019), HFCs play a pivotal role in increasing homeownership rates by providing affordable housing loans tailored to the specific needs and income levels of borrowers. Their study found that HFCs offer a range of loan products with competitive interest rates, flexible repayment terms, and lower down payment requirements, thereby making homeownership more accessible to a broader segment of the population

According to Devadoss and Sreekumar (2020), HFCs have developed inclusive credit assessment mechanisms that go beyond traditional banking criteria. These mechanisms take into account factors such as income stability, credit history evaluation, and collateral valuation, enabling a larger pool of potential homebuyers to qualify for housing loans.

Gopikumar et al. (2018) discuss how HFCs contribute to supply and demand dynamics in the housing market. Their study suggests that HFCs' financing activities stimulate housing demand, leading to increased construction activity and a higher supply of housing units, thereby supporting market growth and development.

RESEARCH METHODOLOGY

Research Design:

A descriptive research design is chosen for this study. This design aims to provide a comprehensive and detailed account of a specific phenomenon without manipulating variables. This design allows you to observe and describe the impact of a particular factor without altering it.

Source of data:

We will be using both primary and secondary data sources for this study. Primary data will be collected directly from your respondents through the survey. Secondary data will involve existing data or literature related to this research topic. This combination helps provide a comprehensive understanding of the phenomenon you're studying.

Data collection method:

We have opted for a survey as my data collection method. Surveys involve gathering data by posing a set of structured questions to respondents. This method allows me to collect quantitative data efficiently.

Population:

Size of the sampling population is 150.

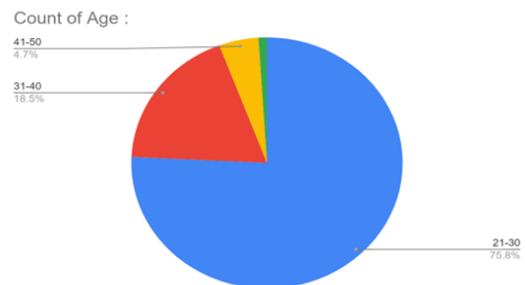
Sampling Method:

Non-probability convenience sampling has been selected as sampling technique. This means that sample is not randomly selected from the population. Instead, participants will be selected based on convenience and accessibility.

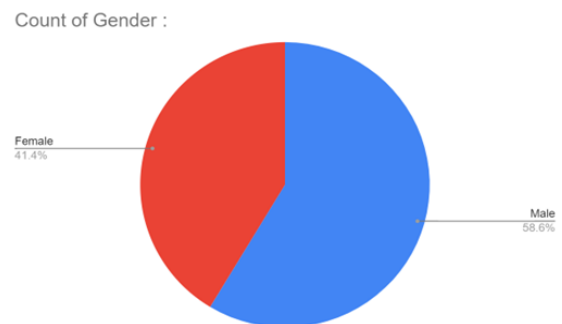
Data collection Instrument:

The data collection instrument used in the research paper is a questionnaire and data will be presented in the form of graphs and charts.

Data Analysis and Interpretation



The data collected by me consist of 75.8% samples between the age of 21-30, 18.5% between 31-40, 4.7% samples between 41-50 and 1% of 51-60 years. Th maximum sample is of age group 21-30.



- 58.6% of respondents identified as male.
- 41.4% of respondents identified as female.

The data suggests that there is a significant skew towards male respondents.

Age * Have you or anyone in your family has ever applied for a home loan?

		Have you or anyone in your family has ever applied for a home loan?			Total
		yes	No	maybe	
Age	21-30	61	40	14	115
	31-40	16	10	3	29
	41-50	4	3	0	7
	51-60	1	1	0	2
Total		82	54	17	153

The data show that 82 has applied or someone in their family has applied for the home loans also 54 sample has never applied for the home loan and 17 sample are not sure about it.

Age * Which financial institution did you choose for your home loan?

		Which financial institution did you choose for your home loan?							
		Home Finance	Bank of India	Axis Bank	SBI	HDFC	Other	None	Total
Age	21-30	15	15	17	24	22	10	0	113
	31-40	1	1	4	10	8	10	0	44
	41-50	1	0	0	3	1	0	0	5
	51-60	0	0	1	1	0	0	0	2
Total		17	16	22	38	31	10	0	124

The data show that majority of the people believe in the SBI and HDFC bank.

48 sample believe in the SBI bank for the home loans and 38% of them believe in HDFC. So we can clearly see the dominance of this Financial banks in the housing loan market.

The graph show that what are the factors that encourage a person to select the best housing loan from the financial banks



Interest rates: It play a major role in selecting a housing loan as the lower Interest on housing loan can help a person to save his money of the interest he has to pay to end his home loan.

Loan Terms and Condition: The second most important role is been played by the Loan Terms and Condition as the person is strictly bounded by the policy as it is a secured loan, one has to look for the terms and condition very precisely

Customer Services: It is also the major reason to get a customer preference as if a person receive a best customer services and if he is valued and if a person gets the loan by going through some quick and easy process then it can turn into a major factor to choose for a housing loan.

Reputation of the company: Company Reputation is the also the important factor in the influencing the customer preference

Age * How do you think about getting a housing loan?

		How do you think about getting a housing loan?			Total
		Financial Burden	Investment Opportunity	Necessity of a shelter	
Age	21-30	35	47	33	115
	31-40	5	16	7	28
	41-50	1	3	3	7
	51-60	0	1	1	2
Total		41	67	44	152

The graph show the descission of the people after taking a hosing loan

67 sample of the people feel that investing in a home is a best opportunity as it is secured and there is a very low chances of getting loss, 44 sample feel that it is a necessity of a shelter where as 41 sample feel that it is a financial burden.

Age * Which type of interest rate you will prefer Crosstabulation

		Which type of interest rate you will prefer			Total
		Floating Interest	fixed Interest	3.00	
Age	21-30	51	64	1	116
	31-40	21	8	0	29
	41-50	4	3	0	7
	51-60	0	2	0	2
Total		76	77	1	154

The above graph is of the the type of interest rate offered by the company.

77 sample consider that fixed interest is better than the floating rate as the interest rate will not get changed in a long run, whereas 76 sample feel that floating rate is better.

Age * Do you feel home loan is better than other loans Crosstabulation

		Do you feel home loan is better than other loans			
		yes	no	Total	
Age	21-30	78	38	116	
	31-40	25	4	29	
	41-50	6	1	7	
	51-60	2	0	2	
Total		111	43	154	

The graph state the people preference towards the home loans over other loans and from the above graph we can clearly see that the home loans are better than any other loans as you can get a large amount if mortgage also for the longer duration of time and interest rate of the housing loan is also quite less than any other loans

Interest rates offered by financial institution.

H0: there is no significant difference between age and the perception of respondent towards interest rates offered by financial institution.

H1: there is significant difference between age and the perception of respondent towards interest rates offered by financial institution.

ANOVA						
"How would you rate the interest rates offered by the financial institution you chose for your home loan?"						
	Sum of Squares	df	Mean Square	F	Sig.	hypothesis
Between Groups	1.678	3	0.559	0.705	0.55	not rejected
Within Groups	118.946	150	0.793			
Total	120.623	153				

The Analysis suggest that there is no significant difference between age and the perception of respondents towards interest rates offered by financial institutions. This means that, based on the data, age does not appear to have a significant impact on how respondents perceive the interest rates offered by financial institutions for home loans.

Challenges faced by respondent during home loan
H0: There is no significant difference between age and challenges faced by respondent during home loan process.

H1: There is significant difference between age and challenges faced by respondent during home loan process

ANOVA						
Do you face any challenges during home loan process						
	Sum of Squares	df	Mean Square	F	Sig.	hypothesis
Between Groups	0.834	3	0.278	1.194	0.314	not rejected
Within Groups	34.67	149	0.233			
Total	35.503	152				

The Analysis suggest that there is no significant difference between age and the challenges faced by respondents during the home loan process. This suggests that, based on the data, age does not appear to have a significant impact on the challenges faced by respondents during the home loan process

Recommendation of respondent to financial institution to others for home loans.

H0: There is no significant difference between age and recommendation of respondent to financial institution to others for home loans.

H1: There is significant difference between age and recommendation of respondent to financial institution to others for home loans.

ANOVA						
On a scale of 1 to 5, where 1 is "Not at all likely" and 5 is "Extremely likely," how likely are you to recommend the financial institution to others for home loans?						
	Sum of Squares	df	Mean Square	F	Sig.	Hypothesis
Between Groups	2.788	3	0.929	0.716	0.544	not rejected
Within Groups	193.33	149	1.298			
Total	196.118	152				

The Analysis suggest that there is no significant difference between age and the likelihood of recommending the financial institution to others for home loans. This suggests that, based on the data, age does not appear to have a significant impact on whether respondents would recommend the financial institution to others for home loans

FINDINGS AND CONCLUSION

The findings show that there is no significant difference in how various age groups consider the interest rates given by financial institutions for house loans. This shows that individuals' views of interest rates may be more influenced by variables other than age, such as personal financial objectives, knowledge about financial products, and current economic conditions.

The data study reveals that age is not a significant factor in predicting the obstacles that consumers confront during lengthy approval processes, and being eligible standards. Other factors, such as income level, loan amount, and past expertise with financial transactions, may have a bigger effect on the difficulties encountered during the house loan procedure.

The study found that age had no significant effect on whether people would suggest a financial organisation to others for home loans. This suggest that while making recommendations, individuals should examine the institution's reputation, customer service quality, loan conditions, and interest rates. Furthermore, personal experiences with the institution, as well as the convenience of the loan application procedure, may influence people's willingness to suggest a financial institution for house loans

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