



A STUDY ON AWARENESS AND PERCEPTION OF HOUSING LOAN UPTAKE

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ABSTRACT

Objective: The excitement of buying a dream house is no less satisfying than receiving a promotion after years of hard work. The need to own a house is every middle-class family's desire. The study is an attempt to understand the awareness and perceptions towards Home Loans. The purpose of the study acts as a guide for beginners who want to analyze the various aspects that need to be considered before opting home loan from various financial institutions ABCD analysis also has been undertaken to analyze its Advantages, Benefits, Constraints, and Disadvantages.

Methodology: A Secondary source of information has been used in the study to understand the broader view of home loan uptake. The study is done by analyzing various publications, journals, RBI, Springer, Google Scholar, Srinivas Publications, Research Gate, SSRN, etc.

Findings: The result of an extensive review revealed that most people are still not aware of the housing loan facility provided by various financial institutions. Demographic factors, social factors, and financial factors are some of the factors that influence home loan uptake. The perception of the home loan borrowers varies depending on their age and income group. A home loan is a long-term investment and is a long-term commitment. With the desire to lead a happy life in a dream house, individuals choose to make a long-term investment. Credit scores and tax benefits are the major reasons for the increase in home loan uptakes.

Practical Implications: This research is a guide for beginners who want to analyze the various aspects that need to be considered before opting home loan from various financial institutions

Originality/value: The study is a live guide for beginners who want to analyze the various aspects that need to be considered before opting home loan facility from any financial institution. The secondary analysis has been done to collect various sources of information related to the study. The concept of perception and awareness can be better understood by the primary survey. Therefore, it is a limitation of the study.

Paper type: Case Study

KEYWORDS: Home loan uptake, ABCD Analysis, Awareness of home loan, Perception of housing uptake

1. BACKGROUND

The recent global financial crisis has emphasized the fierce competition among banks for consumers. [1] Historically, banking was only concerned with traditional services and activities. However, at the moment, banking serves the whole needs of individual customers and is growing as a viable area for the constant growth of business and commercial industries. Banks prioritize customer relationships and retention. [2] A healthy relationship between the banker and the consumer is essential for the development of any country's banking system.[3] Customers and banks must have reciprocal trust and confidence. Customers should assume more responsibility for their financial affairs as financial products and services become more sophisticated. The banking sector provides various financial services to its customers. Home loan is one of the most common and important services provided by the banking sector. Home loans are being offered by several financial sectors to address the need for home ownership. Numerous banks in India's public and private sectors offer a variety of home loans with varying interest rates and standardized loan terms.

Food, Shelter, and Safety are the main basic needs of human beings. The need to own a house is every middle-class family's desire. As an individual, it is essential to analyze and understand the home loan policies and interest rates



charged by different banks. The analysis of home loan policies plays an important role as the home loan uptake depends on the understanding of the customer. As we are aware customer perception in the market is essential. It is very much essential to have updated knowledge of housing loans. A home loan is also known as a mortgage loan as the property is used as collateral. This means in simple words, If the borrower fails to pay the housing loan, the bank can your lender can foreclose on the home to recoup its money. To finalize the loan from the selected bank, it is crucial to have in-depth knowledge of the Pros and Cons of various housing schemes that are available from different banking sectors. The various Housing loan schemes are introduced by various banking sectors to attract customers. Therefore, customer awareness of these schemes plays a huge impact on the bankers. [4] It is very important to create awareness among the customers of attractive housing schemes and its benefits.

2. REVIEW OF LITERATURE

In a study, Soundarya, M., et al. (2019) [5] determined that higher interest rates, convenient location, and loan legal formalities are the least important influencing factors for house loan borrowers. The most important elements encouraging customers to obtain a house loan are speedy approval, an easy procedure, and the desired loan amount. Bankers might offer advice to house loan customers on how to circumvent loan security processes.

Sughana, M. M., et al. (2021) [6] discovered that three broad criteria influence customers' choice of lending institutions. The key aspect that influenced the customer's decision to choose the bank or home financing firm was financial gain, such as processing costs and interest rates. The next important factor that influenced customers' choice of banks or housing finance companies was the timely sharing of information such as pre-closure charges and income tax-enabled services, the time taken for loan sanctioning, and finally, the quality of services extended by the respective bank or housing finance companies.

In a study titled A Perceptual Study of Customers Regarding Home Loan Services of SBI and HDFC Banks, Matharu, S. K., et al. [7] discovered that there are six elements that influence the perception of private and public sector banks towards home loan services. These are the following factors: acceptable terms, employee behavior, ease of understanding, other advantages, trustworthiness, and promotional strategies.

Table 1: The table lists articles on keywords authored by various authors.

SL No	Area	Contribution	Authors
1	Demographical & Socioeconomic Background of loan borrowers	The study emphasizes the need to research households' demographic and socioeconomic backgrounds, as these factors influence housing adequacy and affordability. The primary determinant is household income. However, the survey in the study revealed significant housing affordability issues among middle-income households, with a focus on tenure for decent homes. According to the study, if housing affordability is to be fully and adequately addressed, policy efforts and interventions to aid median income earners, as well as social housing as a priority development policy, are required.	Rentala, S., et al. [8]
2	Banking services	Customers are engaged with banks for numerous services that they require on a regular basis, and they prefer banks that give superior facilities and convenient banking. The study emphasizes the significance of providing superior services to consumers as it fosters trust in a banker, and banks should review their services in order to attract greater numbers of borrowers. Financial performance of housing enterprises is dependent on the availability of customized products as well as the level of service provided to clients. The company's future success is dependent on the quality of its customer service.	Singh, S. (2019). [9] Babu, G. C. (2018). [10]



3	Digitalized Banking Services	Digitalized services have set a new standard in a new age of Banking. Online transactions will aid the nation's fight against corruption, money laundering, and terrorism, but one of the main challenges in India's transition to a paperless economy is increased cybercrime and unauthorized access to primary data. Customers should be able to readily explore and interact with digitalized services. Customers are encouraged and inspired to use the services as India transitions to a cashless economy.	Aithal, P. S., et al. (2015). [11]
4	Home loan factors	<p>The following factors influence customer purchasing behaviors regarding home loans, according to the article:</p> <ol style="list-style-type: none"> 1. Fixed interest rate, low-interest rate, and easy accessibility 2. The financial institution's standing/reputation 3. Information about the Schemes provided by financial institutions. 4. Quick loan processing, good communication, and prompt service from banks 5. The main characteristics that influence loan borrowers include longer payback periods, simple paperwork procedures, cooperative personnel, and simple installment systems. <p>It is essential for banks to consider keeping track of the elements influencing home loan buyers' decisions. Home loans assist the buyer not only in terms of acquiring an asset, but also as an excellent tool for saving and, for those who are employed, it is a source of tax benefit.</p>	Gupta, U., et al. (2015). [12]
5	ABCD Analysis	The "ABCD analysis framework" is a broad technique for analyzing Advantages, Benefits, Constraints & Disadvantages. The "ABCD analysis framework" is utilized in this study to find the affecting variables for Green Marketing for Sustainable Development, and the results show that "Advantageous factors" influence Green Marketing for Sustainable Development.	Frederick, D. P., et al. (2022). [13]
6	Home loans are an investment option for women	<p>Today Modern women seek to pay greater attention to financial planning in order to live freely. There are several ways available to help women reach their goals with a high chance of success. They are ideal for improving financial situations and making life easier. Women should be educated on these topics as well so that they can make better judgments and improve their financial situation.</p> <p>The Indian government has identified many financial initiatives and options that can assist women in overcoming financial constraints. Women's financial requirements are met via a variety of financial plans. These programs also cater to the various needs of women. In India, women are entitled to a variety of financial and government privileges. Buying a house can be a wonderful option for women due to the attractive schemes and interest rates introduced by various financial institutions.</p>	Asif, N., Aithal, et al. (2023).[14]



7	Digitalized payment systems used in banking services attract customers	A digitalized payment system helps to clear the dues within a fingertip using alerts. Operating costs of the banks have been reduced and as people are stressed and loaded with work it helps them to be on time with payments as they carry out banking from their place of residence. Consumers gain from digital payment since it is more convenient to make payments than the time-consuming procedure of handling cash. It prevents consumers from losing money due to theft or robbery. Consumers also benefit from digital payments over traditional paper based check systems since digital payments are quick compared to the depositing and collection process of traditional paper-based cheque systems.	M., V, et al. (2021). [15]
8	Financial Management of Individuals	Financial Prosperity of any household is the primary goal of developing countries because it greatly influences a country's economic standing. Age, education, income level, and marital status all had a significant impact on household financial literacy, inclusive finance, financial management behavior, and Financial Prosperity. Financial literacy has a small impact on financial prosperity, but when it is mediated through financial involvement and household financial management behavior, it makes a significant contribution to financial prosperity. Furthermore, financial participation significantly contributes to financial prosperity through the mediation of financial management behavior.	Riha Parvin, S. M, et al. (2022).[16]
9	Financial Innovations & Growth	All financial service providers attempt to negotiate and construct an environment to address problems and opportunities due to the rapid changes in technology, competition, and laws. Every aspect of the present financial system, including financial markets, financial institutions, financial instruments, and financial services, is undergoing innovation. Not only that, but the regulations that control the financial sector are also participating in and adopting innovations and new procedures. Financial innovation has an impact on the efficiency of any financial organization and is consequently essential for long-term development. Any economy's economic growth is influenced by financial innovation. According to the study findings, a great number of financial innovations have occurred at the State Bank of India, and these innovations not only have a favorable impact on the bank's financial performance but also increase the nation's overall economic growth.	Chaturvedi, [17]

3. OBJECTIVES OF THE STUDY

- To understand the awareness of Home Loans.
- To study the perception towards Housing Loans.
- To analyze the ABCD analysis of housing loans.



4. RESEARCH METHODOLOGY

The technique of case study analysis was used in this study. The current analysis takes into account several journals, case studies, and articles produced by different researchers. For the successful publishing of the current study, the collective secondary source articles have been analyzed. It creates the groundwork for analyzing the study's multiple aims.

5. THE HOME LOAN EVOLUTION

In India, there was no idea of home loans in the 1970s. The sole organized player in the Home Loan industry was HDFC. In the past, people had a save-and-buy mentality. People used to use their Provident Fund savings and retirement benefits to fund home construction. In 1978, HDFC pioneered the home loan industry. Because there was no recovery mechanism in place, banks were hesitant to finance home loans. Banks had no other option than to bring a civil claim in a court of law. The lawsuit costs were greater than the loan amount.

Home loan interest rates ranged from 11 to 14% till 1994. An average Home Loan borrower was 42 years old, and received a loan amount of Rs.39,000 on average.

With the economy's opening in 1991, banks began to enter the Home Loan sector. In the year 1999, ICICI Ltd (later merged with ICICI Bank) launched the home loan sector. ICICI Bank pioneered the variable rate concept in the year 2000. Rates started to decline in 2003-04, while floating rates for home loans varied between 7% to 7.25%. The fixed rates varied between 7.5 and 8%.

The teaser rate concept was created by the State Bank of India, which entered the market vigorously. Due to the substantial amount of CASA (Current Account Savings Account) savings, they could afford the expense of doing it. This advantage was not available for other banks. To attract consumers, banks resorted to techniques like as sustaining higher Loan to Value (LTV) ratios.

The LTV ratio used to be less than 50% in the early days of home loans. As competition increased, LTV ratios increased to 120%. As a result, the Reserve Bank of India (RBI) set an upper limit of 80%. Banks may provide up to 90% of the loan amount if it is less than 30 lakhs.

5.1 SARFAESI ACT 2002

After the advent of liberalization and globalization in 1991, the Indian banking sector underwent revolutionary changes. Interest rate regulation, reserve reduction, prudential rules, and other reforms were implemented. The Indian banking sector was facing more than Rs. 90000 crores in NPAs, and banks were losing money due to provisions.[18] Prior to 1991, the legal process for recovering bad debts was time-consuming, as it required several years of formal civil actions to get a decision.[19] Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act encouraged many banks to enter the home loan market in the year 2002 as it gave banks the power to deal with Home Loan defaults.[20][21]

Indian banks updated their operations and technology in order to satisfy the needs of their clients and to make banking systems easier to use. Though there has been progress, bankers (especially public sector banks) are still struggling to reduce their NPA levels in order to preserve company stability and profitability.[22]

5.2 THE FREEING OF THE INTEREST RATE REGIME

During the liberalization of the economy, the RBI gave banks the authority to set interest rates on home loans based on the cost of capital. It exploded into an interest rate war, with banks attempting to give the best rates to customers. Banks launched an abundance of Home Loan offers in an attempt to attract potential customers.[23]

The floating rate system is still common in the market today. Some banks offer fixed rates for a limited time before switching to the floating rate philosophy. It has been observed that the home loan market in India is growing at a swift 22% CAGR.



6. AWARENESS AND BUYING DECISION ON HOME LOANS

Home is like a security and a basic necessity of all human beings. Looking into the requirements of people, both financial institutions and nonfinancial institutions do provide home loans to customers. There are various factors that influence home loan uptake. The quick sanction of home loans, simple procedures, and provision of the expected loan amount are the basic factors influencing people to buy a home loan.[24]

Home loan borrower's perceptions will differ based on their age and income group. The reason behind the change in perceptions could be due to a change in earning capacity, Responsibility level, Professional stability, and risk-bearing capacity. Every individual seeks for security in life. As people grow old, they start to realize the importance of having their own happy place to settle in life. therefore, generalizations with the customers may not be possible as each of their priorities in life differ.[25]

7. ABCD LISTING

This analytical framework is originally presented, among other things, in the corporate analysis framework. Furthermore, the ABCD analytical framework can be applied to determine resources such as materials, information, technology, and human resources for the purpose of attaining social benefits. The researchers aim to conduct the ABCD listing of Digital Financial Inclusion for Rural Customers as well as Service Providers in this study. Which will be explored further below;[26]

8. ABCD ANALYSIS OF HOME LOANS

Every middle-class person's dream is to buy or construct their own home. There are various pros and cons of home loans which has to be considered before choosing a home loan. A careful analysis of home loans has to be made before deciding on borrowing the home loan. Below is a detailed listing of the Advantages, benefits, Constraints, and drawbacks of home loan uptake.[27]

ADVANTAGES	BENEFITS
<ul style="list-style-type: none"> ❖ The excitement of having a property in your name is no less satisfying than receiving a promotion after years of hard work. A dream of buying a home can be easily fulfilled with a home loan. ❖ Buying a home can be considered the best Investment option. ❖ Home can be considered as a long-term investment. ❖ Anytime, borrowers can enjoy the profit from the rise in property prices. ❖ Buying a home gives immense satisfaction and creates security. ❖ Paying a downpayment on a dream home is better than paying rent to owners. 	<ul style="list-style-type: none"> ❖ It boosts the credit scores of an individual. ❖ Home loan borrowers can claim tax benefits on both principal amount and interest payment. ❖ Flexible repayment terms offered by numerous institutions make it easier to repay housing loans. ❖ Whenever the borrower has a surplus amount, can always utilize it to make part payments towards home loans as there are no prepayment penalties. ❖ The repayment tenure can be chosen depending on the requirements of the borrowers. ❖ Attractive interest rates can be

Source: Author

CONSTRAINTS	DISADVANTAGES
<ul style="list-style-type: none"> ❖ The big setback on repayment of a home loan could be the threat of not being able to pay the fixed number of installments. ❖ If the borrower has an irregular income, repayment of the loans can be a challenge. ❖ If the property appreciation is not done right, it becomes problematic. ❖ Fear of being bankrupt 	<ul style="list-style-type: none"> ❖ The home loans have to be repaid with a huge rate of interest. ❖ Taking a Home loan is equal to making a long-term commitment. ❖ Not choosing the correct housing loan schemes.

Source: Author



9. FINDINGS

- According to the study, most people are still not aware of the housing loan facility provided by various financial and non-financial institutions.
- The study enlightens the fact that there are various factors influencing home loan uptake including demographical factors, social factors, financial factors, etc.
- A home loan is a long-term investment and is a long-term commitment.
- The perception of the home loan borrowers varies depending on their age and income group.
- With the desire to lead a happy life in a dream house, individuals choose to make a long-term investment.
- Credit scores and tax benefits are the major reasons for the increase in home loan uptakes.

10. CONCLUSION

The study made an attempt to understand the in-depth notion of Awareness and Perception of Housing Loan uptake to understand the perceptions of home loan borrowers and to understand the awareness of home loans.[28] The researcher also has listed numerous advantages, benefits, constraints, and disadvantages of home loans.[29] As per the ABCD listings of the author, it can be concluded that the perception of home loans completely depends on the income group of the people and their ability to repay it. [30] There are various factors due to which the loan uptake plays a major role. The study is also a live guide for beginners who want to analyze the various aspects that need to be considered before opting home loan facility from any financial institution.

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