Analytical Study On Customer Behaviour In Selection Of A Bank And Housing Financial Companies For Home Loan.

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Abstract :   Many middle-class families in Indian cities today consider homeownership as a path to wealth accumulation.Economists say that having a house is not only important for a family's finances but also for the health of the neighborhood and the larger financial and job markets in the country. Having a good place to live is necessary for people to grow and live a good life. However, with prices going up and people having less money to spend, it's getting tough for middle-class families to save enough money to buy a house. So, many people are turning to home loans to help them buy a house. This study looks at the customer behavior towards choosing certain banks or home loan financial companies to get these home loans. For this study, 100 customer were selected randomly from different area of DNH region. The primary method of data collection involved utilizing a questionnaire. To analyze the data and get meaningful insights, various statistical methods like calculating the average (Mean), Chi-Square Analysis, and ANOVA test is used for study purpose. The study's findings indicate that customers' behavior is influenced by various factors that banks must consider when offering home loans to them.

IndexTerms – **Banks, Housing Finance companies, Home loan, customer behaviour, interest rates**

INTRODUCTION

Housing stands as one of the fundamental necessities of human life, ranking closely alongside food and clothing. A minimum standard of housing is crucial for fostering a healthy and civilized lifestyle. Beyond mere shelter, housing serves as a cornerstone for the progress of societies. It not only provides a sense of security but also offers a foundation for personal and societal development.

The concept of home ownership enhances the feeling of security, as famously stated by McCarthy, Van Zandt, and Rohe. However, in a country like India, where economic development is on the rise, there is a simultaneous increase in housing prices and a decrease in purchasing power. This makes accumulating a substantial sum for home ownership a formidable task. In such circumstances, the most viable option becomes obtaining a home loan.

Selecting a housing finance option is a monumental decision, as it entails a significant capital investment and a long-term commitment spanning 15-25 years. The primary obstacle to achieving home ownership often boils down to financial constraints. The timely intervention of the government through policies that enable commercial banks and housing finance companies to offer diverse schemes has been instrumental in addressing this issue.

Banks and financial institutions have played an instrumental role in contributing to economic progress. Their involvement in facilitating the accumulation and allocation of capital for individuals seeking housing finance cannot be overstated. This increase in financial assets among the public leads to greater savings mobilization, resulting in higher levels of savings, increased investment, heightened production, economic growth, and ultimately, poverty alleviation—a concept advocated by McKinnon in 1973.

Housing is a fundamental human need, and access to housing finance is pivotal in making home ownership attainable. Rising housing costs and diminished purchasing power have necessitated the use of home loans. Government policies have supported this endeavor, and banks and financial institutions have been key players in mobilizing capital for housing. This has far-reaching economic consequences, as it promotes savings, investment, and growth while combating poverty.Financial institutions, including

banks and housing finance companies, place a strong emphasis on nurturing long-term relationships with their customers by delivering high-quality services. In today's rapidly evolving and competitive landscape, understanding customer behavior and their preferences becomes paramount, offering a strategic advantage over rivals. This study seeks to contribute to this effort.

Literature Review:

Rashmi Chaudhary and Yasmin Janjhua (2011) highlighted the overall satisfaction of bank customers with home loan services. It underscored the importance of transparency, efficiency, employee cooperation, and effective query handling in delivering a positive customer experience. Additionally, it brought attention to areas that could benefit from improvement, such as reducing procedural delays, enhancing customer education, and streamlining processes to minimize red-tape.

Sangwan p,andBhan k.(2012) research sheds light on the preferences and experiences of customers when seeking housing loans from different types of banks. It emphasizes the competitive advantage that private sector banks had in terms of attracting customers and maintaining relationships, while also highlighting areas where public sector banks might need to improve, such as employee cooperation and customer satisfaction.

Utkarsh Gupta and Dr. Richa Sinha (2015) mentioned that the demand for home loans in India has been steadily rising due to the growing need for residential accommodation. A significant portion of the Indian population now utilizes home loan facilities offered by both public and private sector banks. It is crucial for these lending institutions to not only recognize this increasing demand but also to closely monitor the various factors that influence buyers' decisions to opt for home loans.

Omkar A. Patil et al. (2019) mentioned that preferences between individuals who have already borrowed a home loan and those planning to do so in the future reveals distinct priorities. Future borrowers place high importance on a bank's reputation, signaling their need for trust and credibility, while existing borrowers prioritize the interest rate, indicating a cost-centric approach. Their study insights suggest that financial institutions should tailor their offerings based on the shifting priorities of different customer segments, emphasizing trust-building measures for future borrowers and competitive interest rates for existing ones, while providing a mix of digital and physical banking options to cater to diverse customer preferences in the housing finance market.

Ms. M.Sughana and Prof. P.Sheela (2021) mentioned that the primary factors influencing customers in choosing banks or housing finance companies are financial gains, including processing fees and interest rates. Further it is mentioned in the study that the timely sharing of information, such as pre-closure charges and income tax-related services, as well as the speed of loan approval are the crucial factors for customer. They concluded that the quality of services provided by the bank or housing finance company plays a significant role in customer decision-making.

PinkeshRamu Solanki et al. (2022), studied that obtaining a home loan is perceived as a challenging and time-consuming process, particularly for individuals without the necessary documentary evidence. The majority of respondents prefer a fixed rate of interest for their home loans. Information about home loans is primarily acquired from television, the internet, or through advice from family and friends. Respondents generally express satisfaction with the treatment they receive from banks. Key factors that individuals prioritize when considering home loans include the quality of service provided by the bank and the interest rate, with these criteria being of paramount importance in their decision-making process.

RESEARCH METHODOLOGY:

Research methodology refers to the systematic process of planning, conducting, and evaluating research. It encompasses the principles, procedures, and techniques used in the collection and analysis of data to answer research questions or test hypotheses.

Objectives:

[1] To study the customers behaviour towards selecting bank and housing finance companies for home loan.
[2] To study the various behaviors affecting customers choice while selecting bank and housing finance companies for home loan
[3] To offer suggestions and recommendation to bank and home loan financial companies for further improvement.

Research Design

This research employs a descriptive methodology with the specific goal of assessing the consumer behavior towards selecting bank and housing financial companies in the DNH region. Data are collected, both quantitatively and qualitatively, through methods like surveys/interviews and analyzed to provide insights, and used to make recommendations if needed.

Source of Data

Primary Data

In this research, primary data is collected through a meticulously designed and well-structured questionnaire. Primary data refers to information that is gathered by the researcher for the first time, specifically for this study. It possesses an original and unique

character because it's tailored to the research objectives. The study involved conducting a field survey in the DNH region, and a total of 100 bank customer were chosen as respondents for the research.

Secondary Data

Secondary data refers to information that has been collected by individuals or organizations for purposes other than the current research study. This type of data can include both qualitative and quantitative information and is sourced from a wide variety of outlets, including journals, magazines, websites, newspapers, and similar resources.

Sampling Design

In this research study, convenience sampling method has been chosen to select the respondents from the DNH (Dadra and Nagar Haveli) region. Convenience sampling is one type of non-probability sampling methods in which respondents are selected primarily based on their convenient accessibility and proximity to the researcher. This approach is often favored for its practicality and the ease it provides for data collection,

Data Analysis Techniques:

The researcher has employed statistical software to carry out the analysis in this study. The study encompassed a variety of analytical techniques, including descriptive statistics to reveal data patterns, chi-square analysis to explore relationships in categorical data, ANOVA analysis to assess group differences, and percentage analysis to present data in an easily understandable format. These methods collectively allowed for a comprehensive and insightful examination of the research data, ensuring that findings were accurately derived and effectively summarized.

Hypothesis Testing:

The following Null Hypotheses are framed and tested to identify the significant relationship between different factors.
[1] There is no significant relationship between Gender and Selection of Home loan Institution.
[2] There is no significant relationship between occupation and Selection of Home Loan Institution.
[3] There is no significant relationship between Income Level and Selection of Home Loan Institution.
[4] There is no significant relationship between Purpose of home loan and Selection of Home Loan Institution.
[5] There is no significant difference between the selection of type of home loan institution selected and purpose of taking home loan

Data Analysis and Result:
Reliability and Validity Test
Reliability test

Case Processing Summary		N	%
Cases	Valid	100	100.0
	Excludedª	0	.0
	Total	100	100.0

Reliability Statistics	
Cronbach's Alpha	N of Items
.833	9

Survey questionnaires are evaluated based on two crucial elements: validity and reliability. Validity assesses how well a questionnaire measures its intended concepts, while reliability evaluates its consistency in measurement. It's important to note that a questionnaire must be reliable to be valid. In this test, Cronbach's Alpha, a common reliability measure, was used to assess the consistency of a questionnaire designed to measure behaviors influencing customers' choices when selecting a bank or financial company for a home loan. The result, with an Alpha value of 0.833, indicates that the questionnaire is reliable, as it surpasses the commonly accepted threshold of 0.70. This reliability ensures the questionnaire consistently measures the intended construct, reinforcing the quality and validity of the survey findings.

Validity test:

The significance level is set at 0.05, representing a 95% confidence level. In the correlation table, most values for the items related to the construct of behaviors influencing customers' choices are below 0.05. When comparing the obtained Pearson correlation values with the critical values from the table (ranging between 0.205 to 0.197), they are found to be significantly higher, indicating a high level of statistical significance. Therefore, we can conclude that the questions in the survey are valid.

Table No. 1 Institutional Preference for Home Loan

Type of institutional preference before taking home loan					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government Banks	46	46.0	46.0	46.0
	Private Banks	27	27.0	27.0	73.0
	Government Financial institution	12	12.0	12.0	85.0
	Private Financial institution	2	2.0	2.0	87.0
	Any one	13	13.0	13.0	100.0
	Total	100	100.0	100.0	

Hypothesis testing and Descriptive Statistics

1. There is no significant relationship between Gender and Selection of Home loan Institution.

Table No. 2 Chi-Square for Gender and Selection of Home Loan Institute

Chi-Square Tests		
	Value	Asymptotic Significance (2-sided)
Pearson Chi-Square	11.931[a]	.018
Likelihood Ratio	13.099	.011
Linear-by-Linear Association	4.936	.026
No. of Valid Cases	100	

Interpretation:

A chi-square value of 0.05 is widely accepted as the conventional threshold for statistical significance, with values below this threshold considered "statistically significant." In the provided table, the Pearson Chi-Square value is 0.018, which is indeed less than 0.05. Therefore, we can conclude that there is a statistically significant relationship observed between gender and the selection of a home loan institution.

2. There is no significant relationship between occupation and Selection of Home Loan Institution selection.

Table No. 3 Chi-Square for Occupation and Selection of Home Loan Institute

Chi-Square Tests		
	Value	Asymptotic Significance (2-sided)
Pearson Chi-Square	36.797[a]	.000
Likelihood Ratio	28.148	.000
Linear-by-Linear Association	3.721	.054
N of Valid Cases	100	

Interpretation:

In Table No. 3, the Pearson Chi-Square value is reported as 0.00, which is less than the conventional threshold of 0.05 for statistical significance. This indicates a statistically significant relationship between occupation and the selection of a home loan institution.

3. There is no significant relationship between Income Level and Selection of Home Loan Institution selection.

Table No. 4 Chi-Square for Income Level and Selection of Home Loan Institute

Chi-Square Tests		
	Value	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.407ª	.830
Likelihood Ratio	7.992	.786
Linear-by-Linear Association	.456	.499
N of Valid Cases	100	

Interpretation:
In the provided information from Table No. 4, the Pearson Chi-Square value is stated as 0.830, which is higher than the conventional threshold of 0.05 for statistical significance. Therefore, based on this result, it can be concluded that there is no statistically significant relationship between income level and the selection of a home loan institution.

4. There is no significant relationship between Purpose of home loan and Selection of Home Loan Institution.

Table No. 5 Chi-Square for Purpose of Loan and Selection of Home Loan Institute

Chi-Square Tests		
	Value	Asymptotic Significance (2-sided)
Pearson Chi-Square	24.192ª	.002
Likelihood Ratio	31.705	.000
Linear-by-Linear Association	.914	.339
N of Valid Cases	100	

Interpretation:
In Table No. 3, the Pearson Chi-Square value is reported as 0.02, which is less than the conventional threshold of 0.05 for statistical significance. This indicates a statistically significant relationship between Purpose of loan and the selection of a home loan institution.

5. There is no significant difference between the selection of type of home loan institution and purpose of taking home loan

Table No. 6 ANOVA analysis between Selection of Home Loan Institute and Purpose of Loan

ANOVA					
	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	5.477	4	1.369	5.368	.001
Within Groups	24.233	95	.255		
Total	29.710	99			

Interpretation:

As per Table No.6, the results of the ANOVA indicate a statistically significant difference among the groups being studied. The F-statistic of 5.368, along with the very low p-value of 0.001, suggests that there are significant variations between the groups. In practical terms, this implies that there are differences in the means of the groups that are not likely to have occurred by chance. Therefore, the null hypothesis that there is no significant difference among the groups is rejected.
In summary, the data provides strong evidence that there are statistically significant differences between the groups being analyzed.

Ranking of behaviors affecting selection of home loan institution

Table No. 8 Ranking on Behavioural Aspect for Selection of Home Loan Institute

	N		Mean	Ranking
	Valid	Missing		
Type Of Institution	100	0	2.09	9
Interest Rate	100	0	4.50	1
Loan Term	100	0	2.61	8
Flexibility Of Repayment Options	100	0	4.21	2
Additional Fees And Charges Associated With The Loan	100	0	3.83	6
Bank's Customer Service And Accessibility	100	0	4.14	3
Loan Approval And Processing Time	100	0	3.90	5
Recommendations From Friends, Family, Or Colleagues	100	0	3.60	7
Bank's Reputation For Financial Stability And Security	100	0	4.12	4

When evaluating the factors that matter most when choosing a financial institution or a loan, it's clear that the interest rate stands out as the top priority for most consumers. With a ranking of 4.50, it takes the first place, emphasizing its crucial role in financial decision-making. Following closely is the flexibility of repayment options, which ranked second at 4.21, indicating that borrowers value the ability to tailor their loan repayment according to their financial situation. Moreover, customer service and accessibility (4.14) and a bank's reputation for financial stability and security (4.12) take the third and fourth spots, underlining the importance of trust and quality service in the banking sector. Loan approval and processing time (3.90) and the presence of additional fees and charges (3.83) hold significance as well, indicating consumers' desire for efficiency and transparency. Recommendations from friends, family, or colleagues (3.60) are also influential factors in decision-making, highlighting the impact of word-of-mouth in the industry. Finally, while loan term (2.61) and the type of institution (2.09) have the lowest rankings, they are still factors to consider. This ranking reflects the complexity of decision-making when it comes to financial matters, where multiple factors come into play, each with its own level of importance.

FINDING AND CONCLUSION
FINDINGS:

[1] Gender and Selection of Home Loan Institution: A statistically significant relationship exists between gender and the choice of a home loan institution, with gender influencing the selection.
[2] Occupation and Selection of Home Loan Institution: There is a statistically significant relationship between occupation and the choice of a home loan institution, implying that occupation plays a role in this decision.
[3] Income Level and Selection of Home Loan Institution: No statistically significant relationship was found between income level and the selection of a home loan institution, indicating that income does not significantly impact this choice.
[4] Purpose of Loan and Selection of Home Loan Institution: There is a statistically significant relationship between the purpose of the loan and the selection of a home loan institution. The reason for taking out the loan influences the choice of institution.
[5] ANOVA Analysis: The ANOVA analysis revealed significant differences among groups being studied, particularly with regard to different factors or variables that influence consumer choices. These differences are not likely due to chance, highlighting that certain factors play a significant role in shaping individuals' preferences.
[6] Factors Influencing Home Loan Institution Selection: The ranking of factors influencing the selection of a home loan institution reveals that interest rate is of paramount importance, followed

by flexibility in repayment options, customer service and accessibility, and the reputation of the bank for financial stability. These findings highlight that consumers prioritize factors related to cost, convenience, and trustworthiness when making financial decisions.

CONCLUSION:

In conclusion, the data reveals that gender and occupation significantly influence the selection of a home loan institution, while income level does not appear to play a significant role. Additionally, the purpose for which the loan is sought is a key determinant in the choice of institution. The ANOVA analysis underscores the presence of substantial variations in factors influencing selection. Notably, interest rate is the foremost consideration, followed by repayment flexibility, customer service quality, and a bank's reputation for financial stability. These findings underline the importance of cost, convenience, and trustworthiness in shaping consumers' decisions. Recognizing these influential factors is vital for Banks and Housing financial institutions seeking to tailor their services to meet customer preferences and enhance overall satisfaction.

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