



“A Consumer Perceptions Towards Home Loan In Amravati Region”

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ABSTRACT :

This study investigates consumer perceptions and satisfaction with home loans in urban Amravati, Maharashtra, amidst rising housing prices. With more consumers relying on home loans due to liquidity constraints, it examines how factors like interest rates, loan approval times, and transparency influence satisfaction.

Data was collected via random sampling of bank customers using online surveys and in-person methods. We analysed the impact of interest rates and loan tenure on customer satisfaction. The findings show that most middle-income respondents were satisfied with interest rates and approval times, but highlighted challenges such as procedural complexities and financial literacy gaps. No significant differences in satisfaction were found across different interest rate groups, pointing to the importance of customer service and ease of access to loans.

The study provides insights for banks to improve their home loan offerings by addressing these challenges and enhancing customer education, particularly in regions like Amravati where housing affordability is a concern.

Introduction :

Owning a home is a fundamental need for most of the people. Many of us live in a rented house but have a strong desire to own a home. But the housing prices especially in urban as well as sub-urban areas are steadily increasing from a couple of decades. The housing price Index has increased by 30 points from 2017 to 2023 and is expected to rise even more in upcoming years. This factor leads to most of the people taking home loans because of liquidity constraints. But while taking loans worth lakhs of rupees, consumers have a very careful approach. Their mindset is very important to study and what factors influence their decision the most will help banks and HFCs make the best possible schemes. This report deals with the perception of home loan consumers in Amravati district region. The findings from this report will not only be applicable to the Amravati region but to all the districts which have approximately the same net domestic product and census. All types of data such as population, income per capita ,type of population, etc. will be provided for the application of finding in all type of similar regions.

Industry Profile :

The home loan industry is crucial in helping individuals finance homes, especially as property prices rise in urban and suburban areas. Both banks and Housing Finance Companies (HFCs) serve a diverse range of customers. As housing costs increase, competitive interest rates, efficient loan approvals, and transparency are key factors influencing customer perception.

Borrowers prefer quick, straightforward loan processes without hidden fees. Customer service plays a significant role in shaping opinions, with good support and clear communication improving satisfaction. Loan tenure flexibility and repayment options, such as prepayment without penalties, are also attractive features.

Financial literacy impacts customer perceptions, as many borrowers require guidance to navigate the loan process. A lender's reputation further influences trust, with well-known banks generally favored over smaller institutions unless additional benefits, like lower rates, are offered.

Digitalization has transformed the industry, with customers now expecting online applications and real-time updates. As affordability becomes a greater concern, many are opting for longer loan terms. Interest in green home loans is also growing, reflecting a shift toward sustainability.

Different customer segments, from middle-income borrowers seeking affordability to high-income clients prioritizing service, influence the market. First-time buyers need more support, underscoring the importance of clear communication.

In conclusion, customer perception in the home loan industry hinges on competitive rates, transparency, service quality, and process efficiency. By addressing these areas and educating borrowers, financial institutions can improve satisfaction, particularly in regions like Amravati where affordability remains a key issue.

Research objective :

1. To understand the key factors influencing consumer decisions regarding home loans in the Amravati district.
2. To assess consumer satisfaction with the home loan services provided by banks and financial institutions.
3. To identify the challenges faced by consumers during the home loan process.
4. To evaluate the impact of demographic factors such as age, income, and gender on home loan perceptions and satisfaction.
5. To explore consumer awareness about home loan terms and government schemes that support housing finance.

Scope of study :

1. **Interest Rates and Loan Terms:** Exploring how varying interest rates, loan tenure, and repayment terms affect consumers' decisions and overall satisfaction.
2. **Customer Service:** Evaluating how the quality of customer support, communication, and assistance throughout the loan process impacts consumer satisfaction.
3. **Transparency and Trust:** Investigating the role of transparency in loan terms, fees, and conditions, and how it affects consumer trust and confidence in financial institutions.
4. **Evaluating Customer Satisfaction:** It focuses on assessing the level of satisfaction among home loan borrowers and how different factors, such as ease of loan approval and service quality, affect their experiences.

Literature Review :

Anant, H. & Siddiqui, I. N. (Year). A Study on Consumer Perception and Satisfaction Towards Home Loan. This study explores consumer perceptions and satisfaction levels regarding home loans from both private and public sector banks. The findings suggest that consumer awareness of home loans is high, with many viewing them as a viable tool for property investment. While there is a positive perception of the benefits offered by banks, such as competitive interest rates and flexible repayment options, a gap in financial literacy persists. The study highlights the case of Home First Finance Company (HFFC), known for its strong customer relationships and disciplined workforce. The desire for home ownership remains a key driver for consumers, despite challenges related to understanding loan processes.

Soundarya, M. & Selvarani, S. Customer Perception Towards Home Loan Borrowers of Selected Public Sector Banks in Sivagangai District. This study examines factors influencing customer perceptions of home loans in public sector banks in Sivagangai district. Using convenience sampling, the research finds that key drivers of customer satisfaction include quick loan sanctioning, simple procedures, and the availability of desired loan amounts. The study suggests that public sector banks play a growing role in providing accessible home loans, particularly through government-supported schemes. It further recommends that banks enhance guidance on loan security procedures to improve the overall home loan experience.

Solanki, P. R., Pareshbhai, R. Y., & Gohil, S. (Year). A Study on Consumer Perception towards Home Loan. This research investigates consumer perceptions of home loans, focusing on practical suggestions for banks to improve their services. Key recommendations include simplifying the loan application process, enhancing credit appraisal methods, and offering quicker loan approvals. The study also highlights the importance of increasing consumer awareness through better advertising and informative materials. Personalized customer service is emphasized as a way to build trust and improve consumer satisfaction in the home loan market.

Research Methodology :

The methodical, in-depth examination of a certain topic, subject, or field of study supported by the gathering, assembling, presenting, and interpretation of pertinent information is known as research.

Both primary and secondary data served as the foundation for this investigation. The information and pertinent statistics used in this study were gathered from various sources. The RBI website, Money Market, Google, magazines, and newspapers were the sources of the information.

For the present study home loan companies operating in Amravati City selected

Research Design :

This study employs a descriptive research design to explore consumer perceptions of home loans in the Amravati district, Maharashtra. The research focuses on gathering both quantitative and qualitative insights from consumers in the urban regions, while secondary data helps to contextualize findings from a broader perspective, including rural areas

Data Collection :

The data collection for this study was conducted using a combination of primary and secondary sources to ensure a well-rounded understanding of consumer perceptions regarding home loans in the Amravati district.

➤ Primary Data Collection

Primary data was gathered directly from respondents who have availed of home loans or are planning to take them in the near future. In order to guarantee varied and representative perspectives from different segments of the urban population, the data collection method used a structured approach.

➤ Secondary Data Collection

In addition to the primary data collected directly from respondents, the study also utilized secondary data to supplement and provide context to the findings. The secondary data was sourced from official reports and existing literature to provide a broader understanding of home loan trends in the region and across India.

Data Interpretation :

This section provides a comprehensive analysis of the data collected from respondents regarding their perceptions and satisfaction levels related to home loans in the Amravati district. The study employed a structured questionnaire to gather insights on various factors influencing consumer behavior, including interest rates, loan processing times, and customer service experiences. By interpreting the results, we aim to provide valuable insights into consumer behavior and identify key factors that significantly influence satisfaction with home loan services. The findings from this analysis will serve as a foundation for understanding how various elements affect decision-making in the home loan process. Ultimately, this comprehensive approach seeks to contribute to the body of knowledge on consumer perceptions in the housing finance sector, equipping stakeholders with the necessary information to address consumer needs effectively and promote higher satisfaction levels.

1. Age group and Number of Respondents

Age group	Number of Respondents
20-30	14
30-40	29
40-50	7
Grand Total	50

The age distribution data shows that 58% of respondents are in the 30-40 age group, suggesting middle-aged individuals, in their peak earning years, dominate Amravati's home loan market. The 20-30 age group makes up 28%, indicating interest from younger adults, while only 14% are in the 40-50 age group. Overall, the market is driven mainly by those in their 30s, with some younger participants.

2. Tenure of Loan and Number of Respondents

Tenure of Loan	No. of Respondents
6-8 Years	11
8-10 Years	20
10-12 Years	15
More than 12 Years	4
Grand Total	50

The data shows that 40% of respondents have home loans with a repayment period of 8-10 years, indicating a preference for medium-term durations. Another 30% have loans with a 10-12 year tenure, while 22% opted for 6-8 year loans. Only 8% chose loan terms longer than 12 years, suggesting long-term plans are less common. Overall, most borrowers favor medium-term loans, balancing repayment length with affordability.

3. Amount of Housing loan taken by Respondents

Amount of Housing Loan you have Taken	No. of Respondents
15 lacs to less than 20 lacs	17
20 lacs to less than 25 lacs	14
Less than 15 lacs	14
More than 25 lacs	5
Grand Total	50

The data reveals that 34% of respondents have taken loans between ₹15 lakhs and less than ₹20 lakhs, indicating a preference for mid-sized loans. Both the ₹20 lakhs to less than ₹25 lakhs and the less than ₹15 lakhs ranges each account for 28%, showing equal interest in these amounts. Only 10% have loans exceeding ₹25 lakhs, suggesting larger amounts are less common. Overall, most borrowers prefer loans between ₹15 lakhs and ₹25 lakhs.

4. Duration taken by bank to sanction a home loan

Duration taken by your bank to sanction a home loan	No. of Respondents
0-1 months	15
1 - 2 Months	24
2 - 3 Months	10
More than 3 Months	1
Grand Total	50

The analysis of loan sanction durations reveals that 48% of respondents had their loans approved within 1 to 2 months, indicating a generally quick approval process. Additionally, 30% reported approval within 0-1 month, showcasing efficient bank operations. Meanwhile, 20% experienced sanctioning times of 2 to 3 months, and only 2% faced delays of more than 3 months. Overall, most borrowers receive approvals within a reasonable timeframe, though a small segment may encounter longer delays.

5. Rate of interest at which Respondents taken a home loan

Rate of interest at which you have taken a home loan.	No. of Respondents
Below 8 %	10
8 to 10 %	29
10 to 12 %	11
Grand Total	50

The survey reveals that the majority of respondents (58%) secured home loans with interest rates between 8% and 10%. Additionally, 22% reported rates between 10% and 12%, while 20% obtained loans with rates below 8%. This distribution indicates varying borrower experiences and highlights the significance of interest rates in consumer decisions.

6. Bank interest rate satisfaction

Are you satisfied by interest charges by your bank ?	No. of Respondents
Highly Satisfied	18
Satisfied	22
Dissatisfied	4
Disappointed	2
Grand Total	50

In assessing satisfaction with interest rates, 80% of respondents expressed satisfaction, with 36% highly satisfied and 44% satisfied. Conversely, 12% reported dissatisfaction, including 8% who were dissatisfied and 4% who felt disappointed. These findings indicate that most borrowers view their banks' interest rates as reasonable, contributing positively to their overall borrowing experience.

Hypothesis Testing:

H1: Lower Interest rate (in 8-10% and less than 8% bracket) reports more customer satisfaction

H0: Lower interest rates (in 8-10% and less than 8% bracket) do not significantly influence customer satisfaction.

Key Findings :**1. Age Distribution:**

- A significant majority of respondents (58%) are in the 30-40 age group, indicating that middle-aged individuals are the primary participants in the home loan market in Amravati.
- The younger age group (20-30) comprises 28%, showing interest among younger adults, while only 14% are from the 40-50 age group.

2. Loan Tenure Preferences:

- The most common loan tenure is 8-10 years, with 40% of respondents opting for this duration, indicating a preference for medium-term loans.
- 30% of respondents have loans with a tenure of 10-12 years, while 22% chose 6-8 years. Only 8% of borrowers selected loan terms longer than 12 years.

3. Amount of Housing Loans:

- The majority of respondents (34%) have taken loans between ₹15 lakhs and ₹20 lakhs, reflecting a preference for mid-sized loans.
- Both the ₹20 lakhs to less than ₹25 lakhs and less than ₹15 lakhs categories account for 28%, while only 10% have taken loans exceeding ₹25 lakhs.

4. Loan Sanction Duration:

- A majority (48%) of respondents had their loans sanctioned within 1 to 2 months, indicating an efficient approval process.

- Additionally, 30% received approval within 0-1 month, while 20% faced durations of 2 to 3 months, and only 2% experienced delays of more than 3 months.
- 5. Interest Rates on Home Loans:**
 - The majority (58%) of respondents secured loans at interest rates between 8% and 10%.
 - 22% reported rates between 10% and 12%, while 20% obtained loans with rates below 8%, showcasing a range of borrower experiences.
- 6. Satisfaction with Interest Rates:**
 - A large majority (80%) expressed satisfaction with their banks' interest rates, with 36% highly satisfied and 44% satisfied.
 - Conversely, 12% reported dissatisfaction, highlighting that most borrowers view interest rates as reasonable and satisfactory.

Suggestions :

1. Develop targeted marketing strategies for the dominant 30-40 age group, emphasizing the benefits of home loans tailored to their needs, such as flexible repayment options and competitive interest rates. Additionally, engage younger borrowers (20-30 age group) by offering educational resources on home ownership and financial literacy, potentially including workshops or online webinars.
2. Offer a variety of loan tenure options that cater to different borrower preferences, with a focus on medium-term durations (8-10 years) that most respondents favor. Consider introducing flexible repayment plans that allow borrowers to adjust their loan tenure based on changing financial circumstances.
3. Continue to improve the efficiency of loan sanctioning processes to ensure that a high percentage of applications are approved within 1-2 months. Implement digital solutions that expedite documentation and verification processes, reducing delays and improving customer satisfaction.
4. Regularly assess and adjust interest rates to remain competitive, especially for loans in the 8% to 10% range, which is the most common among respondents. Offering promotional interest rates or discounts for first-time homebuyers or those with a good repayment history can also be beneficial.
5. Enhance customer service and support to address concerns and feedback regarding interest rates and loan processes. A dedicated customer service team can help resolve queries and improve overall satisfaction. Creating feedback mechanisms to continuously gather customer opinions on interest rates, loan products, and service quality is essential.
6. Develop educational programs aimed at improving financial literacy among potential borrowers, particularly younger adults and first-time homebuyers. Providing easily accessible resources, such as online calculators and guides, can help customers understand their loan options and associated costs.
7. Ensure transparency in the loan process, including clear communication about interest rates, fees, and repayment terms. This can help build trust and enhance borrower confidence in financial institutions.
8. Adopt digital platforms for loan applications and management, allowing customers to track their applications and repayments online. This convenience can enhance customer satisfaction and engagement.

The research on consumer perception towards home loans in Amravati reveals significant insights into the demographics, preferences, and satisfaction levels of borrowers. The data indicates that the home loan market is predominantly driven by middle-aged individuals, particularly those in their 30s, who prefer medium-term loans in the mid-sized range.

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