# A Comparative Study on Factors Affecting Consumer's Buying Behavior towards Home Loans (With Special Reference To State Bank Of India And Life Insurance Corporation, Allahabad)

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**Abstract:** *The housing finance sector in India has experiences unprecedented change in its structure since its formulation stage of being a solely a government undertaking to a very competitive sector with a large number of financing entities all over India. The paper aims to study the various factors that influence the decision of the consumer for taking Home Loan. The paper focuses on the Home loan offered by LIC and SBI and makes a comparative analysis of the factors that affect the consumers. The paper has a practical implication both for the academicians and for the readers in terms of their concern with the aspect issues regarding factors influencing the buyer behaviour towards Home loans. The paper is original in nature and the highlights of the paper can be used for further research purpose and provides knowledge base to the readers.*
**Keywords:** *Finance, Home Loan, Interest Rate, LIC, SBI*

## I.    Introduction

The concept of housing finance and the housing finance systems has been evolving over time. According to Loic Chiquier and Michael Lea, "Housing finance brings together complex and multi-sector issues that are driven by constantly changing local features, such as a country's legal environment or culture, economic makeup, regulatory environment, or political system". The demand for housing has increased day by day. Housing finance plays an important role as an engine of equitable economic growth though the reduction of poverty and prevents slum proliferation in economy. To meet the growing housing demand the government needs to provide the finance for housing to the people.

The housing finance sector in India has experiences unprecedented change in its structure since its formulation stage of being a solely a government undertaking to a very competitive sector with a large number of financing entities all over India.

## II.    Review Of Literature

**Gudadhe (2013)** discussed about the customer perception towards products and services of State Bank of India. The author has focussed on research by taking into account branches of Yavatma district. The article discussed about the SBI Bank Group wise perception and satisfaction level of customers, the availability and use of products and services given by the bank. The author concluded by stating that the customer expect higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction levels. 99.27% customers expressed their satisfaction towards the services.

**Rao T. S. (2013)** discussed about the perception and problems of home loan takers in Andhra Pradesh. The author has focused on research by taking into account HDFC and SBI bank. The paper discussed about the Housing Policy frame work, trends and progress in Housing Finance, the operational performance of HDFC and SBI 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 bought about a number of changes in the housing finance. The services and product innovations are the key tools for success.

**Mittal (2014)** discussed about the demographic profile of the customers and their choice of a particular type of bank. The author has focused on research by taking into account the customers of SBI and ICICI bank. The paper discussed about the customer needs, preferences and usage rate, understand the service quality perception of customers towards retail banking services. The author concluded by stating that age, occupation and education significantly influence the customer's choice for a particular type of bank. There was a significant difference between the age-wise, education-wise and occupation-wise distribution of the two types of banks. The income of the customers and their choice of a particular type of bank were independent of each other.

**Tiwari P.** discussed about the trends, developments and issues in financing home ownership in India. The paper discusses about the resources involved in housing finance in India, an overview of the pricing of housing finance and the funding of the government during the planning periods. The paper also focuses on the housing finance aspects for the urban poor.

**Kumaraswami M. and Nayan J. (2014)** discussed about the importance of housing finance and the institutions providing housing finance. A detailed discussion of the marketing strategies adopted by financing institutions have been discussed by taking into account the loan criteria eligibility, loan amount, interest rate, security, loan tenure, margin and processing fee. Finally the paper highlights the performance of the housing sector, major findings and suggestions to improve the effective marketing of housing finance for both public and private sector banks.

**Gupta J. and Jain S. (2012)** focussed on the various practices adopted by cooperative banks in India and made a comparison of the cooperative banks with respect to their efficiency with respect to lending practices. The major findings of the study showed that majority (32% as per the study) of the respondent were having housing loan for the bank under study, most (64% as per the study) of the people prefer to take long term loan which is more than 3 years, there is a very simple procedure followed by bank for loan, easy repayment and less formalities are the main factors determining customer's selection of loans, quality of services provided by the staff is satisfactory because bank is catering to a small segment only and the customers are properly dealt with, customers are satisfied with the mode of repayment of instalments, average time for the processing of loan is less i.e approx 7 days. The authors also suggested measures to improve the efficiency of the Cooperative banks.

**Ghosh S.(2012)** in his study mainly focused on the guidelines followed by commercial banks in India regarding the appraisal process of housing loans with specific reference to Indian Overseas Bank.

**Hingorani P. and Tiwari P.** in the paper evaluated the present issues and challenges in the Indian urban housing market and gave suggestions for tools and approaches that can guide movement towards a more holistic approach.

**Mishra A.K.(2011)** discussed about the overall resources invested by housing finance company in India since their incorporation and identified the area where efficiency can be improved and cost reduction is possible for optimum and effective utilization of resources.

**Sridharan S. (2014)** in the paper made an analysis of the Indian demographics and how, correspondingly, the housing finance sector has evolved. According to the author "Although there are various Government of India initiatives as well as schemes of institutions like World Bank and its members like the International Finance Corporation (IFC), there still exists a challenge at the ground level: the simple availability or production of affordable housing projects."

## III.     Objective Of The Study

To study the various factors affecting the consumer's decision towards purchase of home loan of SBI and LIC.

## IV.     Research Methodology

**Type of Study**: The study is Descriptive in nature.

**Area Of Study:** Allahabad City

**Sample Size:** N = 100 respondents

**Sampling Process:** Random sampling technique was used for the purpose of the study.

**Data Type:** For the purpose of the study both primary as well secondary data was used.

**Data Collection Tools:** For the purpose of collection of primary data structured Questionnaire was used consisting of both open and closed ended questions. Secondary data was obtained from research journals, books, websites and published records.

**Statistical Tools Used:** Frequency percentage, t-test was applied for the purpose of data analysis.

## V.     Data Analysis And Interpretation

### 5.1 Demographic profile of respondents:

It was found in the research that out of the total respondents, 84% were Male and 16% were female respondents. Regarding the age category, it was found in the research that 33% of the respondents were in the age group of 18-30 years, 40% of the respondents were in the age group of 31-40 years, 18% were in the age

group of 41- 50 years, 08% were in the age group of 51-60 years and 01% were in the age group of 61-70 years. Out of the total respondents 76% were married and 24% were unmarried.

### 5.2 Type of home loan taken by respondents:
**Table No: 1 Type of Home Loan opted**

| S. No | Category of Home loan | LIC (%) | SBI (%) |
|-------|----------------------|---------|---------|
| 1 | Home Purchase | 42 | 48 |
| 2 | Home Improvement | 16 | 22 |
| 3 | Home construction | 22 | 22 |
| 4 | Home Extension | 02 | - |
| 5 | Land Purchase | 18 | 08 |

As shown in Table No:1, it was found in the research that out of the total respondents of LIC, 42% of the respondents had opted for 'Home Purchase', 16% of the respondents had opted for 'Home Improvement', 22% had opted for 'Home construction, 02% had opted for 'Home extension' and 18% had opted for 'Land Purchase' category regarding the Home loan. In case of the total respondents of SBI, it was found in the research that regarding the Home loan category, 48% of the respondents has opted for 'Home purchase' option, 22% of the respondents had opted for 'Home Improvement', 22% of the respondents had opted for 'Home construction' and 8% had opted for 'Land purchase'.

### 5.3 Interest rate opted by the respondents:
**Table No: 2 Interest Rate opted by the respondents**

| S. No | Category | LIC (%) | SBI (%) |
|-------|----------|---------|---------|
| 1 | Fixed Interest Rate | 98 | 100 |
| 2 | Floating Interest Rate | 02 | - |

As shown in Table No:2, out of the total respondents of LIC, it was found in the research that 98% of the respondent had opted for 'Fixed interest rate' and 02 % had opted for 'Floating interest rate'. In the case of the total respondents of SBI, it was found in the research that 100% of the respondents had opted for 'Fixed interest rate'.

### 5.4 Reason for selecting SBI or LIC for taking Home loan:
t-test was conducted in order to compare the reasons for selecting SBI or LIC by respondents for the purpose of taking home loan.

**Table No3: Reason for selecting SBI or LIC**

| Reason | Mean (LIC) | Mean (SBI) | t-value (LIC) | t-value (SBI) |
|--------|-----------|-----------|---------------|---------------|
| Low interest rate | 4.0000 | **4.1800** | 52.915*** | 56.563*** |
| Accessibility is easy | 4.2600 | **4.3200** | 32.684*** | 32.654*** |
| Status/Reputation of the institution | 4.3000 | **4.4400** | 55.894*** | 54.401*** |
| Quick service by the company | **4.3200** | 4.1200 | 55.433*** | 49.058*** |
| Scheme offered by the company | 4.1600 | **4.2400** | 57.734*** | 53.973*** |

P< .05=*          P<.01=**          P<.001=***

As shown in Table No:3, it was found in the research that the mean value for SBI (4.18) was higher as compared to the mean value of LIC (4.00) regarding the 'low interest rate'. The mean value for SBI (4.32) was higher as compared to the mean value of LIC (4.26) regarding the 'Easy Accessibility' factor. The mean value for SBI (4.44) was higher as compared to the mean value of LIC (4.3) regarding the 'Status/Reputation of the institution' factor. The mean value for LIC (4.32) was higher as compared to the mean value of SBI (4.12) regarding the 'Quick service by the company' factor. The mean value for SBI (4.24) was higher as compared to the mean value of LIC (4.16) regarding the 'Schemes offered' factor. Thus there was a significant difference found between the variables regarding the respondent's reason for selecting SBI or LIC as an option for taking home loan.

### 5.5 Factors influencing the decision to take Home Loan
t-test was conducted in order to compare the factors that influenced the respondents to take home loan from SBI and LIC

**Table No 4: Factors that influenced the respondents to take home loan from SBI and LIC**

| Factors influencing the decision | Mean (LIC) | Mean (SBI) | t-value (LIC) | t-value (SBI) |
|---|---|---|---|---|
| Longer repayment period | 2.4000 | **2.2600** | 22.450*** | 28.304*** |
| Easy Documentation formalities | 1.9000 | **1.9800** | 14.778*** | 15.697*** |
| Fast processing of Loan | **2.3400** | 2.1600 | 18.495*** | 18.145*** |
| Good communication | **2.3000** | 2.1200 | 16.020*** | 17.667*** |
| Cooperative staff | 2.2800 | **2.3000** | 16.998*** | 16.020*** |
| Easy instalments | 1.7400 | **1.8000** | 18.523*** | 19.922*** |
| Suggestion by friends/relatives | **1.8200** | 1.7400 | 17.216*** | 13.040*** |
| Trust on institution | **1.6400** | 1.5800 | 15.474*** | 16.606*** |

P< .05=*        P<.01=**        P<.001=***

As shown in Table no:4, it was found in the research that regarding the 'Longer repayment period' and ' Easy documentation' factor, the mean value of SBI (2.26, 1.98) was found to be higher than LIC (2.40, 1.90) respectively. Regarding 'Fast processing of loan' and 'Good Communication' factor, the mean value for LIC (2,34, 2.30) was found to be higher than the mean value of SBI (2.16, 2.12) respectively. Regarding the factor of 'Cooperative staff' and 'Easy installments' the mean value for SBI (2.30, 1.80) was found to be higher than the mean values of LIC (2.28, 1.74) respectively. Regarding 'Suggestion by friends/relatives' and 'trust on institution' factor, the mean value for LIC (1.82, 1.64) was found to be higher than the mean values of SBI (1.74, 1.58). Thus, there was a significant difference found between the variables regarding the factors that influence the respondents to opt for home loan from SBI or LIC.

## VI. Major Findings

1. Maximum percentage of the respondents had opted for 'Home Purchase' category of Home loan, both in LIC (42%) and SBI (48%)
2. 'Fixed rate of interest' is the most preferred option by the respondents regarding the purchase of Home Loan.
3. 'Low Rate of Interest', 'Easy Accessibility, 'Status/Reputation of the institution' and 'Scheme offered by the company', were the major factors that the respondents consider as the reason for selecting SBI as an institution for taking Home Loan, whereas the factor of 'Prompt service' was found to be a major factor that the respondents consider as the reason for selecting LIC as an institution for taking Home Loan.
4. 'Longer repayment period', 'Easy documentation formalities', 'Cooperative staff' and 'Easy instalments' are the major factors that had influenced the respondents to opt for Home Loan from SBI, whereas the factors namely 'Fast processing of Loan', 'Good communication', 'Suggestion by friends/relatives' and 'Trust on institution' acted as the major influencing factors that influenced the respondents to opt for Home loan from LIC.

## VII. Conclusion

The demand for Home loans has been increasing in India due to the requirements of residential accommodation. A large amount of Indian population is availing the home loan facility which is offered by the public as well as the private sector banks. It is important for the institutions offering the home loans to consider and keep a track of the factors affecting the decision of the buyers to avail the home loan. Home loans benefit the buyer not only in terms of gaining an asset but also in terms that its a good instrument of saving and for employed ones it turns out to be source of tax benefit also.

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