

A Study of Consumer Behavior and Preference for Unsecured Financial Lending of HDFC Bank in Pune City

Mr. Chaitanya Lalitbhai Jiwani, Associate, Nice Software Solutions Pvt. Ltd. Nagpur,
Maharashtra, India, chaitanya.jiwani@gmail.com

ABSTRACT - Deregulation and also the emergence of recent kinds of technology and the continuous changing need of consumers have created highly competitive market conditions which have had a critical impact upon consumer behavior and consumer preference. Loans and Advance are that the survival unit of the bank because until and unless the success of this department is attained, survival could be a question to each bank. Now the question may gradually arise how the bank will provide interest to the clients and therefore the simple answer is – Loans & Advance. Credit could be a continuous process. Nature of credit may differ in terms of security requirement, disbursement provision, terms, and conditions.

Unsecured financial lending has become more popular because of the relative ease and speed at which it may be obtained. The study focused on the consumer behavior and preference towards unsecured loans, research enables better understanding and forecasting not only of the topic of purchases but also of buying motives and buying frequency. The characteristics of unsecured loans, the standard of living of individuals in Pune, increasing competition, the increasing educational ratio in Pune, etc. are a number of the factors that influence the buying behavior of consumers in Pune for the unsecured loan. The study of consumer behavior and preference is of great importance in the financial industry to understand the factors that influence the buying decision of the consumers, the preference of the consumers, and also to understand how these consumers will be retained. Thus, this paper attempts to study the factors influencing consumer behavior and preference for unsecured loans.

Keywords- Depositor, Unsecured Loan, Consumer Behavior, Disbursement, Credit, Unsecured Financial Lending.

I. INTRODUCTION

In today's age, we all attempt to live our life to the fullest. We often face challenges to fulfill a specific financial need some of which desires are beyond our capacity in our personal as well as in business life. Be it wedding expenses, funds for an emergency, expanding business, purchasing of equipment for the business, paying off medical expenses, or any other payments, you will want to ensure that you have the perfect opportunity to make all your desire come true. For these visions and much more, HDFC Bank gives the perfect answer to live life your way with an Unsecured Loan from HDFC Bank.

An unsecured loan could be a loan that's issued and supported by the borrower's creditworthiness, instead of by any type of collateral related to it. An unsecured loan could be lending that doesn't require collateral or security and is obtainable with minimal documentation for that. These loans are thought-about high risk to lenders since there isn't any property or quality to recover if the receiver defaults. Lenders offer unsecured loans with the boldness that the

borrowers can repay them in step with the terms specified. The trustworthiness of the receiver is assessed supported by the five C's of credit: character, capacity, capital, collateral, and conditions.

Consumers are now more disposed to vary their buying behavior when purchasing loans. As a consequence, bank providers are less certain that their customers will still bank with them or that they'll be ready to rely on the normal banker customer relationship to cross-sell high value, so-called ancillary products. In an era where customer retention and also the ability to cross-sell products to existing customers are critical in determining profitability, banks must respond strategically to those changes. Bank providers must, therefore, try to better understand their customers in an attempt not only to anticipate but also to influence and determine consumers' buying behavior and preference. Product selection may be a complex decision-making process involving resolving various trade-offs. Since a perfect product consisting of the simplest possible product features isn't always feasible, it's important to be told the customer preference for various product attributes. This

information may be utilized by organizations in the industry during product design and enhancements within the current product offering. Finally, these findings are examined for the potential insights they supply to bank providers attempting to identify appropriate stages which are conducive to increased customer retention and profitability by understanding consumer behavior and preference.

II. NEED FOR THE STUDY

The value of unsecured loans in India increased 12.4 percent year-on-year in the fortnight ended in May 2021. According to a report by the reserve bank of India, an unsecured loan will increase at the end of FY21. As the lending and borrowing process is getting simpler by the day, the rate of preference for unsecured loans is getting exceptionally high. Modern-day Indians are no more skeptical when it involves taking loans, unlike the older days. The success of any business relies on understanding the consumer and providing the type of products that the buyer wants. Consumers react well while assessing the items that best fulfill their necessities. Knowledge of consumer behavior is going to be of immense help to the marketer which can help to satisfy their needs. A business concern that's unaware of consumer preferences cannot reach the marketplace. According to Peter F. Drucker. "It is the consumer who determines what a business is". It is observed that the Loan market in India is growing at an incredible pace so it's important to check the consumer behavior and preference towards the unsecured loan.

III. OBJECTIVES

Following are the objectives of the study –

1. To understand consumer preference towards unsecured financial lending.
2. To study the factors influencing consumer behavior of unsecured financial lending.

IV. SCOPE OF THE STUDY

1. The scope of the study is to get an overview of consumer behavior and preference towards unsecured financial lending. The study mainly focuses on the customers of the Kothrud branch of HDFC Bank Ltd. Pune region.
2. It will be helpful to the marketer to analyze consumer behavior (Borrowers) at the point of purchase and plan the products accordingly.
3. The Study will help to understand the preference of consumers towards the personal loan and business loan for availing loans.
4. This study will also help to identify consumer Preference on basis of various factors that influence consumer behavior.
5. The study will help the Loan lenders and banks to take steps towards customer service models as well as identify the consumer Preference based on various

depending factors studied by the researcher in this research.

V. LITERATURE REVIEW

1. Consumer behavior of unsecured financial lending:

The study of consumer behavior is that the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. It includes the study of what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, and how often they use it. Following figure no. 1 shows the varied factors that influence consumer behavior. Beckett (2000), According to the consumer Behavior Matrix developed by Antony Beckett in his paper Strategic & Marketing Implications of Consumer Behavior, 2 factors affect consumer behavior- Uncertainty & Involvement.

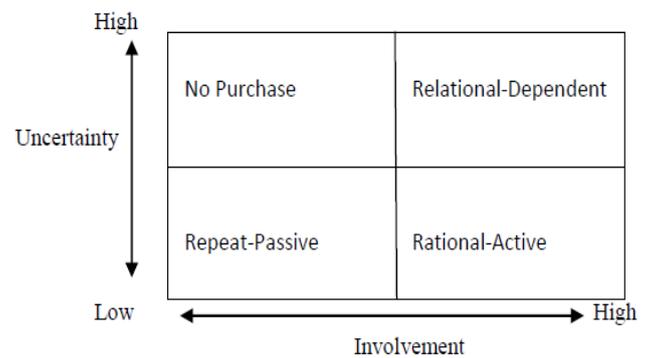


Fig.1: Consumer Behavior Matrix

Uncertainty is defined because the person's perception of risk, which successively relies upon the complexity of the product and the outcome of that product in the kind of returns. On the other hand, involvement is that the interest a consumer displays towards the financial product. Involvement is again dependent upon the perception that a selected financial product is in a position to satisfy the necessity of the customer.

The advantage of the consumer behavior matrix, as an approach to understanding consumer buying and contracting behavior, is that it draws on economics (Simon, 1957), consumer behavior (Bloch, 1982; Bloch and Richins, 1983), and psychology (Thibaut and Kelly, 1959) literature and combines it into a single framework.

Howcroft, Hewer & Hamilton (2003), Within the normal structure and operation of the financial services industry consumers, appear to precise little choice. The rigid structure of the industry, let alone the operation of cartels, meant that consumers had to simply accept the form and price of economic products and delivery channels. However, the critical impact of deregulation and also the emergence of the latest kinds of technology have altered this example by producing a highly competitive marketplace for financial services. Consumers thus appear more disposed to alter their attitudes when purchasing financial services.

2. Consumer Preference towards unsecured financial lending:

India may be a country with enormous resources which attracted many countries to utilize and enhance their economy at the utmost level. The preference of personal of presenting an offering could also be laid low with the favorites of others in numerous ways, which can range from the inclusion to the advantages of network externalities and also the psychological profits of social identification.

Unsecured financial lending preference is larger liking for one Bank over the others within the way the bank performs the activity of lending to individual/entities and churning out the money to earn profit.

Chen (1999) in his study to identify critical success factors within the banking sector highlighted four factors, namely the power of the bank to manage operations, bank marketing, developing bank trademarks, and financial market management.

According to a report from Deluxe Corporation and reported on by the Financial Brand, Across the country, many within the banking system have likely noticed that the ways within which consumers opt to do their business at local branches are changing rapidly. The items people wanted out of a branch banking experience in 2000 probably weren't all that much different from the way things were in 1990, but they're very different from 2019's standards, which themselves are probably seen as primitive to what customers want today. For this reason, banks face something of a crisis when it involves maintaining with shifting, changing, and growing demand.

Malhotra, Chen, Criscuolo, Fan, Hamel & Savchenko (2006), an absence of access to finance has within the past constrained the expansion and competitiveness of developing economies. Unsecured financial lending has been seen by many because of the protagonist for an inclusive financial set-up.

McKechnie (1998), the consumer-buyer interactions, it's possible to spot two principal factors that motivate and determine individual contracting choices and preference, namely involvement and uncertainty. Consumers are thought to place both the sources and uses of cash into mental budgets and mental accounts, respectively for the preference of unsecured lending. Consumers may label mental accounts/budgets either by explicit purposes (i.e., entertainment) or by reasons (i.e., the foremost defensible option) (Brendl et al., 1998; Kivetz, 1999). Motives for keeping a mental method of accounting are twofold and counteracting. Mental accounting enables people to exert self-control by binding themselves to accounting rules (e.g., budget limits; Shefrin and Thaler, 1992). At the identical time, mental accounting will be used to frame (financial) outcomes in the most enjoyable way (e.g., Schweitzer, 1999). Prelec and Loewenstein (1998) consult with this

trade-off by the notions of decision efficiency (self-control) and hedonic efficiency (pleasure).

VI. RESEARCH METHODOLOGY

STATEMENT OF PROBLEM:

1. The researcher also wants to understand the preference of consumers towards Personal loans and a Business loan from HDFC Bank Ltd.
2. The researcher wants to understand consumer behavior towards unsecured financial lending as the market of unsecured financial lending is growing at a tremendous pace.

The study seeks to answer these questions. Based on the statement of problems the objectives of the study have been determined.

RESEARCH DESIGN:

The researcher has used descriptive and diagnostic research designs for the study.

✓ DESCRIPTIVE RESEARCH DESIGN:

It is used by the researcher as the research study is concerned with financial institutes that are involved in providing Personal Loans and Business Loan (Unsecured financial lending) in the Pune region. The researcher has attempted to study the unsecured financial lending by HDFC Bank Ltd.

✓ DIAGNOSTIC RESEARCH DESIGN:

It is used in the research study wherein analysis Personal Loan and Business Loan by HDFC Bank Ltd. Consumer Preference towards Personal Loan, Business Loan by HDFC Bank. As well as the Perception of the consumer through Expectation, Experience, and Credibility.

RESEARCH APPROACH:

The quantitative Research Approach is used for this research. It's a more inferential approach to understand Consumer behavior towards unsecured financial lending as well as the Perception of the consumer towards the Personal Loan and Business Loan by HDFC Bank.

RESEARCH INSTRUMENT:

The instrument used was a questionnaire checklist to collect the needed data for the consumer's profile. The draft of the questionnaire was drawn out based on the researcher's past readings, previous studies, professional literature, published and unpublished thesis relevant to the study. To obtain valid responses of the Consumer. The questionnaire is structured and contains both open and close-ended questions to know in detail about the research topic.

POPULATION:

The Universe consists of all possible subjects (object) that possess the attributes in which the researcher is interested. The Universe for this study was defined as any individual that has access to unsecured financial lending. The population for this Study is Consumer of unsecured financial lending HDFC Bank in the Pune region.

SAMPLING METHOD:

Sampling is the process of devising conclusions about the strata of the population. The sampling frame is the complete list of all members of the total population from which a sample is selected. The research sampling frame was known which indicated the appropriateness of using a Probability, Stratified Sampling Method. Stratified random sampling is used as the researcher wants to highlight a specific subgroup within the population. The sample was defined as all applicants of unsecured financial lending of the HDFC Bank (Kothrud branch, Pune).

Table.1: Sampling Method

Occupation	Private Employee	Government Employee	Business (Self-Employed)	Total
Number of people in the stratum	102	78	90	270
Strata sample size	34	26	30	90

SAMPLE SIZE:

In terms of the sample size, the researcher collected 90 responses to the questionnaire within the required timeframe.

DATA COLLECTION:

For the study, data have been collected from a Primary source as well as from a Secondary source.

✓ **PRIMARY DATA:**

Primary data have been collected from Actual and Prospective Borrowers of Personal Loan and Business Loan of HDFC Bank. For collecting primary data structured questionnaires were prepared. The data were collected from respondents in the Pune Region.

✓ **SECONDARY DATA:**

Secondary data was collected through a thorough search from the various available literature. The sources of data are Articles from journals, magazines, and newspapers, Various books written by different authors, Visited Financial Institutions, Websites.

VII. DATA ANALYSIS AND INTERPRETATION

To Study consumer behavior and preference for unsecured financial lending of HDFC Bank in Pune City, a small sample survey was undertaken. Following are the tables formulated after data analysis.

Table.2: Demographic Characteristics

Sr. No.	Particulars	Frequency	Percent
1.	Gender of the Respondents:		
	Male	48	53 %
	Female	42	47 %
2.	Age of the Respondents:		
	Less than 18 Years	0	0 %

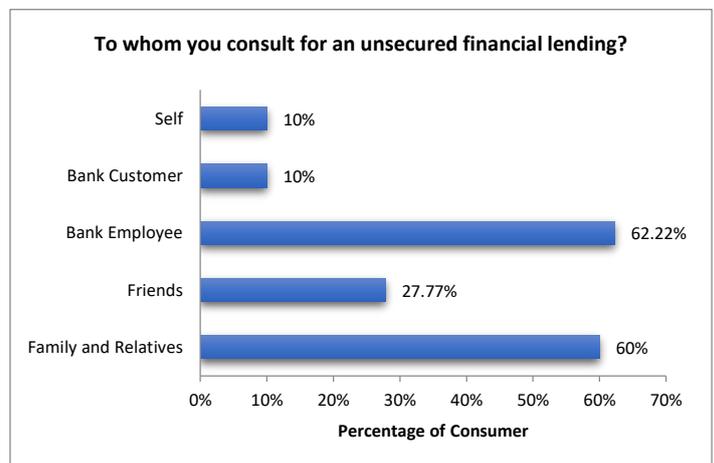
	18 to 28 Years	65	72 %
	29 to 39 Years	19	21 %
	40 to 49 Years	6	7 %
	More than 50 Years	0	0 %
3.	Monthly Household Income:		
	Below 15,000 ₹	2	2 %
	15,000 ₹ to 35,000 ₹	28	31 %
	35,000 ₹ to 55,000 ₹	14	16 %
	55,000 ₹ to 75,000 ₹	20	22 %
	More than 75,000 ₹	26	29 %
4.	Occupation:		
	Government Employee	26	29 %
	Private Employee	34	38 %
	Businessmen (Self-Employed)	30	33 %

Source: Primary Data

From the above table following interpretation is drawn:

- Out of the total respondents' 53 percent are male and 47 percent are female.
- Out of the respondents collected 72 percent falls between the age group of 18 to 28 years, whereas 21 percent falls between the age group of 29 to 39 years and 7 percent falls between 40 to 49 age group.
- About 2 percent of respondents have a monthly household income up to Rs. 15,000 whereas 31 percent of the respondents have income between Rs. 15,000 to 35,000 whereas 16 percent of respondents have a monthly income between Rs.35,000 to 55,000 while 38 percent of the respondents have income between Rs. 55,000 to 75,000 and 29 percent of the respondents have income above Rs. 75,000 to 1,00,000. Thus, it is observed that low-income groups hardly opt for unsecured financial lending whereas medium & higher-income groups of people avail unsecured financial lending.
- About 29 percent of the respondents were doing Government services, 34 percent of the respondents have undertaken private professions, and 30 percent of them been businessmen.

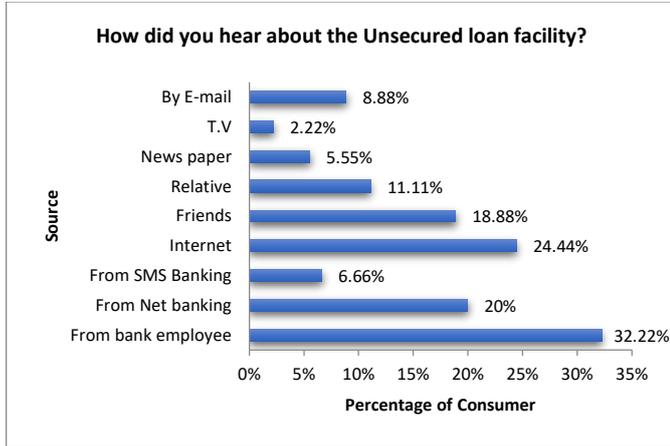
Table.3: Distribution of Respondents as per the People Consulted While Buying the Unsecured Financial Lending



Source: Primary Data

From the above data, it is found that 27.77 percent consult their friends. About 10 percent of the respondents decide on their own. Colleagues and 10 Percent ask bank customers. 62.22 percent consult bank employees while 60 percent take suggestions and consultants from family & relatives respectively. Thus, it is found that while buying unsecured financial lending services respondents mostly rely on bank employees and family & relatives.

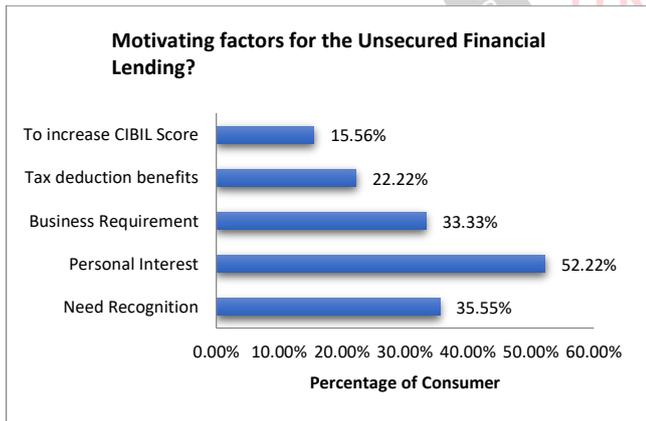
Table.4: Sources of Collecting Information



Source: Primary Data

From the above data it was found that 32.22% of the respondent collected information from a bank employee, 24.44% through the internet, 20% got information from Net Banking, 18.88 collected information from friends, 11.11% collected information from relatives, 8.88% got information through E-mail, 6.66% got information via SMS banking and 2.22% secured information from respectively.

Table.5: Motivating Factors Affecting the Purchase of Unsecured Financial Lending



Source: Primary Data

From the above data, it is found that several factors motivate the consumers to buy the unsecured financial lending services i.e., need recognition, personal interest, tax deduction, business requirement and to increase CIBIL score. Out of this 52.22% has a personal interest, while 35.55% has need recognition, 33.33% has business requirement followed by 22.22% for tax benefits and least with 15.56% to increase CIBIL Score.

Table.6: Distribution as per Quality of Unsecured Financial Lending Expected from the Bank

Quality	No .1	No .2	No .3	No .4	No .5	No .6	Weight Score	Preference %	Rank
Low Rate of Interest	40	20	5	21	2	2	429	22.70 %	1
Fast Disbursement	23	35	21	6	1	4	421	22.28 %	2
Quick Service	2	23	34	13	17	1	337	17.83 %	3
Easy Process	20	7	11	27	13	12	318	16.83 %	4
Foreclosure Facility	3	4	14	10	7	52	190	10.05 %	6
Minimum Documentation	2	1	5	13	50	19	195	10.32 %	5
Total	90	90	90	90	90	90	1890	100.00 %	

Source: Primary Data

There are some basic qualities of financial services that are expected by the consumers while purchasing the financial product. To list some of them are Low Rate of Interest, Fast Disbursement, Quick Service, Easy Process, Foreclosure Facility, Minimum Documentation. To study the most expected services respondents were asked to rank them. It was found that the most expected services were low rate of interest securing 22.70 percent. From table no. 6 it was found that the respondents get influenced by Fast Disbursement, Quick Service, Easy Process, Foreclosure Facility, Minimum Documentation whereas they rated Low Rate of Interest 1st rank as the expected services from the financial companies.

Table.7: Factors Involved in Selecting the Bank while Buying the Unsecured Financial Lending

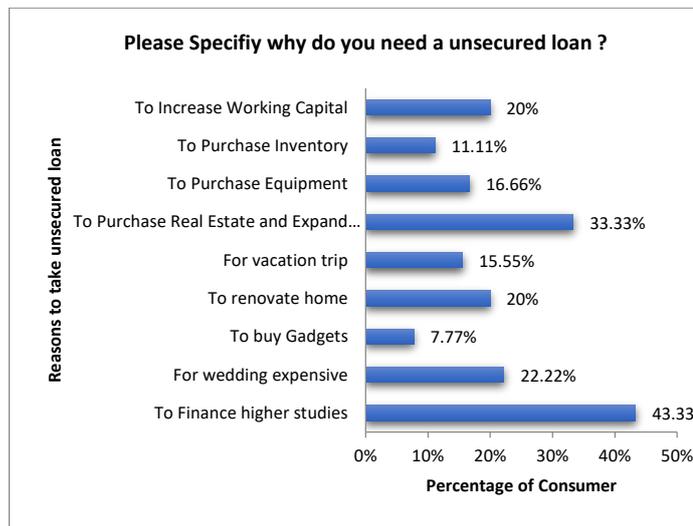
Factors	No .1	No .2	No .3	No .4	No .5	No .6	No .7	Weight Score	Preference %	Rank
Image of the Bank	50	4	3	15	6	5	7	484	19.21%	1
Location of the Bank	13	5	9	33	5	4	21	342	13.57%	5
Relatives or Friends opinions	12	13	7	10	37	3	8	362	14.37%	3
Past Experience	6	30	11	11	14	9	9	390	15.48%	2
Existing Customer Opinion	4	12	4	16	15	16	23	284	11.27%	7
Reports of the Bank	4	11	18	1	10	34	12	298	11.83%	6
Media	1	15	38	4	3	19	10	360	14.29%	4
Total	90	90	90	90	90	90	90	2520	100.00 %	

Source: Primary Data

From the above data, it was found that though there are many factors that consumers consider before choosing a financial company to buy the financial services i.e., Image of the Bank, Location of the Bank, Relatives or Friends opinions,

Past Experience, Existing Customer Opinion, Reports of the Bank, Media. Out of these factors image of the bank secures the first rank with 19.21 percent, followed by past experiences (15.48 percent), Relatives or Friends opinions (14.37 percent), media (14.29 percent), location of the bank (13.57 percent), reports of the bank (11.83 percent) and Existing Customer Opinion was least influencing factor with (11.27 percent) while choosing the company to buy financial services.

Table.8: Reasons to buy Unsecured Financial Lending



Source: Primary Data

From the above data, it was found that there are various reasons for which the consumer takes unsecured loan such as to increase the working capital of business (20%), to purchase inventory(11.11%), to purchase equipment(16.66%), to purchase real estate and to expand operations(33.33%), for vacation trip(15.55%), to renovate home(20%),to buy gadgets(7.77%), to finance higher studies(43.33%) and for wedding expense(22.22%).

VIII. FINDINGS

1. From the 90 respondents, it was also observed that the Government Employee is 29 %. This indicates that the Government employed respondents can be prospective borrowers with stable Income. So, if in case they require additional Loans existing based on their payback capacity they can be offered a Loan.
2. With frequent hikes in interest rates by the RBI and the subsequent hike in rates by banks, the cost of unsecured financial lending is increasing.
3. Mostly Private employee and Self-employed takes the personal and business loan as compared to a government employee, Bank need to focus on the government employee and should take extra efforts to market this product to government employee as there are potential customers.
4. In this competitive world, the consumers feel secured and reliable to take unsecured loans from the Bank rather than taking them from NBFCs.

5. It was found that there are many factors that consumers consider before choosing a financial company to buy the unsecured financial loan services i.e., the image of the bank, location of the bank, transparency, experience, existing customer opinion, reports of the bank, and media.
6. Several factors motivate the consumers to buy the unsecured financial lending i.e., need recognition, personal interest, tax deduction, business requirement, etc.
7. While buying unsecured financial lending services consumers heavily rely on the bank employees and family & relatives.
8. There is the various source of information from which the consumer acquire knowledge about the unsecured financial lending such as Email, Television, Newspaper, Internet, Bank employee, Friends, Family & Relatives, etc.
9. Many of the customers are satisfied with the low-interest rate and longer repayment period of the unsecured finance product.
10. The researcher has discussed parameters such as Process, Procedures, documentation, Tenure, Easy Accessibility, No hassles in procedures, etc.

The Preference question has been asked to measure the Preference of consumers for Business Loan and Personal Loan.

11. The consumers are very much satisfied with HDFC bank's unsecured loan facility based on Customer service, Fees & Charges, Promised Interest rates, and Responsiveness to the unsecured loan service.

IX. CONCLUSION

The changing trend in the Loan market which has given support in fulfilling the need of financial requirement of the individual either by Personal Loan or Business Loan is in the win-win policy. From the research, it was found that consumers' behavior of financial services in Pune City is very volatile. Though they consult their bank employee, family, and relatives for the financial services but while choosing the company they choose the company who share a good image in the market. Further, though they prefer returns as the core service of the product they expect the company to give security for their money. May be due to a lack of information about the company and lack of trust in financial services offered by these company's consumers relies on family and relatives in buying the financial services. The higher the Cibil score, the greater are the chances that one's loan application will be reviewed and approved. Research has shown that people generally take unsecured loans for the urgent needs and for personal reasons. The problems of Preference have been portrayed in the study, which would help the prospective consumer to consider before going for any type of financial assistance. The

research study is expected to contribute favorably as guidance to financially needy consumers in society, executives in the organizations, and the policies related to it's for the development of systemic change in the Indian economy at large.

REFERENCES

- [1] Arora, M. (2003). Credit Rating in India: Institutions, Methods and Evaluation. New Century Publications
- [2] Antony Beckett (2000). Strategic & Marketing Implications of Consumer Behaviour in Financial Services, The Service Industries Journal, London, 20, 11, pp. 191-208.
- [3] Antony Beckett, Paul Hower and Barry Howcroft "An exposition of consumer behaviour in the financial services industry", International Journal of Bank Marketing 18/1 [2000], 15- 26
- [4] Bandyopadhyay T. (2019). HDFC Bank 2.0 From Dawn to Digital. Jaico Publishing House.
- [5] Barry Howcroft, Paul Hower & Robert Hamilton (2003). Consumer Decision-Making Styles and the Purchase of Financial Services, The Service Industries Journal, 23:3, 63-81, DOI: 10.1080/714005120
- [6] Dominica Mason (2019). The Psychology of Financial Consumer Behaviour. Springer
- [7] Gautam, Shalini. (2013). Indian Consumer Buying Behaviour in Financial Services, World Congress on "Business, Finance, Marketing and Industrial Management for Sustainable Development" (BFMIMSD - 2013), At Jawaharlal Nehru University, New Delhi, Volume: 5.
- [8] McKechnie, S. (1992). "Consumer Buying Behaviour in Financial Services: An Overview", International Journal of Bank Marketing, Vol. 10 No. 5, pp. 5-39.
- [9] S RADHIKA, (2014). "A study of financial performance with respect to loans and advances", BIMS International Journal of Social Science Research, (134-140)
- [10] Sheth, J. N., Sisodia, R. S., and Sharma, A., (2000). 'The Antecedents and Consequences of Customer Centric Marketing', Journal of the Academy of Marketing Science, Winter, Vol. 28, Issue 1, pp. 5566
- [11] Retrieved from <https://hdfcbank.com/personal/products/loans/business-loan>
- [12] Retrieved from <https://www.hdfcbank.com/personal/products/loans/personal-loan>