

# A STUDY ON THE CUSTOMER'S AWARENESS TOWARDS THE HOUSE LOAN

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## ABSTRACT

*With increasing market competitiveness, banks are also facing fierce competition. A wide range of banks as options are available for customers. Banks aim to meet consumer requirements to survive and thrive. In India, several Housing Financial Institutions have already started giving easy house loans. This has increased the popularity of the house loan system. For every individual, the very first fundamental need after food is to have a house of his own. Housing is also identified as a crucial part of the domestic economy that assesses the country's standard of living and economic condition. To entice clients, banks offer lower-interest home loans. This study considers the customer's decision and understanding of housing loans. Further suggestions have been provided regarding how banks both the public and private sector to increase their customer base in the future, should compete on interest rates and EMI amounts, and make loan processing quick and convenient.*

**Keywords:** *House Loan, consumer perception, problems*

## INTRODUCTION

Housing is the third most basic need of a human being after food and clothing, Since the dawn of time, the issue of housing has been a major concern. The house does have a profound impact on an individual's social and economic development. Decent housing is a necessity for an individual's overall growth and well-being. It equips human beings with shelter, security, comfort, privacy, and other requirements for leading a comfortable living. Housing is often regarded as a valuable segment of the national economy that assesses a country's level of livelihood and financial aspects. Housing is now a representation of social prestige as well as a measure of social status. It gives security emotion and warmth.

Owning a house is the foremost basic need of a human being. Decent housing is necessary for the overall growth and well-being of human beings. Housing serves shelter, security, comforts, and seclusion. To entice clients, banks offer lower-interest home loans. The more knowledge buyers have about services or products, the more at ease they become while deciding to buy them. Consumer satisfaction is a powerful marketing strategy. Without customers a business has no existence, they are Kings and queens of a business. It is a key triumph factor. The key aspects of

this study include Customer's decisions, motivations, concerns, and understanding of housing loans. Customers encounter several difficulties while seeking bank loans. A few issues include lack of information, procedural delays, the intended amount is not granted, and a low credit score. The purpose of this research is to root out the issues that clients experience while borrowing housing loans from banks and NBFC. Since there are many difficulties, research was conducted to determine the perception of customers towards the loan.

A home loan is provided for buying a new or used home, for building a new home, investing in a piece of land, or for repairing/renovating/extending an existing home. It also comes in the form of settling a loan that was earlier taken from another housing finance company/bank.

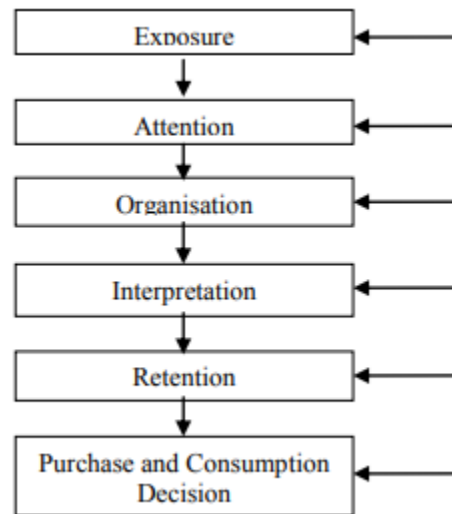
Home loan is mainly given for a period of 15-30 years, and several factors such as knowledge and experience, service quality, in-depth domain expertise, and the level of commitment and transparency of the company throughout the loan processes, terms and conditions, level of services offered, and secured retrieval of the registered owner are all important aspects of a housing loan. There are crowds of banks and financial organizations from where one may conveniently obtain a house loan at a fair interest rate. A company's victory is driven by the capability to attract and retain consumers who are keen to buy goods and services at profitable pricing. Customers' and potential customers' impressions regarding a firm and its products and services is known as consumer opinion. Consumer perception is crucial for businesses since it impacts consumer behaviours, which in turn influences a company's profitability.

## **THEORETICAL BACKGROUND OF THE STUDY**

A multitude of factors influences customer perceptions. Apart from the obvious outcome – whether the product or service was delivered as planned and did it satisfy the needs of the client – the entire consumption process and all interactions incorporated are significant. In today's increasingly globalized information technology-driven economy, this might also pose certain difficulties:

- How other consumers or influencers see the product or brand
- To what extent do clients believe that genuine marketing strategies can solve most of the pressing apprehensions.
- The attentiveness and quality of service provided by affiliates, such as distributors

### A. Consumer Perception Process



**Fig.1 Consumer Perception Process**

- **Exposure**

The first stage in the process of perception is exposure, which happens when a stimulus enters the spectrum of senses. As a result, exposure is merely a basic requirement for boost exposure might be either intentional or accidental. Intentional exposure emerges when an individual is aware of recent market happenings showing that he is deliberate, goal-directed, personally interested in such stuff, is an avid reader, has abundant knowledge, and strives hard to maintain a decent lifestyle. When an individual is exposed to extensive marketing campaigns, like the messages depicted by the media especially, posters, and the large quantity of editorial advertising, he or she is then accidentally exposed to boost

- **Attention**

Attention is necessary, because it does not matter how many times consumers are being exposed to marketing stimuli, but if no attention is paid to them, the messages and campaigns done are of no use. Only when a customer notices or responds to a specific stimulus then only it can be said that attention has been paid to it.

- **Organization**

Consumers don't perceive the multiplicity of stimuli they choose from the surroundings as distinct feelings. They prefer to arrange themselves in categories and to be considered a single entity.

- **Interpretation**

Consumers use their experience, memories, and expectancies to identify and respond accordingly to stimuli through the process of explication. The phase of interpretation is very personal since it centres on what people expect to see on basis of their previous experiences, the number of viable interpretations they may imagine, and their motivations and goals at the time of opinion.

- **Retention**

Retention means to recall, notice and understand stimuli based on previous experiences. Consumers tend to retain and prepare to focus on the memory that they have had via their attention.

- **Purchase and Consumption Decision**

The decision to buy is influenced by a multitude of factors namely - terms of the sale, previous purchase experiences from the vendor, and the return policy. The environment, social support, sales, and the likeability of the endure also have a significant impact on the consumer buying decision.

### **B. Aspects of Measuring Customer Perceptions**

The first and foremost step that a firm should identify is how consumers perceive it and its services. This will not only highlight relative strengths and shortcomings but will also provide important constructive feedback. Apart from that, consumer surveys should be done to determine the general significance of several influencing variables on customers. Recognizing what matters the most to the customers assists significantly in setting priorities for the anticipated projects. This should be centred on thorough segmentation of customers. Customers who differ in terms of frequency of usage, financial status, geographic location, and other factors are more prone to have distinct interests and desires. As an outcome, people will most likely interpret a proposal differently.

### **C. The 3 Ps in driving Customer Opinion**

Three major factors influence a customer's perception of an organisation, irrespective of the industry it adheres to or the type of business it is. All of them, by chance, begin with the letter P: Product, People, and Process respectively.

- **Product**

People's perceptions and experiences without any doubt are influenced by the type of products and services an organisation offers. In today's fast-paced globalized economy, organizations must continually and persistently adapt to satisfy the ever-changing demands of their customers. The

Marketing department, or in certain contexts, the R&D department, plays a very important role in businesses that are continuously striving to deliver goods and/or services that cater to consumer expectations.

- **People**

Every customer service representative would admit that the People aspect is by far the most vital factor that shapes clients perceptions. Front-line employees such as the Contact Center and Sales Agents are the face of the organisation. The actions they execute, the statements they use when engaging with customers, and the demeanour they exhibit when dealing with customers all have an impact on the perception of the customer towards the organisation.

- **Process**

Organizations must implement many processes, including policies and standards, to succeed in a structured and controllable manner. When a company wishes to alter or update its processes, the first step is to put oneself in the shoes of the client and then make the changes accordingly.

**D. Benefits of a Customer Perception Study**

- Allows making fact-based business decisions
- Assists in determining what customers appreciate about the firm and why.
- Specifies areas for improvement
- Sets priorities depending on consumer feedback.
- Amplify Overall customer relationships.
- Evaluates the efficacy of advertising and public relations campaigns;
- Creates organized and efficient marketing strategies; and
- Sets benchmarks against peers

## **ADVANTAGES OF HOME LOANS**

**Attractive Interest Rates:** Banks provide many desirable interest rates to their customers to increase their client base and help them. Many banks issue home loans at either fixed or variable rates based on the needs of their customers.

**Assisting while buying a Home:** Banks provide both technical and financial assistance to customers throughout the process of house purchase.

**There is no need for a guarantor:** Several banks recently liberated their customers of the need to seek a guarantor to acquire a house loan. Nowadays, private banks have deregulated their lending policies allowing clients to get easy house loans. Banks no longer require a guarantor to grant a loan.

**Door to step Services:** - Only for the convenience of consumers and about their current busy lives, numerous banks have started providing doorstep services to their clients' right from the preliminary stage till the settlement of the loan. HDFC Bank and Axis Bank, for example, provide clients door-to-step services to their customers.

**Loan duration:** Depending on the loan amount and the credibility of the client, several banks, therefore, provide a longer period for loan payback, which can extend up to 15-20 years as loan tenures, also to reduce the pressure on consumers to repay their house loan.

**Accidental Death Insurance** is provided at the time of loan A lot of banks provide accidental death insurance to consumers in conjunction with home loans for their convenience. kind of home loan perks has grown so popular among consumers that anybody who could not previously afford to purchase a property may now do so with the help of a home loan, making their aspiration of buying a home a reality.

## DISADVANTAGES OF HOME LOANS

**Interruptions in Home Loan Processing:** Several times, the procedure of granting home loans is delayed due to interferences in the fulfilment of several formulations. As a consequence, customers become psychologically and financially crippled.

**Fluctuating interest rates:** - Floating rates fluctuate at different intervals for various reasons. These fluctuations cause interest rates to rise, thus raising the cost of house loans.

**Higher Processing Fee:** For sanctioning house loans, public sector banks are bound to impose a hefty processing fee. Customers are charged considerable fees at different levels to comply with the obligations. Consumers are sometimes denied access to home loan privileges if they are unable to pay such fees.

**Impediments in house loan disbursement:** A consumer has to deal with a slew of policies to get the proceeds of a house loan. Due to the requirement of legal formalities, house loan disbursement to consumers is often delayed, thus generating obstacles in the customers' opportunity to obtain a home loan. These are some of the drawbacks or restrictions one has to endure while availing of a house loan. A few banks demand exorbitant instalments for house loan repayment, generating challenges for clients. These impediments can be overcome by providing quality and timely service to consumers.

## HOME LOANS DISBURSEMENT

Every bank follows a certain procedure of loan disbursements for its consumers. After the selection of the ideal house, the subsequent step is the issuance of home loans. Upon finding and selecting the acquired property or residence and completing the required legal paperwork, the loan

money is released. A valid title and complete verification are required in the disbursement process of home loans to guarantee that the person has absolute authority over his home.

**Conditions regarding co-applicants:** - All Housing Finance Institutions have provisions set for those who can be co-applicants. Co-applicants will also be co-owners of the asset. Minors are not entitled by law to be co-owners or co-applicants in such institutions since they are legally not allowed to enter into a contractual agreement. Also, those who aren't blooded relatives are not allowed to take a property co-owner. Nevertheless, a co-applicant's income can be pooled to qualify for a bigger loan. The following information clarifies the eligibility of a co-applicant for income clubbing:

**Clubbing Income of Co-applicants:-** It is as follows:-

**Husband-Wife:** - The income of the husband and wife can be pooled.

**Parent - son:** This can be clubbed if just the son is present, but not if any other male sibling exists.

**Brother-Brother:** Only if they intend to live together in the new property and are presently living together then only their income can be pooled for house loans.

**Brother-Sister:** - No clubbing is allowed.

**Sister-Sister:** - There will be no clubbing.

**Parent-Minor-Child:** No clubbing is permitted in this situation as well.

## LITERATURE REVIEW

"Factors Influencing Customers' Decisions to draw Bank Loans: A Case Study on Greek Customers"- [3] He investigated the Factors that influence Greek Citizens' Decision to select a Bank for a Loan. The assessment was conducted out by distributing self-administered questionnaires to Athenians. Factors such as contentment, rate of interest, types of insurance, instalments, basic loan components, quality of service and customer service were chosen using factor analysis. Further, it was revealed that interest rate, followed by service quality dimensions, are the most important factors responsible for influencing loan decision-making. Taking into consideration Demographic Factors, It was discovered that women, Young People, Employed And Educated Applicants, Commonly Those who Work In Public Sector With Gross Monthly Earnings Less Than 1000 Euros And Annual Earnings Less Than 8000 Euros And those who usually belong To Personal Property Band Less Than 10000 Euros Tend To Take Loan.

"Comprehensive research on the concerns of H.D.F.C. and S.B.I. loan takers in Andhra Pradesh State" [6] the perceptions and difficulties of house loan applicants in Andhra Pradesh were examined in this study. This study centred around the H.D.F.C. and S.B.I. banks of India. The

study examined the Housing Policy Framework, recent trends and advances made in Housing Finance, the operational efficiency of H.D.F.C. and S.B.I. in granting housing finance to customers, and the perceptions and difficulties faced by home loan borrowers of Andhra Pradesh, India. At last, the author concluded by stating that Indian Housing Finance has suffered several setbacks over the years, however, the establishment of a shelter policy, the organisation of the housing finance market, and the implementation of fiscal incentives have brought about several improvements in housing finance. The primary tools behind their progress are service and product innovations.

[9] "The concept of customer-bank bond about 21st century's retail banking business in the United Kingdom". The primary focus of the study was to see how a customer-bank bond is conceptualized. Usability, dependability, and the total value of services are the fundamental bonds. The secondary bonds are friendship, compassion, willingness to help, convenience, and user experience of financial infrastructure.

"A Comparative Study on Public and Private Sector Banks in India," by [10] evaluated consumers' perceptions and levels of satisfaction regarding services provided by public and private sector banks. SBI, Punjab National Bank, and Oriental Bank of Commerce were chosen as public sector banks, whereas ICICI, HDFC, and AXIS banks were chosen as private sector banks. Clients' demand for housing finance institutions varies depending on their need for high-quality products and services delivered promptly, according to the survey. Private bank executives were found to outperform public sector bank executives when it came to building relationships with clients and gaining their acceptance. Private (commercial) banks now have a bigger client base than public sector banks in India. Banks in the public sector on the other hand are lagging in terms of modern technologies and tech-savvy employees.

In her unpublished PhD thesis, "A Comprehensive Marketing Analysis on Banking Services in India with Special Regard to Private Versus Public Sector Banks," [4] compared public and private sector banks on basis of the opinions of consumers and banking staff (marketing professionals) **categorically**, SBI, a public sector bank, and ICICI, a private newly developed bank, were chosen for the study. The study's findings indicated that SBI's province, housing loans, would no more be the same as ICICI bank is gradually overtaking the home loan industry. This study was also important in the formulation of policies for other private and public sector banks upon on launch of new home loans.

In their work "Assessment of Customers' satisfaction concerning Housing Loans: With Special Regard to Punjab National Bank," [8] outlined the step-by-step that PNB follows while granting house loans. Before granting the loan, the bank investigates the borrower's character, capability, and capital (3c's). It also looks at the debtors' past reports, domestic and foreign credit ratings, and various other required information.



In his study titled "A Research Study of Customers' preferences in the Home Loans Market: The Mortgage Experience of Greek Bank customers," [5] concluded that the most significant factors that influence customer's preferences are – the reputation of the bank, established cooperation, and bank employees. Bank branches have proven to be the most effective channel for the distribution of mortgage goods and services.

In their study titled "An Analysis of the Housing Industry with Special Emphasis to the City of Chennai," D. [2] looked at the recent developments of the housing finance industry of the early 21st century, the severity of the housing problem in the country (India), and the implications of housing policies.

In their research titled "Expectations and Perceptions of customers about the Indian Banking Industry and the Resultant Financial Implications," [11] evaluated expectations and perceptions of Indian customers towards three banking sectors and then it was discovered that in the banking industry, foreign banks are said to provide higher-quality services, followed by private and at last public banks, and that these beliefs are evident in the banks' financial performance.

[1] analyzed customers' perceptions about retail banking services which five private sector banks in Delhi offers and also studied the significant factors that influence their preference of banks and products in their study "A Customer-oriented Approach towards Retail Banking Services: A Glimpse."

Customers were found to be extremely satisfied with the bank's home loan system about its facilities, accountability, the time needed for loan approval, employee co-operation, and query handling regarding a delay in procedures, lack of understanding so on according to [7] in their study on "Customer Perceptions and Satisfaction towards Home Loans."

## **CONCLUSION**

The research is primarily concerned with perceptions of customers regarding home loans. Many people have expressed their opinions and ideas on the subject of home loans. Customers are pleased with the experience, even though they are oblivious of it. Customers expressed positive opinions regarding it. The research examines customers' sentiments about getting a home loan, as well as the challenges they experience and the information they have regarding home loans. Regardless of the amount of pleasure, the urge to satisfy a specific demand pushes a client to use a service. Despite its limitations, the survey was a progressive small step that was taken to learn about customers' perceptions regarding home loans.

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