



Effect of Interest Rates and Income Levels on the Consumer Perception towards Housing Affordability in Kolanukonda Region.

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ABSTRACT:

Housing affordability remains a critical issue, influenced by a variety of economic, social, and financial factors. This study explores the impact of interest rates and income levels on consumer perceptions of housing affordability in the Kolanukonda region. Using primary data collected through a structured questionnaire, perceptions of affordability were measured with a composite metric, Aggregated_Perception, derived from Likert-scale responses to 12 survey questions. Statistical analyses, including ANOVA, were conducted to evaluate the significance of interest rate levels (categorized as low, medium, high, and very High) and income levels (divided into five groups) in shaping consumer perceptions. The findings revealed no statistically significant effect of either variable, indicating consistent perceptions across groups.

The results underscore that interest rates and income levels alone are insufficient to explain variations in housing affordability perceptions. This suggests the potential influence of other factors, such as market conditions, government policies, and personal preferences, which warrant further investigation. The study highlights the need for a multidimensional approach to understanding housing affordability, advocating for policymakers and stakeholders to address broader determinants and implement targeted strategies to improve housing accessibility. These findings contribute to the ongoing discourse on housing affordability, offering insights into consumer behavior and decision-making in the Indian context.

Keywords: Housing affordability, consumer perception, income levels, interest rates, primary data analysis

Introduction:

Housing is a fundamental human need and a dream for many individuals. However, finding suitable and affordable housing remains a significant challenge, both in rural and urban areas. In India, a culturally diverse nation, housing affordability is influenced by various socio-economic and infrastructural factors. In rural areas, the availability of land, construction costs, irregular income levels, and limited financial support are key determinants. While land in rural regions is often more abundant and less expensive than in urban areas, issues such as ambiguous ownership and legal disputes complicate housing development. Additionally, the use of local materials can lower construction costs, but transporting non-local materials increases expenses.

Globally, housing affordability has been declining over the last decade as home prices, especially in urban areas, have risen significantly faster than wage growth. Factors such as low mortgage rates, limited housing supply, and increasing demand for suburban real estate have exacerbated the issue. The COVID-19 pandemic further accelerated housing price growth due to changes in housing preferences and historically low borrowing costs. Rising rents and chronic undersupply caused by zoning restrictions and escalating construction costs have disproportionately impacted low- and middle-income households. Despite government initiatives like tax incentives and first-time homebuyer programs, their effectiveness in improving affordability has been inconsistent. As a result, many households face higher rent-to-income and price-to-income ratios, making it increasingly difficult to rent or purchase a home.

Objectives:

The specific objectives of the study are:

1. To analyse the impact of interest rates on consumer perceptions towards housing affordability.
2. To analyse the impact of income levels on consumer perceptions towards housing affordability.

Review of Literature:

In the article **“A Study on Consumer Perception towards Affordable Housing Loans”**. The article by Sachin Warade and Shubhangi Walvekar, examines the attitudes and experiences of consumers regarding affordable housing loans in India. It explores the factors influencing consumer decisions, such as loan accessibility, interest rates, repayment terms, and lender credibility. The study highlights the importance of affordable housing loans in addressing the housing needs of middle- and lower-income groups, emphasizing the role of financial institutions in improving awareness and streamlining processes. Through surveys and data analysis, the authors provide insights into the challenges faced by borrowers and suggest measures to enhance consumer satisfaction and promote housing affordability.

In the article **“Customer Perception on Home Loan Finance: An Analytical Study on Influencing Factors Towards Need for Home Loan in Krishnagiri District, Tamilnadu, India”**. The article by Dr. Syed Ahamed and Md Tipu Sultan, examines variables such as interest rates, loan tenure, eligibility criteria, and customer service, identifying their impact on customer decision-making. It highlights the challenges faced by borrowers and the role of financial institutions in addressing housing needs. Recommendations are provided to enhance loan accessibility and customer satisfaction in the region.

In the article **“Customer Perception Towards Home Loans - A Comparative Study of Public & Private Sector Banks”**. The article by Dr. Narender Singh Chauhan, investigates the differences in customer perceptions regarding home loans offered by public and private sector banks. The study focuses on factors such as interest rates, loan processing time, customer service, transparency, and repayment flexibility. It highlights how public sector banks are often preferred for their lower interest rates and trustworthiness, while private sector banks are valued for quicker processing and personalized services.

In the article **“A Study on Consumer Perception Towards Home Loan Among Public Sector and Private Sector Banks”**. The article by Pratiksha Kumar and Dr. Smita Kavetkar, examines how consumers perceive home loan offerings from public and private sector banks. The study evaluates factors such as interest rates, loan processing time, transparency article, customer service, and accessibility to understand the preferences and satisfaction levels of borrowers. It highlights that public sector banks are often chosen for their reliability, lower interest rates, and government-backed schemes, whereas private sector banks are favoured for their faster processing, innovative products, and personalized services.

In the article **“Customer Perception Towards Home Loan with Special Reference to SBI – A Study”**. The article by Manjula Bai, explores customer perceptions and satisfaction regarding home loan services offered by the State Bank of India (SBI). It evaluates factors such as interest rates, loan processing time, documentation requirements, customer service quality, and repayment flexibility. The study highlights SBI's position as a trusted public sector bank, preferred for its competitive interest rates and government-backed credibility. The research provides insights into improving customer experience, emphasizing the need for streamlined operations and enhanced service quality to retain and attract borrowers.

In the article **“ COVID-19 and Urban Housing Affordability – Evidence from Select Indian Cities”**. The article by K. Sridhar and Kandachar B. Nagarjun, investigates the impact of the COVID-19 pandemic on housing affordability in select Indian cities. It analyses how the pandemic-induced economic slowdown, job losses, and income reductions have worsened housing affordability, especially for low- and middle-income groups. The paper also discusses how government measures such as rent freezes and housing support helped mitigate the crisis, while highlighting long-term challenges in urban housing as the country recovers from the pandemic.

In the article **“Affordable Housing for Urban Poor in India: Prospects and Challenges”**. The article by B.L. Rajput, explores the prospects and challenges of providing affordable housing for the urban poor in India. It discusses the government's initiatives, including PMAY, and the role of public-private partnerships. The study identifies key challenges like land scarcity, financing issues, and bureaucratic delays that hinder the effective implementation of housing schemes. It suggests policy reforms and innovative financing models to bridge the gap between housing demand and supply for low-income households.

In the article **“A Relook at the Housing Policies from the Viewpoint of the Urban Poor in India”**. The article by Chandra Sabnani, examines India's housing policies with a focus on their impact on the urban poor. It highlights the gaps in policy frameworks, such as inadequate targeting and accessibility of affordable housing schemes like PMAY. The research emphasizes the need for a bottom-up approach to urban housing, factoring in the socio-economic conditions of slum dwellers and low-income groups, and explores how existing policies can be restructured to better meet the housing needs of the urban poor.

In the article **“Bubble in the Indian Real Estate Markets: Identification Using Regime-Switching Methodology”**. The article by Vijay Kumar Vishwakarma, investigates the presence of speculative bubbles in the Indian real estate market using regime-switching models. By analysing historical price trends and macroeconomic factors, the study aims to identify periods of rapid price escalation that deviate from fundamental values, indicating potential bubbles. The research highlights the risks associated with unsustainable price growth and its implications for housing affordability, investment, and financial stability in India, while also discussing policy measures to prevent market overheating.

In the article **“Reviewing the Affordability and Adequacy of Affordable Housing in Urban India: Impact of the COVID-19 Pandemic ”**. The article by [Shagun Agarwal](#), [Tribhuvan Pratap Singh](#), [Deepak Bajaj](#) reviews the state of affordable housing in urban India, emphasizing the effects of the COVID-19 pandemic. It discusses how the pandemic exacerbated housing inadequacy and affordability issues for low-income populations, with increased job losses and income instability. The paper highlights policy responses, such as rent relief measures and housing for migrants, while evaluating their effectiveness. It also explores the long-term implications of the pandemic on housing demand, urban planning, and policy reforms aimed at improving housing security for vulnerable populations.

Data Collection:

For this study, data was collected from individuals using a structured questionnaire distributed through Google Forms. A total of 100 responses were gathered from participants, ensuring a diverse representation of perspectives. The questionnaire was administered to individuals across different income levels to analyse variations in perceptions effectively. The collected data serves as the foundation for evaluating the impact of interest rates and income levels on housing affordability in the region. The survey collected responses on 12 questions designed to measure various aspects of housing affordability, including perceptions of housing costs, affordability within current income, and financial readiness for homeownership. These responses, measured on a 5-point Likert scale, were averaged for each respondent to calculate a composite measure called Aggregated_Perception. This metric provides an overall score representing the respondents' perceptions of housing affordability, with higher scores indicating more favourable perceptions.

Analysis and Results:

The research analysed the impact of interest rates and income levels on consumer perception of housing affordability using statistical methods. ANOVA tests were conducted to evaluate the influence of these factors on Aggregated_Perception, with interest rates categorized into four levels (Low, Medium, High, Very High) and income levels into five groups. The results demonstrated no statistically significant effect of interest rate levels ($F = 0.001$, $p = 1$) or income levels ($F = 0.797$, $p = 0.53$) on consumer perception. The findings indicate minimal variation in Aggregated_Perception attributable to these variables, suggesting that perceptions of housing affordability remain consistent across different interest rate and income groups in this dataset.

Final Results:

The statistical tests revealed that neither interest rates nor income levels significantly impact consumer perceptions of housing affordability. Both factors exhibited high p-values and low F-values, indicating that variations in perception across these groups are negligible. This outcome highlights the need to explore other potential determinants, such as housing market conditions, government policies, or personal preferences, that may more substantially influence consumer perceptions.

Conclusion:

The study concludes that interest rate levels and income levels do not have a significant effect on consumer perception of housing affordability in the Kolanukonda region. These findings underscore the importance of examining additional variables and contextual factors to gain a comprehensive understanding of the determinants shaping perceptions of housing affordability. Policymakers and stakeholders should consider broadening the scope of research to include diverse influences beyond financial metrics to address housing affordability challenges effectively.

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