

# A Study of Awareness and Acceptance of Reverse Mortgage Loan among Senior Citizens in Pune City

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**Abstract** - A reverse mortgage is the "opposite" of a conventional home loan. The Union Government of India introduced Reverse Mortgage Scheme in 2007. This scheme focuses mainly on asset-rich-but-cash-poor senior citizen. But twelve years down the line, planners, RML counsellors and bankers unanimously say that there is very little demand for the product.

This research tries to explore the awareness level and willingness of senior citizens towards Reverse Mortgage Loan (RML). A sample size of 42 senior citizens was selected. The data was collected through a well-designed and structured questionnaire. The senior citizens were asked about their awareness level, willingness to choose RML as retirement planning tool. They were also asked about the reasons behind the unwillingness (if any) for RML. The results were analyzed and suitable conclusions were drawn.

**Key Words** - Reverse Mortgage Loan Scheme, Retirement Planning Tool, Senior Citizens

## I. INTRODUCTION

The life expectancy in India has been going up gradually in the last few decades. According to the latest WHO data published in 2018, the life expectancy of Indian male is 67.4 years while for female it is 70.3 years. With increasing life expectancy, the problem of retirement planning comes into the picture. In India, the social security means are very limited in nature. The senior citizens with no regular income and lack of support from children face major financial crises at old age. To address this critical issue faced by majority of senior citizens, The Union Government of India introduced Reverse Mortgage Scheme in 2007. The Reverse Mortgage Loan is a great financial assistance for senior citizens who want to live independently in their old age.

The Reverse Mortgage Loan (RML) was introduced with an aim to maintain the life standard of senior citizens owning house property. RML is for the benefit of senior citizens having inadequate income to meet their daily requirements. RML is the "opposite" of a conventional home loan. A reverse mortgage enables a senior citizen to receive a regular stream of income from a bank or a financial institution against the mortgage of his home. The senior citizen continues to reside in his property till the end of his life and receives a periodic payment on it.

## II. LITERATURE REVIEW

Nandinee K. Kutty (1998) inspected the scope for eliminating poverty through reverse mortgages. This study

applied the data from the National File of the American Housing Survey of 1991 and studied the elderly homeowners in the US. The poverty rate for all elderly persons in US in 1991 was 12.4 percent. The study concluded that there is immense scope for reverse mortgages. The poverty percentage would have gone down by 2.4 percent if homeowners in poverty had obtained reverse mortgages in 1991.

Christopher J. Mayer, Katerina V. Simons (1994) analyzed the potential of reverse mortgages to increase the income and liquid wealth of the elderly. Survey of Income and Program Participation and Census population (1990) has showed that over six million homeowners in the United States could increase their effective monthly income by at least 20% by using a reverse mortgage. Of these, more than 1.3 million have no children. Furthermore, a reverse mortgage would allow over 1.4 million poor elderly persons to raise their incomes above the poverty line.

Singhal Saket & Jain Amit (2008) in their research paper concluded that, Reverse Mortgage products have the potential of increasing the liquidity in the economy as well as diversifying varied risks. Besides insurance and pension products, actuaries should play a leading role in designing products like reverse mortgage. Inputs from both - actuarial and finance/investment brokers are needed to plan reverse mortgage schemes.

Mr. Ashok Bantwa, Mr. Sumitkumar Acharya (2012) studied the feasibility of reverse mortgage loans as a retirement planning tool among Indian senior citizens using market survey method. The paper included SWOT,

PESTEL and Five Force analysis by using secondary data. The study concluded that the retirement planning done by majority of retired people is not adequate to satisfy their current needs and majority of them are dependent on transfer from their children as their current source of income. So there lies huge growth potential for reverse mortgage loan in India.

**Prof. Sachin Napate (2012)** concluded that the concept of reverse mortgage still in initial stage in India. With the changing social environment and the collapse of the joint family system, introduction of reverse mortgage products could be a worthwhile experiment. Instead of being dependent on their children for monetary support, this would be a good option for the elderly to continue with a graceful lifestyle.

**Pahuja, Dr. Anurag (2016)** tried to explore various factors affecting the choice of potential buyers of Reverse Mortgage Loan in India. The study established the linkage between demographic variables and their effect on attitude towards reverse mortgage by applying factor analysis technique. The study concluded that Financial Independence, Revenue Returns, Risk Involvement, Complex Structure and Ownership are the major factors affecting the choice of potential buyers of Reverse Mortgage Loan in India.

**Dr. Namita Srivastava (2016)** studied the concept and feasibility of reverse mortgage facility in Indian scenario. The feasibility study was conducted on the basis of political, economic, socio – cultural and technological analysis. The cross over risk factors were identified and analyzed.

**Sandhya Rani Dasari (2017)** in her study provided an overview of the reverse mortgage market in Indian Banks and its relevance to Indian markets.

### III. RESEARCH OBJECTIVES

1. To study the awareness of reverse mortgage loan among senior citizens in Pune city.
2. To study the willingness to opt for reverse mortgage scheme as retirement planning tool among senior citizens in Pune city.

### IV. RESEARCH METHODOLOGY

**Population:** Senior citizens (age 60 or above) from Pune city.

**Sample:** Senior citizens (age 60 or above) from Pune city owning a home.

**Sampling Technique:** Convenience Sampling and Snow ball Sampling.

**Sample Size:** 42 Senior citizens

**Tools Used:** A structured questionnaire was designed and distributed among senior citizens owning a home.

**Data Collection:** This study is mainly based on primary data collected through a brief yet well designed and structured questionnaire. The secondary data was collected mainly with the help of online surfing of various research papers, news articles and publications.

**Method of Primary Data Collection:** The questionnaire was distributed among the respondents firstly through personal contacts. Then after snow ball technique of data collection was used by the researcher to get the further references through existing respondents. The researcher was required to explain the purpose of the research to the respondents as it involved inquiry into personal information, income, savings etc. The respondents found the topic and the questionnaire interesting. It was a real eye opener for many senior citizens who were ignorant of reverse mortgage loan. The researcher approached 60 senior citizens and collected 50 questionnaires in total. Out of which 8 questionnaire were incomplete and was lacking important personal information. Finally, the researcher has considered 42 dully filled and valid questionnaires for study.

## V. DATA ANALYSIS AND INTERPRETATION

### 5.1 Demographic Profile of Respondents

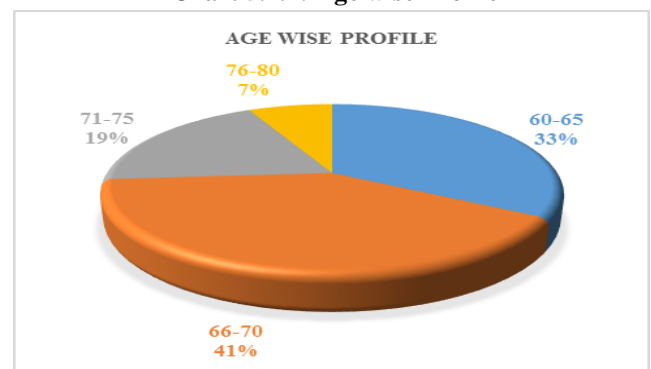
**5.1.1 Age** – as the study is based on senior citizens, the age bracket chosen is 60-65, 66-70, 71-75, and 76-80.

**Table 5.1.1: Age wise Profile**

Age	No. of Respondents	Percentage
60-65	14	33
66-70	17	40
71-75	8	19
76-80	3	7
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

**Chart 5.1.1: Age wise Profile**



Analysis of age profile indicates that the age group 66-70 years constitutes a major age group among senior citizens. It accounted for 40% of the sample. The next on the list is age group 60-65 years with 33 % of sample size. 19% respondents are in the age bracket of 71-75 years and remaining 7% are of age group 76-80 years.

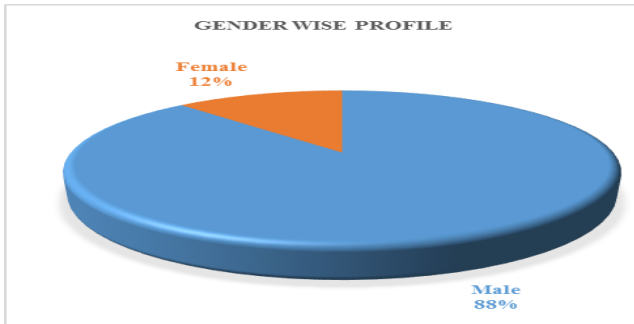
**5.1.2 Gender** – the gender wise study was undertaken as follows -

**Table 5.1.2: Gender wise Profile**

Gender	No. of Respondents	Percentage
Male	37	88
Female	5	12
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

**Chart 5.1.2: Gender wise Profile**



The primary data reveals that 88% respondents are male and 12% are female.

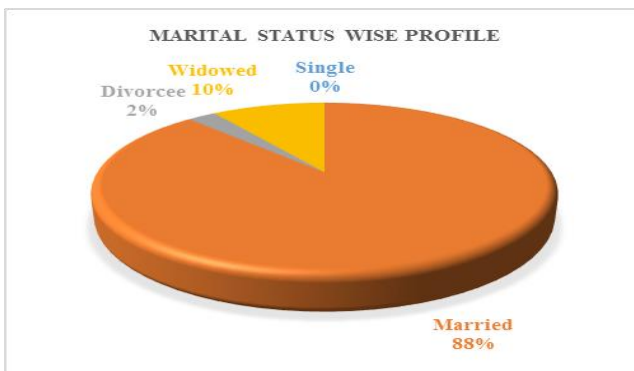
**5.1.3 Marital Status** – The senior citizens were asked about their marital status.

**Table 5.1.3: Marital Status wise Profile**

Marital Status	No. of Respondents	Percentage
Single	0	0
Married	37	88
Divorcee	1	2
Widowed	4	10
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

**Table 5.1.3: Marital Status wise Profile**



Primary data indicates that out of 42 respondents no respondents is single while 88% respondents are married. 2% respondents are divorcee and 10% are widowed. Thus, analysis of marital profile indicates that most of the respondents are married and living with their life partner.

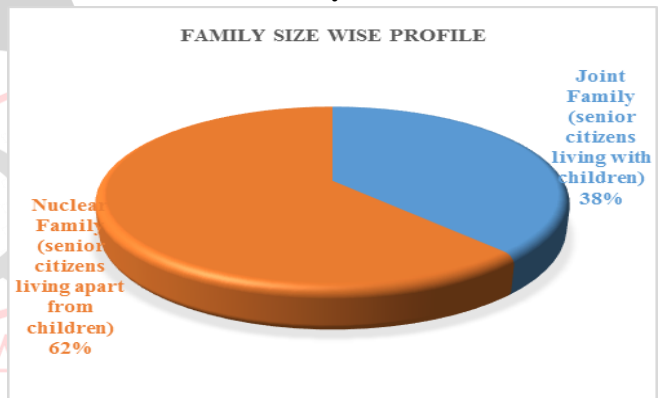
**5.1.4 Family Size**– The senior citizens were asked whether they live with their children or live apart.

**Table 5.1.4: Family Size wise Profile**

Family Size	No. of Respondents	Percentage
Joint Family (senior citizens living with children)	16	38
Nuclear Family (senior citizens living apart from children)	26	62
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

**Chart 5.1.4: Family Size wise Profile**



As per the primary data, 62% respondents live independently with their kids living apart from them. 38% respondents live with their children in a joint family.

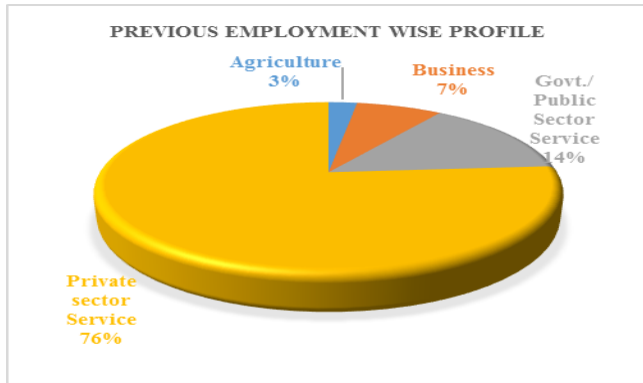
**5.1.5 Previous Employment** – Previous employment influences senior citizen's current financial status to a great extent. Thus, the respondents were asked about their previous employment details.

**Table 5.1.5: Previous Employment wise Profile**

Previous Employment	No. of Respondents	Percentage
Agriculture	1	2
Business	3	7
Govt./ Public Sector Service	6	14
Private Sector Service	32	76
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

Chart 5.1.5: Previous Employment wise Profile



The primary data reveals that 76% respondents were employed with private sector service and only 14% were working at Govt. / public sector service. 7% respondents had a business background and merely 2% are from agricultural family.

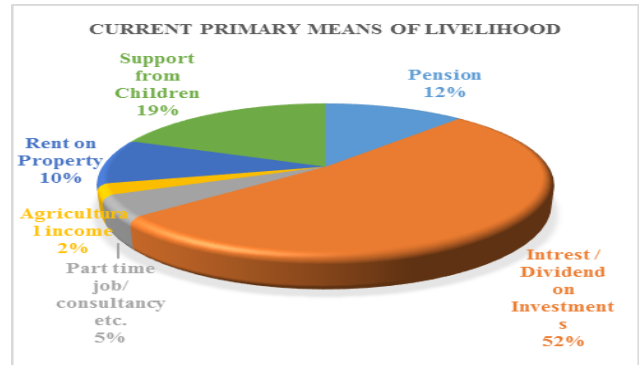
**5.1.6 Current Primary Means of Livelihood** – An inquiry into current primary means of livelihood is essential to know the necessity of reverse mortgage loan. There can be more than one source of current means of livelihood but the researcher has asked to tick only the primary means for clear understanding and interpretation.

Table 5.1.6: Current Primary Means of Livelihood

Current Primary Means of Livelihood	No. of Respondents	Percentage
Pension	5	12
Interest / Dividend on Investments	22	52
Part time job/business/ consultancy etc.	2	5
Agricultural income	1	2
Rent on Property	4	10
Support from children	8	19
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

Chart 5.1.6: Current Primary Means of Livelihood



52% respondents depends upon their savings and investments for taking care of their day to day expenses. 19% respondents depend upon their children to support them financially. The Govt. / public sector service employees have their pension to rely upon while 10% have a backup of property rent. 5% are working part time to support their family. 2% respondents have agricultural income.

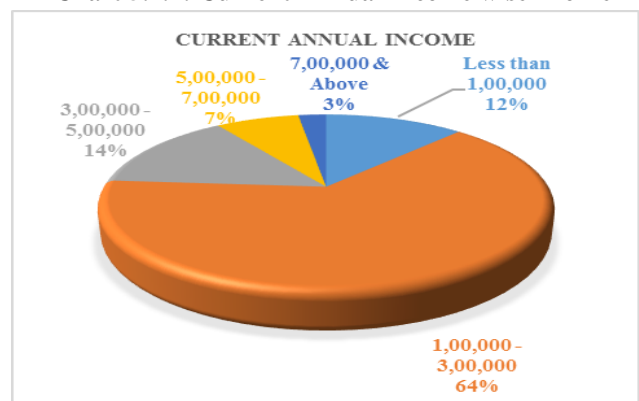
**5.1.7: Current Annual Income** - A review of current annual income is necessary to know the requirement of reverse mortgage loan.

Table 5.1.7: Current Annual Income wise Profile

Current Annual Income	No. of Respondents	Percentage
Less than 1,00,000	5	12
1,00,000 - 3,00,000	27	64
3,00,000 - 5,00,000	6	14
5,00,000 - 7,00,000	3	7
7,00,000 & Above	1	3
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

Chart 5.1.7: Current Annual Income wise Profile



Income of an individual plays an important role in his spending habits. Especially in old age, the income decides the socio-economic wellness of an individual.

As per primary data majority of the respondents i.e. 64% belongs to income group from 1 to 3 lakh whereas 14 % are



from income group 3 to 5 lakh. Income bracket 5-7 lakh and 7 lakh and above consist of 7% and 3% respondents respectively. Thus, 90 % respondents earn less than 5 lakh per annum which is a quite reasonable income level for senior citizens

### 5.2 Awareness of Reverse Mortgage Loan Scheme

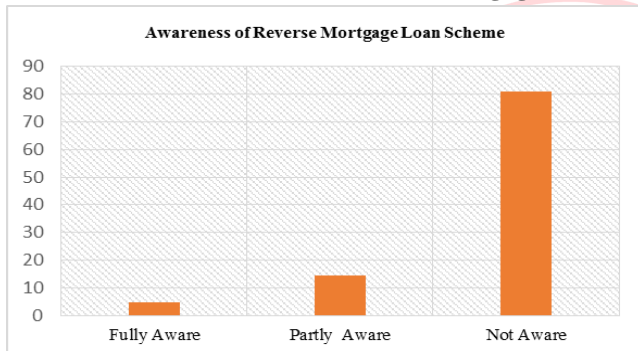
The respondents were asked to list their level of awareness for reverse mortgage loan scheme. The awareness level is described by taking into consideration parameters - Fully Aware, Partly Aware and Not Aware.

**Table 5.2: Awareness of Reverse Mortgage Loan**

Awareness of reverse mortgage loan scheme	No. of Respondents	Percentage
Fully Aware	2	5
Partly Aware	6	14
Not Aware	34	81
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

**Chart 5.2: Awareness of Reverse Mortgage Loan**



34 respondents (i.e. 81%) are not aware of reverse mortgage loan schemes. 6 respondents (i.e. 14%) are partly aware while just 2 respondents (i.e. 5%) are fully aware of reverse mortgage loan schemes. While collecting the primary data, the researcher has come across that the fact that many of the respondents have not even heard about reverse mortgage loan scheme. Few respondents who have worked in commerce/finance industry know about the scheme but complete understanding of the product is missing.

### 5.3 Acceptance of Reverse Mortgage Loan Scheme as Retirement Planning Tool

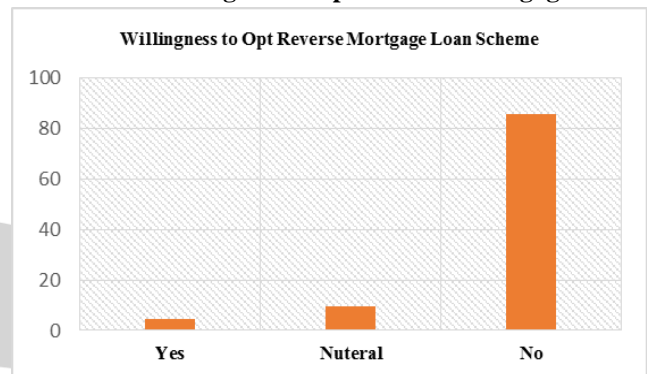
The respondents were asked about their willingness of applying for reverse mortgage loan scheme. This will help to know the acceptance level of RML.

**Table 5.3: Willingness to opt Reverse Mortgage Loan**

Willingness to opt reverse mortgage loan scheme	No. of Respondents	Percentage
Yes	2	5
Neutral	4	10
No	36	86
<b>Total</b>	<b>42</b>	<b>100</b>

(Source – Primary Data)

**Chart 5.3: Willingness to opt Reverse Mortgage Loan**



Majority of respondents (i.e. 86%) are not willing to choose reverse mortgage loan schemes as their retirement planning tool. 4 respondents (i.e. 10%) are unable to decide at this moment and remained neutral. Only 2 respondents (i.e. 5%) have shown interest in this scheme. This further shows the conservative nature of senior citizens.

### 5.4 Primary Reason behind Non Acceptance of Reverse Mortgage Loan Scheme

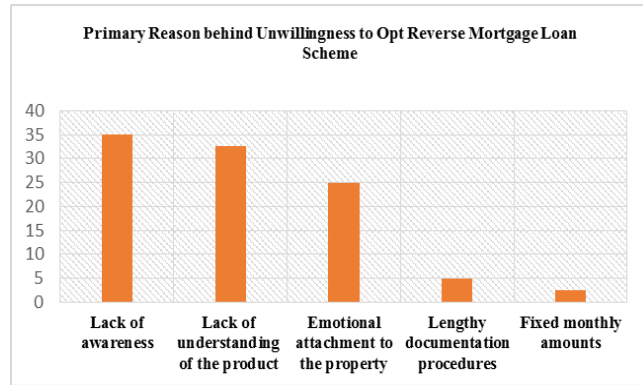
As per primary data (table no. 5.3), Out of 42 respondents, 36 respondents admitted their reluctance for RML while 4 respondents remained neutral. Thus, these 40 respondents were asked about the main reason behind their unwillingness.

**Table 5.4: Primary Reason behind Unwillingness to Opt Reverse Mortgage Loan Scheme**

Primary Reason behind Unwillingness to Opt Reverse Mortgage Loan Scheme	No. of Respondents	Percentage
Lack of awareness	14	35
Lack of understanding of the product	13	33
Emotional attachment to the property	10	25
Lengthy documentation procedures	2	5
Fixed monthly amounts	1	3
<b>Total</b>	<b>40</b>	<b>100</b>

(Source – Primary Data)

**Chart 5.4: Primary Reason behind Unwillingness to Opt Reverse Mortgage Loan Scheme**



It is clear from the above table and chart, lack of awareness and understanding is the key reason behind unwillingness to opt reverse mortgage loan scheme. The next in the list is emotional attachment towards the property. As the respondents are ignorant of the product and the product features, the reasons - lengthy documentation procedures and fixed monthly amounts has got the nominal responses.

## VI. FINDINGS

- 1) 73% senior citizens are below the age 70 years.
- 2) 62% senior citizens live independently with spouse. Living in nuclear family apart from children can be a disadvantage in few cases. 38% respondents live with their children in a joint family.
- 3) Most of the senior citizens worked with private sector. Thus, left with no regular income stream like pension to support the retirement age.
- 4) Majority of senior citizens are financially stable. Primary data clearly reveals that around 78% of sample belong to income bracket of 1 lakh to 5 lakhs. Interest / dividend on investments is the main source of income. Dependence on children for finances is reasonably low as only 8 respondents has selected this option.
- 5) The awareness of reverse mortgage loan scheme is insufficient. Majority of senior citizens do not know about this scheme. Moreover, The senior citizens are reluctant to choose reverse mortgage loan. Lack of awareness and understanding is the key reason behind non acceptance of reverse mortgage loan scheme.

## VII. SUGGESTIONS & RECOMMENDATIONS

Suggestions are made separately for –

### 1. Senior Citizens

There is an urge of increased awareness and understanding among senior citizens for Reverse Mortgage Loan Scheme. The most cited reason behind unwillingness to opt Reverse Mortgage Loan Scheme is lack of awareness and understanding of product. If senior citizens do not focus on

this lucrative financial product, in many cases, it will be very difficult for them to manage their standard of living considering ever increasing rate of inflation.

Senior Citizens should try not to allow their emotions to overtake their retirement planning decisions. Many a time's emotional attachment to the property and / or the successor unable them to make up their mind about RML.

### 2. Banks, Financial Institutions and Professional Advisors

Special attention by Banks on educating on Senior Citizens about Reverse Mortgage Loan Scheme is highly recommended. Encouraging awareness and understanding of RML Scheme among senior citizens is a need of an hour. RML Scheme needs to be customized to cater to the requirements of senior citizens. Complex calculations needs to be avoided and offerings should be designed keeping in mind transparency, simplicity and flexibility.

Help from professional expertise with personal touch is worthwhile while dealing with senior citizens. One can't ignore the role of professional advisors/ brokers/agents in Indian financial system. Professional advisors with versatile knowledge and updates can help senior citizens in retirement planning through RML.

### 3. Media

Media should participate in Senior citizens awareness and education programs. The role of media in one's life is inseparable across the globe. Media with news, advertisements, shows and social media networking can create awareness, educate and update senior citizens as well as protect their interest. Awareness should be created through special column in newspaper, weekly series of related articles, investment / retirement planning education programmes on TV channels, advertising hording etc. Regional language newspapers and TV channels should come up with some interesting and innovative investor's education series.

## VIII. CONCLUSION

Reverse Mortgage Loan is a relatively new concept in India. It would take some time for a change in mind set of individuals to accept it. As a financial tool, Reverse Mortgage is ideal to enhance senior citizen's income in his years ahead. Unfortunately, the study clearly indicates that many of the senior citizens are not aware of the existence of such a product. This fact has been reflected into the non - acceptance of RML. Senior citizens should certainly take some initiate to improve their financial literacy towards various retirement planning available in the market. Banks, financial institutions, professional advisors should plan for adequate marketing of this product to address this issue.

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