

Consumer Decision Making Process for Mortgage Services in Banks

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Abstract - Housing finance and mortgage loans have been sought out by individuals for various purposes like purchase of house/flat, acquisition of land. It was found that more than the Housing Finance Companies (HFC's), Banks dominated the market in 2020 and the trend is likely to continue in the forthcoming years as well. The customers have to be counseled and taken step by step through the mortgage acquisition process. The scope of the research is limited to outcome of relationship and loyalty building efforts undertaken by banks.

Keywords —Mortgage, Loyalty, Customer behavior, Brand salience, Demographic nature, satisfaction

I. INTRODUCTION

In a country like India a house is considered a basic need next to food and clothing. Taking into consideration the economic context, housing has direct link with GDP, as housing for all is the main purpose for the India's housing finance system. Infrastructure and housing are the main sectors for the sustained growth of the Indian economy in the last ten years. The housing sector is connected with so many other sectors and generate income and demand for material, equipment and services.

The India home loan market is segmented regionally into North, South, West, and East. The largest market share in 2020 was taken by the northern region followed by the East region which is foreseen to witness fastest CAGR during the forecast period. The key players in India home loan market include SBI Home Loans, PNB Housing Finance, HDFC Housing Finance, LIC Housing Finance, L& T Housing Finance, Indiabulls Housing Finance, DHFL, ICICI Housing Finance, Aadhar Housing Finance Ltd., Edelweiss Housing Finance Ltd, Can Fin, among others. Most of the large banks like State Bank of India, ICICI Bank and Kotak Mahindra Bank relied on home loans to post strong retail growth in the September quarter, non-bank lenders such as PNB Housing Finance, L&T Finance and LIC Housing Finance saw mortgage loan growth in contract over last year.

Consumer Decision Making on Financial Services

A. Review Stage

The consumer attitude towards the various financial services products in the past was very passive and attracted

less interest. But after the advent of technology and new forms of internet based Banking, have had a great impact on the consumers attitudes and how they make purchase of financial products and services. The financial services providers are not certain of retaining their customers and have resorted to traditional technique of relationship building and loyalty practices. This makes it all the more important for financial services providers to understand the attitudes of customers and influence their decision making and behavioral patterns. Consumers tend to search for product information either explicitly or implicitly depending on the attention, perception and other environmental cues related to information on the product. In literature the choice of mortgage is conceptualized as a function of value, prepayment, points, type of mortgage sought etc. A prerequisite for consumers to make good decisions is to have all the relevant information therefore it is imperative for Banks to adopt a mandatory disclosure policy to facilitate this information search.

II. RESEARCH GAP

After careful examination of literature it was found that limited studies have been carried out in India on Mortgage decision-making, much of the studies have looked into the macro-economical aspects but this concept has not been studied from a micro-economical perspective involving consumers choices, consumer characteristics and household patterns. Researchers have given much attention on the Consumers immediate thought process and monthly payments rather than on the long term implications and the total cost (Amromin et al., 2011; Chambers et al., 2009; Coulibaly and Li, 2009; Ehrmann and Ziegelmeyer, 2014; Fornero et al., 2011; Hullgren and Söderberg, 2013).

III. OBJECTIVES

1. To understand the demographic profile of the customer seeking mortgage services
2. To study the attitude, preference and behaviour of the customers towards Mortgage loans

IV. REVIEW OF LITERATURE

Previous researchers have tended to focus on only one dimension of the decision.

Saluja et al. [1] measured customer's awareness, perception and level of satisfaction with regard to services offered by Indian banks in Indore city. The attributes like internet banking, ATM services, timings, attitude of staff towards customer of the bank etc have been analysed.

Ajitab Dash & Soumendra, K.P., [2] focuses on the issue of assessment of service quality of Public sector banks in catering to the need of rural masses of the coastal districts of Odisha i.e., Balasore and Bhadrak. Thereafter, multiple regression analysis is used to anticipate the impact of the quality dimensions, viz. tangibility, reliability, responsiveness, assurance and empathy on customer satisfaction.

Ananth et al., [3] their study was evaluate the customer perceptions of service quality in selected private sector banks.

Joanna Lee, C [4], suggest that an unaided measurement of top-of-mind perception can identify a set of service quality attributes that may be useful in formulating an institution's service improvement strategy in a specific context.

Ravichandran, K., et al., [5], examines the influence of perceived service quality on customer satisfaction. The article concludes that increase in service quality of the banks can satisfy and develop customer satisfaction which ultimately retains valued customers.

Muyeed [6], indicates that customers' perception has reached on highest in the Prompt and accuracy in transactions of the bank and lowest in the service of modern equipment and décor.

Dharmalingam et al., [7], examined to identify and evaluate the gap existing between expected and perceived services and the areas that need to be improved to deliver superior quality of service in selected new private sector banks

Srinivas, D., & Rao N.H. [8], determine the relevant dimensions of service quality for the banking sector and to identify the dimensions of SERVQUAL that ensure maximum satisfaction for customers in the banking sector.

Ashraf and Venugopalan [9], reveals that, there is no significant difference in level of service quality and customer satisfaction between public sector and private sector banks in Kerala.

Dharmalingam and Kannan [10] proves that customer perception, tangibles were rated highest and product variety area was rated lowest among all.

V. RESEARCH METHODOLOGY

The research design used in this study is a conclusive in nature and uses a descriptive methodology. This study adopts a structured questionnaire survey research. The study was conducted in commercial and IT capital of Karnataka state which is Bangalore city. The reason for the selection of Bangalore city is because of the real estate and infrastructural development in the last decade which has led to the rise in the need for banking mortgage. a random sampling technique was adopted to collect data. Both the scheduled public sector banks and scheduled private sector banks operating in Bangalore city as per the data available in the Reserve Bank of India website have been considered for the study. A total of 350 customers were selected as sample respondents. Data have been collected in raw form and then it is made suitable for analysis as per the methodology defined for the purpose. A master chart has been created in SPSS software package. A reliability of 0.7(Cronbach alpha) demonstrates sufficient instrument reliability for data collection (Nunnally 1978). A One samle K-S test was also performed on the constructs to check the normality. The results of the study are demonstrated in the following construct reliability table.

VI. DATA ANALYSIS AND INTERPRETATION

This section shows results of the data analysis done in SPSS.

TABLE NO. 1 GENDER

Gender	No. of respondents	Percent
Female	66	18.9
Male	284	81.1
Total	350	100

Gender relates to the biological differences between male and female, whereas gender relates to the roles assigned to male and female in the society. Thus, gender is a socio-economic variable involving roles, responsibilities, constraints, opportunities and needs of males and females in an economy.

The Table 2 describes gender wise distribution of the respondents selected for the study. The gender is classified as male and female. It is clear that 81.1 per cent of the respondents are male and 18.9 per cent of the respondents are female.

The majority of the respondents are male (81.1 per cent).

TABLE NO.2 AGE

Age	No. of respondents	Percent
25-35 years	132	37.7
36-45 years	150	42.9
46-55 years	64	18.3
Over 55 years	4	1.1

Age as an important demographic variable not only determines an individual’s physical and mental maturity but also depicts his or her life experiences. For the purpose of the study, Age group was included in the analysis.

The Table 3 describes age wise distribution of the respondents selected for the study. The age group of the respondents is classified as 25-35 years, 36-45 years, 46-55 years and 55 years and above. It is clear that the respondents belong to the age group of below 25 – 35 years (37.7 per cent), 36 years to 45 years (42.9 per cent), 46 years to 55 years (18.3 per cent) and above 55 years (1.1 per cent). It is concluded that maximum (42.9 per cent) of the respondents belong to the age group of 36 to 45 years.

TABLE NO. 3 EDUCATIONAL QUALIFICATION

Educational qualification	No. of respondents	Percent
School Level	16	4.6
Graduate	177	50.6
Post Graduate	157	44.9

Education is an integral part of any demographic profile. Educated people are considered elite. Education gives better jobs and better income. Education is considered the foundation for character and life. Educated people command more respect than other groups.

The above table describes education wise distribution of the respondents selected for the study. The education of the respondents is classified as school level, graduate and post graduate. It is clear that the educational level of the respondents is graduate (50.6 per cent), Post graduate level (44.9 per cent) and school level (4.6 per cent). Majority of the respondents belong to the graduate level (50.6 per cent).

TABLE NO. 4 MARITAL STATUS

Marital status	No. of respondents	Percent
Single	70	20
Recently Married and without children	35	10
Married and with children underage	155	44.3

Married and with adult children, financially dependent	60	17.1
Married and adult children, financial independent	30	8.6

In Indian society, marriage is supposed to be a religious obligation. In the social context, it is the prelude to the family formation, expansion or ever bifurcation. After marriage, there is a transition in the status of men and women with attendant rights and obligations.

The Table 4 describes marital status wise distribution of the respondents selected for the study. The marital status is classified as Single, Recently Married and without children, Married and with children underage, Married and with adult children, financially dependent, Married and adult children, financial independent.

It is clear that 44.3 per cent of the respondents are married and with children underage, 20 percent of the respondents are single, 17.1 per cent of the respondents are married and with adult children, financially dependent, 10 per cent of the respondents are recently married and without children and remaining 8.6 per cent of the respondents are married and adult children, financial independent.

Majority of the respondents are married and with children underage (44.3 per cent).

TABLE NO. 5 EMPLOYMENT

Employment	No. of respondents	Percent
Salaried Private Employee	241	68.9
Freelance Professional/Business People	59	16.9
Retired	4	1.1
Domestic Duties	10	2.9
Government Employee	24	6.9
Other	12	3.4

Employments status is a very critical part of the demographic profile. It tells a person’s status and the way he is respected in the society. Generally professionals like doctors and teachers have a unique place in the society as they serve the people. Each employment has its own highlights.

The Table 5 describes employment status wise distribution of the respondents selected for the study. The employment status of the respondents is classified as Salaried Private Employee, Freelance Professional/Business People, Retired, Domestic Duties, Government Employee and Others.

It is clear that the respondent employment level of the respondents is salaried private employee (68.9 per cent), Freelance professional/business people (16.9 per cent),

government employee (6.9 per cent), domestic duties (2.9 per cent), others (3.4 per cent) and retired (1.1 per cent).

It is concluded that majority (69.9 per cent) of the respondents selected for the study are salaried private employee.

TABLE NO. 6 INCOME GROUP

Income Group (annual) RS	No. of respondents	Perce nt
Upto 5 Lakhs	98	28
5-10 Lakhs	93	26.6
Above 10 Lakhs	159	45.4
Total	350	

Annual income is an indicator of the lives of people. Higher income groups are generally in the higher strata of the society. Lower income people also have their own methods of depending and saving money.

The Table 6 describes income wise distribution of the respondents selected for the study. The income of the respondents is classified as upto Rs.5 Lakhs, Rs.5- 10 Lakhs, and above 10 above.

It is clear that the income of the respondents is to Above 10 Lakhs (45.4 per cent), Upto 5 Lakhs (28 per cent) and Rs. 5 Lakhs to Rs.10 Lakhs (26.6 per cent).

It is concluded that majority (45.4 per cent) of the respondents have annual income of above 10 Lakhs.

TABLE NO. 7 LOANS RECEIVED BY THE RESPONDENTS FROM VARIOUS BANKS

Home Loans Received	Frequency	Percent
Public Sector Banks	166	47.4
Private Sector Banks	175	50.0
Regional Rural Banks	7	2.0
Other	2	.6
Total	350	100.0

Home loans received is an indicator of the lives of people. Respondents were also have received home loans from the banks.

The Table 7 describes banks distribution of the respondents selected for the study. The home loans received of the respondents is classified as Public sector banks, Private Sector Banks, Regional rural banks and other banks

It is seen from the above table that among the total Respondents, 50% of them have received home loans from Private sector banks, 47.4% have received from Public sector banks, 2.0% have received from regional rural banks and rest of 0.6 per cent of the respondents have received from other banks.

Thus the study revealed that majority of the respondents had received bank loans from in Private sector banks.

TABLE NO. 8 EASY TO UNDERSTAND HOME LOAN

	Frequency	Percent
Yes	236	67.4
No	114	32.6
Total	350	100.0

It is seen from the above table that among the total respondents, 67.4% of them easy to understand that application form for home loan, where as the rest 32.6% do not easy to understand home loan. Thus the study revealed that majority of the respondents has easy to understand application for home loan.

TABLE NO. 9 PURPOSE OF THE LOAN

Purpose of the Loan	Frequency	Percent
Purchase House	191	54.6
Construct New House	124	35.4
Repair Old House	19	5.4
Purchase Land	12	3.4
Other	4	1.1
Total	350	100.0

From the above table shows that the total respondents, 54.6 per cent of the respondents were getting loan from the bank for purchase house, 35.4 per cent of the respondents construct new house, 5.4 per cent of the respondents repair old house, 3.4 per cent of the respondents were purchase land and 1.1 per cent of the respondents were other purpose.

The majority of the respondents (54.6%) had purpose of the loan for purchase house.

TABLE NO. 10 TIME DURATION USING FOR PROCEDURE TO SANCTION LOAN FROM BANK

	Frequency	Percent
Within 5 days	32	9.1
15 days	127	36.3
1 month	131	37.4
Above 1 month	60	17.1
Total	350	100.0

It is seen from the above table that among the total Respondents, 37.4 % of them reported that the bank sanction the loan in 1 month, followed by 36.3% reported the bank sanction loan in 15 days, 17.1 % reported in above 1 month and remaining 9.1% reported in within 5 days.

Thus, the study revealed that most of the respondents has reported that the bank sanction the loan in 1 month.

TABLE NO. 11 LOAN AMOUNT

	Frequency	Percent
Upto 10 Lakhs	43	12.3
10-20 Lakhs	96	27.4
20-30 Lakhs	94	26.9
Above 30 Lakhs	117	33.4
Total	350	100.0

From the Table 11 shows that the total respondents, 33.4 per cent of the respondents were taken loan amount above 30 lakhs, 27.4 per cent of the respondents were taken from 10-20 lakhs, 26.9 per cent of the respondents were taken loan from 20-30 lakhs and remaining 12.3 per cent of the respondents were taken loan upto 10 lakhs. The majority of the respondents (33.4%) were taken loan from the bank above 30 lakhs.

TABLE NO. 12 TYPE OF INTEREST

Type of Interest	Frequency	Percent
Fixed Rate	132	37.7
Floating Rate	205	58.6
Hybrid	13	3.7
Total	350	100.0

From the Table 12 revealed that the total respondents, 58.6 per cent of the respondents were taken loan interest for floating rate, 37.7 per cent of the respondents were taken loan interest for fixed rate and remaining 3.7 per cent of the respondents were taken loan for hybrid. The majority of the respondents (58.6%) were taken loan for float rate interest.

TABLE NO. 13 AREA OF RESIDENCE

Area of Residence	Frequency	Percent
Rural	76	21.7
Urban	217	62.0
Semi urban	57	16.3
Total	350	100.0

It is seen from Table 13 that among the respondents, 62 per cent of the respondents belongs to urban resident, 21.7 per cent of respondents belongs to rural resident and whereas the rest 16.3% of the respondents belongs to semi urban resident. Majority 62 per cent of respondents live in urban resident.

TABLE NO. 14 REASON FOR PREFERRING THE BANK FOR HOUSING LOAN

Reason for Preferring	Frequency	Percent
Operating account of loan with bank	82	23.4
Previous experience of loan with bank	54	15.4
Highly reputable bank	63	18.0
Skill and Professionalism of the staff	8	2.3
Fast disbursement of loan	36	10.3
Information about loan policies	11	3.1
Low fee for sanction of loan	41	11.7
Discounts and other incentives	17	4.9
Other	38	10.9
Total	350	100.0

From the Table 14 inferred that the respondents were preferring the bank for housing loan in following reasons, 23.4 per cent of the respondents were prefer operating account of loan with bank, 18 per cent of the respondents were prefer for highly reputable bank, 15.4 per cent of the

respondents were prefer previous experience of loan with bank, 11.7 per cent of the respondents were prefer low fee for sanction of loan, 10.9 per cent of the respondents were others, 10.3 per cent of the respondents were prefer the bank for housing loan for fast disbursement of loan, 4.9 per cent of the respondents were prefer for discounts and other incentives, 3.1 per cent of the respondents were prefer for information about loan policies and remaining 2.3 per cent of the respondents were prefer for skill and professionalism of the staff.

OPINION ABOUT THE REPAYMENT OF MONTHLY INSTALLMENTS

Respondents are opinion about the repayment of monthly instalments The table 4.15 shows the distribution of pattern of repayment of monthly instalments.

TABLE NO. 15 OPINION ABOUT THE REPAYMENT OF MONTHLY INSTALLMENTS

	Frequency	Percent
Easy	140	40.0
Moderate	191	54.6
Difficult	19	5.4
Total	350	100.0

The Table 15 presents the opinion of the respondents on loan repayment of monthly instalments scheduled which is borrowed from the bank. Among the respondents 54.6 per cent opined that they have moderate in repayment of loan, 40 per cent opined easily and 5.4 per cent of the respondents difficult.

It is good to see that majority of the respondents (54.6 per cent) have moderate in repayment of loan taken from the bank.

TABLE NO. 16 HOME LOAN TENURE HAVE YOU CHOSEN

Home Loan Tenure	Frequency	Percent
Upto 10 years	102	29.1
10-15 years	105	30.0
15-20 years	121	34.6
Above 20 years	22	6.3
Total	350	100.0

It is seen from the above table that among the total Respondents, 34.6 per cent of them have home loan tenure

chosen for 15-20 years, followed by 30 per cent have 10-15 years, 29.1 per cent have upto 10 years and remaining 6.3 per cent of the respondents have above 20 years.

TABLE NO. 17 IF DISSATISFIED WITH THE SERVICES OF BANK WHAT IS THE REASON

Dissatisfied with the Services	Frequency	Percent
No Problem	47	13.4
High Interest rate	108	30.9
High Finance Charge	37	10.6
Collection problem	19	5.4
Insufficient or unclear information	71	20.3
Too difficult to get out of debt	42	12.0
Other	26	7.4
Total	350	100.0

From the Table 16 that among the total respondents were dissatisfied with the services of banks, 30.9 per cent of the respondents were said about high interest rate, 20.3 per cent of the respondents were said about insufficient or unclear information, 13.4 per cent of the respondents has no problem at all, 12 per cent of the respondents were said too difficult to get out of debt, 10.6 per cent of the respondents were said services of bank about high finance charge, 7.4 per cent of the respondents were said other reasons and remaining 5.4 per cent of the respondents were said about collection problem from the bank.

VII. CONCLUSION

From this study, it is understood that the majority have taken loan for float rate interest. It is good to see that majority of the respondents have moderate in repayment of loan taken from the bank. Also, the study revealed that majority of the respondents has 15-20 years chosen their home loan However, most of the respondents reported that they have dissatisfied with bank charges high interest rate. This study differs from earlier work on mortgage decision-making in that it not only analysis and focuses on the determinants of mortgage choices, but also on the arrangements to be made in order for the consumer decision-making process to work well. The research aims to pay attention more on the marketing communication employed by various Banks for competitive advantage. The further study on relationship among the variables is recommended. Relationship marketing techniques and

service quality dimensions have to be studied in detail for customer acquisition and retention.

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