



## **A FACTOR INFLUENCING CHOICES AND SATISFACTION OF CONSUMER PREFERENCE OF HOME LOANS**

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### **Abstract**

*A home loan is a secured loan taken to purchase a property for residential purpose. For availing this loan, the property is pledged with banks as a collateral security. They are repaid through EMI's. Home loan allows us to claim income tax deductions on interest and principal amount due. The money is borrowed with fixed interest rate and repaid within a particular period known as EMI's. The different types of housing loans are home loans, home construction loan, house renovation loan, home extension loan, plot loan, balance transfer loan.*

**Keywords: Consumer Preference, Housing Loan, Interest Rate .**

### **Introduction**

Bank is a financial institution which accepts deposit from public at lower interest and lends money at a high interest. Banking services mainly include accepting deposits, lending money, facilitating transactions and offer various other services like savings account, loans and credit cards. Bank plays a vital role in development of an economy. Without further banking system economy cannot survive. A loan is a form of debt taken by an individual or any other organisation. The lender can be financial institution, bank, government, co-operative society. The lending institution advances a sum of money to borrower for which he must pay interest along with principal amount. The loan must be repaid within a certain period. The different forms of loans are personal, commercial, secured and unsecured loan. The most important factor while taking a loan is the rate of interest. If the rate of interest is high, then borrower must pay more amounts and vice versa.

### **Statement of the problem**

Consumer preferences in home loans are influenced by several factors. Interest rates play a crucial role, as lower rates are often preferred. Loan terms and flexibility, such as the option for fixed or adjustable rates, also impact choices. Additionally, borrowers consider the reputation and reliability of lenders, fees involved, and the ease of the application process. Personalized customer service and transparent communication further contribute to satisfaction. Ultimately, a combination of competitive terms, trustworthy service, and clear communication tends to drive positive consumer preferences in home loans. The main objective of this research article is to examine consumer satisfaction with housing loan services in the Kottayam district of Kerala in relation to housing loan options, preferences, and challenges using a theoretical analysis with the help of primary and secondary sources of data and statistical data relevant to the topic.

### **Objectives of the study**

1. To Identify and analyse the factors contributing to efficiency of home loan in terms of interest rates, transparency and digital experience in home loans.
2. To identify the factors contributing to dissatisfaction among consumers in home loans.

### **Significance of the study**

Customers are always in confusion before taking home loans. They always think which bank to be preferred, whether a public sector or private sector bank. The solution to this question can be obtained



by analysing the amenities offered by these banks like speed of sanctioning loan, the amount of the loan sanctioned, amount of EMI's etc. By analysing these factors customers will decide which bank is suitable for them to avail loan. The need of this study is to identify the customer satisfaction towards these goals.

### Scope of the study

The scope of the present study is to know about the procedures of home loan, the problems faced by the customers while taking loans from either public or private banks, to know about the awareness of the home loan facility in Indian. The study of this kind will help the respondents to get the ideas about the various problems and the ways to deal with the problems that arise while taking a home loan.

### Research Methodology

Descriptive research is used to describe the characteristics of a population or phenomenon being studied. For the customer satisfaction study a sample of 50 respondents was chosen from the Kottayam District. The sample was judgmental, and methodology was convenient random sampling .To fulfill the information needs of study. The data is collected from primary as well as secondary sources. The primary data collection, the data is collected using methods such as interviews, questionnaire and observation etc. The primary data collected from the field under the supervision of an investigator. In survey approach selected a questionnaire method for taking a custom view because it is feasible from the point of view of survey purpose.

### Data Analysis and Interpretation

For this purpose, primary data can be collected from customers of housing loans in Kottayam district. In this study primary data was collected among the customers of housing loan with the help of schedule of interview. The sample size taken for the study is 50 customers of online shopping from Kottayam district. For analysing and interpreting the collected, the data were tabulated into tables and figures

#### 1. Type of home loan

With regard to the analysis of type of home loan the respondents' opinions were collected on four types of home loan, they are house construction loan, house renovation loan, house extension loan and plot loan

**Table No: 1, Type of Home Loan**

Type of home loan	No. of Respondents	Percentage
House construction loan	27	54
House renovation loan	15	30
House extension loan	2	4
Plot loan	6	12
Total	50	100

Source: Primary data

54% of the respondents have chosen home construction loans. 30% of the respondents have chosen home renovation loan. 12% chose plot loan. 4% chose home extension loan.



## 2. Interest Rate of Loan

The respondents included in the study are classified into three groups as follows. Table :2 shows interest rate of home loan of 50 respondents.

**Table No: 2, Interest Rate of Loan**

Interest rate	No. of Respondents	Percentage
5-8%	17	34
8-10%	27	54
Above 10 %	6	12
Total	50	100

Source: Primary data

54% of respondents' interest rate is 8-10%. 34% respondent's interest rate is 5-8%.12% of the respondents' interest rate is above 10%.

## 3. Facility of Life Insurance

The respondents included in the study are classified into two groups as follows. Table NO: 3 shows facility of life insurance for 50 respondents.

**Table No: 3, Facility of Life Insurance**

Facility of life insurance	No. of Respondents	Percentage
Provided	31	62
Not provided	19	38
Total	50	100

Source: Primary data

62% of the respondents state that they were provided with life insurance from banks. 38% say that they were not provided with life insurance.

## 4. Preference on fixed or adjustable-rate home loan

The respondents included in the study are classified into three groups as follows. Table: 4,shows the preference on fixed or adjustable-rate home loan of 50 respondents.

**Table No: 4, Preference On Fixed or Adjustable-Rate Home Loan**

Preference	No. of Respondents	Percentage
Fixed rate	20	40
Adjustable rate	24	48
No preference	6	12
Total	50	100

Source: Primary data

48% of the respondents have preference on adjustable-rate home loan. 40% of respondents have preference on fixed rate home loan and 12% have no preference.54% of the respondents are highly



influenced. 28% of the respondents are moderately influenced.12% of the respondents have no influence. 6% have little influence.

### 5. Opinion on use of digital platforms for home loan applications

The respondents included in the study are classified into five groups as follows. Table: 5, shows the opinion on use of digital platforms for home loan applications of 50 respondents.

**Table No: 5, Opinion on use of digital platforms for home loan applications**

Opinion on using digital platform for application process	No. of Respondents	Percentage
Not comfortable	10	20
Low comfortable	9	18
Moderate comfortable	10	20
High comfortable	14	28
Very comfortable	7	14
Total	50	100

Source: Primary data

28% are highly comfortable. 20% of respondents are moderately comfortable. 20% are not comfortable. 18% are low comfortable.14% are extremely comfortable.

### 6 .Choice of smooth online application process for home loan provider

The respondents included in the study are classified into five groups as follows. Table:6 shows the choice of smooth online application process for home loan provider of 50 respondents.

**Table No: 6,Choice of smooth online application process for home loan provider**

Choice in smooth online application process	No. of Respondents	Percentage
Not important	10	20
Low important	6	12
Moderate important	14	28
High important	16	32
Extremely important	4	8
Total	50	100

Source: Primary data

32% of the respondents are highly comfortable. 28% are moderately comfortable. 20% are not comfortable. 12% are low comfortable. 8% are extremely comfortable.



### 7. Importance of transparency in fees and charges

The respondents included in the study are classified into five groups as follows. Table no:7. shows the importance of transparency in fees and charges of 50 respondents.

**Table No: 7, Importance of transparency in fees and charges**

Choice	No. Of Respondents	Percentage
Not important	0	0
Low important	2	4
Moderate important	12	24
High important	25	50
Extremely important	11	22
Total	50	100

Source: Primary data

50% of the respondents show high importance in transparency in fees and charges. 24% show moderate importance. 2% show extreme importance. 4% show less importance.

### 8 .Satisfaction in fees and charges provided by current home loan provider

The respondents included in the study are classified into five groups as follows. Table no: 8 shows the satisfaction in fees and charges provided by current home loan provider of 50 respondents.

**Table No: 8, Satisfaction in fees and charges provided by current home loan provider**

Satisfaction	No. Of Respondents	Percentage
Not satisfied	2	4
Slightly dissatisfied	1	2
Neutral	15	30
Satisfied	21	42
Highly satisfied	11	22
Total	50	100

Source: Primary data

42% of respondents were satisfied with transparency in fees and charges with the current home loan provider. 30% were moderately satisfied. 22% were highly satisfied.4% were not satisfied. 2% were slightly dissatisfied.

### 9. Flexibility in repayment options

The respondents included in the study are classified into five groups as follows. Table no:9 shows the flexibility in repayment options of 50 respondents.



**Table 4.18, Flexibility in Repayment Options**

Level of influence	No. Of Respondents	Percentage
Not important	0	0
Less important	1	2
Moderate important	10	20
High important	27	54
Extremely important	12	24
Total	50	100

Source: Primary data

54% of the respondents say there is high importance in flexibility in repayment options. 24% have extreme importance. 20% have moderate importance. 2% have low importance.

### 10. Challenges encountered during the home loan process

The respondents included in the study are classified into five groups as follows. Table no:10. Shows the challenges encountered during the home loan process of 50 respondents.

**Table No: 10, Challenges Encountered During the Home Loan process**

Challenges	No. Of Respondents	Percentage
Lengthy application process	30	60
Unclear terms and conditions	5	10
High fees	12	24
Poor customer service	1	2
Others	2	4
Total	50	100

Source: Primary data

### Findings of the Study

Most of the respondents have opted house construction loan. The interest rates are between 8-10% among most of the respondents. Of the respondents claimed that they were provided with life insurance while opting home loan. Most claimed that interest rates are of high importance while selecting home loan. Most of the respondents selected adjustable-rate home loan. Majority of the respondents claimed that interest rate influences decision making process while selecting home loan. Most of the respondents claimed that they are highly comfortable while using digital platforms for application process. Smooth online application process has high importance in selecting home loan provider. Flexibility in repayment option have importance while choosing a home loan. Most of the respondents are satisfied with the current home loan experience. Lengthy application process was the major challenge among most of the respondents during the home loan process.

### Suggestions of the Study

- Banks should implement online application process in an easy and efficient manner.
- Banks should provide better customer service as the numbers of banks are increasing day by day.



- Lengthy application process must be simplified to gain more customers.
- Banks should provide a clear view about the terms and conditions of home loan.
- Banks should complete the approval process within specified time limit.
- Banks should make document submission stage more efficient.
- Banks should develop a friendly relationship between customers.
- Banks should give personal attention to each customer.

## Conclusion

The main purpose of this study was to determine the factors that influence the choice and decision of customers while choosing a home loan provider. The study was conducted in Kottayam district. The factors that influence the selection of a home loan provider are rate of interest, processing fees charged, disclosure of pre-closure charges. The most popular interest rate on home loan is between 8-10%. The location of house property is an important factor in deciding the loan amount. The online application process has reduced the lengthy procedure of home loan. Positive customer satisfaction play an important role in decision of home loan.

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