

# A STUDY ON CUSTOMERS PERCEPTION TOWARDS HOUSE LOAN

Mrs. S Dharchana<sup>1</sup>, M Lobha Mithirai<sup>2</sup>, P Niranjana<sup>3</sup>.

1 Assistant professor, Department of B.Com (A&F) and B.Com (BA), PSGR Krishnammal College for women, Coimbatore.

2 & 3 III B.Com (A&F), PSGR Krishnammal College for women, Coimbatore.

## ABSTRACT:

A person always keeps the first basic need as to own a house. Housing is also accepted as a key sector of the national economy which measures the standard of living and economic condition of the country. To attract customers bank provide home loans at cheaper rate. This study takes into account the choice of the customer, reasons, problems and knowledge about house loan.

## KEY WORDS:

House Loan, consumer perception, problems.

## INTRODUCTION:

A person always keeps the first basic need as to own a house. Housing is also accepted as a key sector of the national economy which measures the standard of living and economic condition of the country. Good housing is important for human development and welfare. It provides shelter, security, amenities and privacy to human beings. To attract customers bank provide home loans at cheaper rate. The more information the customer have about a product or service, the more comfortable they are while buying the product. Positive customer perception is an invaluable tool in marketing. Customers are the Kings of any business. It is an important key to success. This study takes into account the choice of the customer, reasons, problems and knowledge about house loan. There are many problems faced by customers while borrowing loans from banks. Few problems are as lack of knowledge, procedural delays, desired amount not being sanctioned and credit score. This study aims to identify those problems faced by customers while borrowing home loans from banks. When there is lot of problems the study was made to know the consumer perception towards the loan.

**LITERATURE REVIEW:****"Factors affecting Customers' decision for taking out bank loans: A case of Greek customers"- Frangos Et Al (2012)**

He studied The Factors affecting Decision to choose a Bank for Loan among Greek Citizens. The Survey Was Carried By Administering Questionnaires To Citizens Of Athens. Using Factor Analysis Variables Like Satisfaction, Interest Rates, Insurances/Guarantees, Instalments, General Loan Factors, Service Quality, And Shop Design And Customer Service Were Selected. It Was Then Observed That Interest Rate Followed By Service Quality Factors Are Significant Variables Affecting Loan Taking Decision. Considering Demographic Factors, It Was Observed That Females, Young Individuals, Employed And Educated Respondents Generally Those Working In Public Sector Having Gross Monthly Income Less Than 1000 Euros And Annual Income Less Than 8000 Euros And Belonging To Personal Property Band Less Than 10000 Euros Prefer To Take Loan.

**"A study on comprehensive problems of H.D.F.C. and S.B.I. loan takers in Andhra Pradesh State" - Rao (2013)**

This study discussed about the perception and problems of home loan takers in Andhra Pradesh. The author has focused on research by taking into account H.D.F.C. and S.B.I. bank. The paper discussed about the Housing Policy frame work, trends and progress in Housing Finance, the operational performance of H.D.F.C. and S.B.I. with regard to providing housing finance to individuals, perception and problems of home loan takers in the State of Andhra Pradesh. The author concluded by stating that the Housing Finance in India faced a number of set-back in decades but the designing of a shelter policy, the organization of the housing finance market, the introduction of fiscal incentives have brought about a number of changes in the housing finance. The services and product innovations are the key tools for success.

**"A conceptualization of a customer – Bank bond in the context of the twenty first century U.K retail banking industry"- Rizal Ahmad (2005)**

It studied the conceptualization of a customer- bank bond. The primary bond consists of utility, reliability and overall value of the services. The secondary bonds are friendliness, empathy, helpfulness, and convenience and user friendliness of banking infrastructure.

**STATEMENT OF THE PROBLEM:**

The more information the customer have about a product or service, the more comfortable they are while buying the product. Positive customer perception is an invaluable tool in marketing. Customers are the Kings of any business. It is an important key to success. So it is important to find about customers' perception towards home loans and the problems faced by them while availing loan. Objectives are framed according to that.

**OBJECTIVES OF THE STUDY:**

1. To know customers perception towards house loan.
2. To identify the problems faced by the customers while borrowing loans from bank.

**RESEARCH METHODOLOGY:**

This research is based on the primary data collected through the questionnaire from the respondents who have taken home loans. The data are analysed with the help of SPSS. The study sample size is 100 respondents. Convenient sampling method was used here. It is a demographic study. The tools used in the study was percentage and Friedman test. From this it results were found.

**ANALYSIS OF THE RESULTS:****Table 1: Demographics of the customers**

Factor		Frequency	Percent
Gender	Male	38	45.0
	Female	62	55.0
Marital status	Married	38	38.0
	Unmarried	62	62.0
Age	Below 30 years	72	72.0
	30 – 40 years	14	14.0
	40 – 50 years	9	9.0
	50 & above	5	5.0
Level of education	School level	7	7.0
	Under graduate	61	61.0
	Post graduate	23	23.0
	Diploma	3	3.0
	Professional	6	6.0
Occupation	Employed	49	49.0
	Business	24	24.0
	Professional	17	17.0
	Home maker	10	10.0
Monthly income	Less than 20000	23	23.0
	20000 – 30000	34	34.0
	30000 – 40000	24	24.0
	40000 and above	19	19.0
Period taken for repayment loan	5 – 15 years	61	61.0
	15 – 20 years	30	30.0
	20 – 25 years	5	5.0
	25 – 30 years	4	4.0

Out of one hundred respondents, 55% are female respondents and 45% are male respondents. It shows that the majority is female. Maximum respondents are unmarried (62.0%) and minimum respondents are married 38%. Maximum respondents opted for home loan are below 30 years (72%), 14% are between 30 – 40

years, 9% are between 40 – 50 years, 5% are 50 and above. Maximum respondents of 61% studied up to under graduate, 23% studied up to post graduate, 7% studied up to school level, 6% studied up to professional, 3% studied up to diploma. 49% of the respondents are employed, 24% of the respondents are doing business, 17% are professionals and 10% are home makers. Respondents with the income less than 20000 are 23%, the monthly income 20000 – 30000 is the highest of 34%. 30000 – 40000 are 24% which is nearer to the income of the people less than 20000. The respondents with the income above 40000 have 19% as their preference towards housing loan which is least among the other income levels. Most of the respondents (61%) prefers repayment period 5 – 15 years. And 30% of respondents for 15 – 20 years, while 5% for 20 – 30 years and 4% for 30 – 40 years.

**Table 2: problems and preference**

Factor		Frequency	Percent
Rate of interest	8.40% - 8.90%	62	62.0
	8.90% - 9.40%	24	24.0
	9.40% - 9.90%	9	9.0
	9.90% - 10.50%	5	5.0
Type of bank	Nationalized bank	43	43.0
	Private bank	48	48.0
	Other financial institutions	9	9.0
Recommendation of bank	Yes	78	78.0
	No	22	22.0
Approach home loan through	Direct approach	63	63.0
	Builder	9	9.0
	Agents	13	13.0
	Loan personal in bank	15	15.0
Reasons to avail loan	Investment	32	32.0
	Desire for home	52	52.0
	Income tax relief	8	8.0
	To receive rent income	8	8.0
Duration by bank to sanction	0 – 1 months	28	28.0
	0 – 2 months	36	36.0
	0 – 3 months	17	17.0
	More than 3 months	19	19.0
Source of knowledge about bank	Television advertisement	21	21.0
	Friends	43	43.0
	Relatives	21	21.0
	Bank call	14	14.0
Rate of interest preferred	Fixed rate of interest	72	72.0
	Fluctuating rate of interest	28	28.0
Problems faced	Lack of knowledge	30	30.0
	Procedural delays	34	34.0
	Non-cooperation	7	7.0

Desired loan amount not being sanctioned	20	20.0
Credit score issue	9	9.0

Out of one hundred respondents, 62% of respondents prefer 8.40% - 8.90% of rate of interest. The least preference was given to 9.90% - 10.50% interest. Maximum number of respondents have chosen private bank to avail house loan and minimum in other financial institution. 78% of respondents have recommended the bank chosen by them and 22% not recommended. 21% of respondents has got the source of knowledge about bank through televisions, 43% through friends, 21% through relatives, 14% through bank calls. 72% of respondents made a preference for fixed rate of interest rather than fluctuating rate of interest. 30% of respondents has a problem of lacking knowledge about house loan, 34% faced problem of procedural delays, 7% faced non-cooperation, 20% for desired loan not sanctioned, 9% for credit score.

**Table 3: Rank Table**

	Mean Rank
Home improvement loan	3.02
Home extension loan	3.08
Loan to professional	3.30
Home equity loan	3.65
Loan against rent receivables	4.00
Loan to professional for non-residential premises	3.95

**Table 4: Test Statistics<sup>a</sup>**

N	99
Chi-Square	26.230
Df	5
Asymp. Sig.	.000

a. Friedman Test

It is seen from above table that home improvement loan has got the highest importance with lowest mean rank of 3.02. Home extension loan get the next highest importance with mean of rank 3.08. Professional loan got the next importance with the mean of rank 3.30. Followed by next importance for equity loan with the mean of rank 3.65. Followed by the non-resident loan next importance is given with the mean of rank 3.95. Loan against rent receivable has got the lowest importance with the highest mean rank of 4.00.

**FINDINGS:**

Keeping the data as a base, it is found that the customers are happy with the service experienced, because,

- 78% of the customers are ready to recommend their banks or financial institutions to others.
- Most of the customers avail loan with the desire for home and have chosen to be comfortable with the fixed rate of interest.
- The problems faced by the customers are procedural delays followed by lack of knowledge.
- So, the perception of the customers towards house loan is positive.

**CONCLUSION:**

There are many comments and thoughts about house loan. The customers are satisfied with the service though they don't have knowledge about the same. The perception of the customers is positive. The study showcases the perception of the customers in availing house loan, problems faced by the customers and the knowledge they hold about home loan. Irrespective of satisfaction level the desire to acquire the demand forces a customer to take a service. Though the study have some limitations it was a small attempt to know the view of customers towards house loan.

**REFERENCE:**

1. Factors affecting Customers' decision for taking out bank loans: A case of Greek customers- Frangos Et Al (2012)
2. A study on comprehensive problems of H.D.F.C. and S.B.I. loan takers in Andhra Pradesh State - Rao (2013)
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