

# ASSESSING CUSTOMER ATTITUDES ABOUT BANK SELECTION FOR GETTING LOANS

**Dr. Srinivasan**  
Assistant Professor

*Abstract - The banking sector, through the distribution of cash flow through all industries, is the backbone of the economy. Banks play a crucial role in raising people's expectations by offering loans for different consumer needs. Such as home buying or building, home renovation, self-education, education for children, transportation, etc. Customers are rational in the new age of technology. Before choosing a financial institution before processing a loan application, they should compare and assess the services offered by banks. It is important for financial institutions to provide their customers with separate services in both qualitative and quantitative ways. This paper makes an effort to analyse these different features, tested by customers before selecting a particular bank to use to issue loans. The primary data is gathered from individuals whose loan application has been processed in particular banks & loans have been approved for them. The two statistical instruments, chi square & factor analysis, are used to interpret the data after analysing the data with descriptive statistics. This paper concludes that banks need to reflect on both qualitative and quantitative qualities associated with banks' personal loans.*

**Keywords:** - Factor analysis, Loan, Bank, customers

## INTRODUCTION

The banking sector constitutes the backbone of every developing country's economy. Accelerating the rate of liquidity across different channels is the key task of the banking sector in the economy. The bank plays an important role in the development of capital and is thus closely watched by all sectors of the economy (Aspal & Nazneen ,2014). Loans are a critical part of the banks' revenue stream and there is a paradigm shift in this sector after dramatic changes in the Indian economy. The banking sector is therefore the corner point for preserving the circle of cash flows from various industries. Lending rates are the key source of bank profitability, but high loan rates serve as barriers and have a negative impact on the economy (Ngumi,2014). The loan rate is a major variable and demographic factor that also influences customers' decision to choose banks to fulfil stipulations ( Christos C. Frangos, 2012).

Due to changes in the market and financial system, the reliance on Indian customers' loans is growing. Instead of dear & peer, private Mahajan's etc., they select financial institutions to generate funds. Customers are focused on their objective of getting loans. Banks offer different kinds of loans, such as home loans, farm loans, school loans, personal loans, transportation loans, etc. On the other hand, consumers are aware of their requirements, so they expect financial institutions to respond to their desired needs with unique features. Modern consumers are so logical that they can choose the preferred banks or financial institutions by comparing their services. Services are the primary source of customer satisfaction and a validated way of attracting potential customers to increase banking industry profits. Banks also offer their banking services by taking into account their customers' needs. The papers investigate customers' viewpoint of the banking products and services. In order to choose the bank to obtain loans, customers request different attributes. Such as quality of services, question actions of workers, timings taken to answer questions, expertise handling, consumer requirements comprehension, product distribution methods, after-sale benefits, etc. These attributes play an important role in the creation of the financial institution's reputation and create the way to increase the number of clients.

## REVIEW OF LITERATURE

The banking industry is a service industry; to promote their business, it is important to offer a bunch of excellent services. In order to satisfy its clients, the services offered by the bank serve as the financial institution's success measure. These indicators may include the manner and timing of the approval of applications, the provision of funds, the manner in which the client processes the file, to be multifaceted until closing (J D Power ,2008). The basic and convenient house loan grant procedure improves the construction of houses (R.R Krishna & V S Krishna Mouthy, 1999). It also shows that two thirds of the assets in the Indian economy are organised by the financial system (Rangarajan C, 2008). For their different needs, individual customers rely entirely on bank loans. But they expect different characteristics of excellent services, less time for processing loans and insurance facilities, along with the amount of loans (Nanwani, 2016)

Banks also facilitate clients just below minimum wage, who cannot afford their wards' costs of home, conveyance & higher education. On the one hand, banks are engaged in fulfilling each customer class's dream and also growing their support to rising the country's GDP. The customer belongs to BPL seeks efficiency, convenience, less time period in processing & approval of applications, low instalment with employee behavior to notify all data attached to the loan facility along with bank picture (Mahalingam,1995). These attributes are still very prominent among clients in selecting the financial institution either belonging to the middle family or upper middle family for their housing loans at present. They assess the services offered by banks in the form of low interest, a particular system introduced by banks to impact their loans, easy accessibility and credibility of financial institutions (Gupta & Sinha, 2015). Banks deliver their online product range to meet the various needs of the requirements of their customers (Chitra & Muthurani,2015). Other financial institutions have conducted an online survey to recognise customers' efficiency & operational problems to process their requests and receive authorised loan money (Murugun & Jansiranii) (2017).

The customer has his own options, from simplest to composite decisions, so they analyse all the schemes offered after collecting relevant data (Hawkins & Mothersbaugh, 2010). When consumers compare the available alternatives, the decision-making strategy increases the value of the chosen choice (Abelson & Levi, 1985: Lau, 1995). Identification, search information, substitute evaluation, collection & review of the outcome are part of the customer decision process (Shiffman & Kanuk, 2007).

## **RESEARCH METHODOLOGY**

The analysis was carried out on the basis of Exploratory Research Design through primary data. The questionnaire for conducting the survey has been formulated. Likert Scaling's methodology is used to define the different characteristics needed to meet individual consumer needs. The data was gathered from 115 respondents in the Delhi NCR Area via Google Chrome of individuals taking loans for household, schooling, agriculture, public & private bank transfers. The SPSS20 uses various statistical tools such as descriptive analysis, factor analysis & chi square to analyse the data.

### **Objective**

To detect the connection between demographic variables and loan aspects

To understand the contributing factors with banks & valued by clients for loan borrowing.

### **Hypothesis**

**H1:** There seems to be correlation between gender & Amount of Loan, Duration taken by bank to sanction loan, Processing charges, Processing charges.

**H2:** There seems to be correlation between Age & Amount of Loan, Duration taken by bank to sanction loan, Processing charges, Processing charges.

**H3:** There seems to be correlation between Marital Status & Amount of Loan, Duration taken by bank to sanction loan, Processing charges, Processing charges.

- H4:** There seems to be correlation between Occupation & Amount of Loan, Duration taken by bank to sanction loan, Processing charges, Processing charges.
- H5:** There seems to be correlation between Income group & Amount of Loan, Duration taken by bank to sanction loan, Processing charges, Processing charges.
- H6:** There seems to be correlation between Educational Qualification & Amount of Loan, Duration taken by bank to sanction loan, Processing charges, Processing charges.

**DATA ANALYSIS & INTERPRETATION**

**Table - 1: Descriptive Statistics**

		Frequency	Percent	Cumulative Percent
<b>Gender</b>	Female	52	45.20	45.20
	Male	63	54.80	100.0
<b>Age</b>	30-40 years	39	34.00	34.00
	40-50 years	25	21.70	55.70
	Above 50 years	29	25.20	80.90
	Below 30 years	22	19.10	100.0
<b>Marital Status</b>	Married	86	74.80	74.80
	Unmarried	29	25.20	100.0
<b>Occupation</b>	Business	28	24.30	24.30
	House wife	4	3.50	27.80
	Professional	29	25.20	53.00
	Retired	9	7.80	60.80
	Service	27	23.50	84.30
	Student	16	14.00	98.30
	Teacher	2	1.70	100.0
	<b>Total</b>	<b>115</b>	<b>100.0</b>	
<b>Income group</b>	2-6 lakhs	18	15.70	15.70
	6-10 lakhs	25	21.70	37.40
	Above 10 lakhs	49	42.60	80.00
	Below 2 lakhs	23	20.00	100.0
<b>Amount of Loan Taken</b>	1-5 lakhs	22	19.00	19.00
	5-10 lakhs	27	23.50	42.50
	Above 10 lakhs	55	47.80	90.30
	Below 1 lakh	11	9.70	100.0
<b>Type of Interest Opted</b>	Fixed Interest Rate	67	58.30	58.3
	Floating Interest Rate	48	41.70	100.0

The result of descriptive statistics in **table1** represents married male between age of 30-40 years in service with income more than 10 lakhs & prefers to opt for loan. The loan plays significant role in satisfying various needs related to house, conveyance, renovations, education or for starting their small ventures. Most of the people preferred to take loan more than 10 lakhs at fixed interest rate.

**Table – 2 : Chi Square Value of demographic factors & Quantitative Attributes**

		Chi-Square Value	df	Asymp. Sig. (2-sided)
	Amount of Loan	4.647 <sup>a</sup>	3	.198

<b>Gender</b>	Duration taken by bank to sanction loan	.275 <sup>a</sup>	3	.956
	Processing charges	2.453 <sup>a</sup>	3	.469
	Type Of Interest Opted	1.678	1	.138
<b>Age</b>	Amount of Loan	28.417	9	.000
	Duration taken by bank to sanction loan	16.744	9	.003
	Processing charges	28.421	9	.00016.704
	Type Of Interest Opted	12.338	3	.002
<b>Marital Status</b>	Amount of Loan	3.785	3	.218
	Duration taken by bank to sanction loan	2.943	3	.521
	Processing charges	2.673	3	.411
	Type Of Interest Opted	18.248	1	.025
<b>Occupation</b>	Amount of Loan	33.530	27	.131
	Duration taken by bank to sanction loan	15.037	27	.010
	Processing charges	8.867	27	.139
	Type Of Interest Opted	16.258	9	.021
<b>Income group</b>	Amount of Loan	41.642	9	.000
	Duration taken by bank to sanction loan	17.551	9	.010
	Processing charges	13.423	9	.132
	Type of Interest Opted	8.954	9	.20
<b>Educational Qualification</b>	Amount of Loan	23.335	6	.001
	Duration taken by bank to sanction loan	15.417	6	.010
	Processing charges	8.857	6	.149
	Type Of Interest Opted	10.321	2	.002

The correlation between demographic variables and their relationship with loans and their key terms and conditions is shown in Table 2 and directly affects the value of loan payments charged by customers. For gender & marital status, the significant value is greater than p value (.005) along with less chi-square value. This suggests that there is no clear correlation with loan attributes. Income group, occupation & education qualification, on the other hand, is closely correlated with variables to pick the financial institution to offer loan & chi square value for the amount of loan, length & processing charges.

<b>Table 3-Eigen Value of Service Attributes</b>		
	Initial	Extraction
Your experience in Bank [Attitude of Employees for Service]	1.000	.657
Your experience in Bank [Scheme Offered]	1.000	.783
Your experience in Bank [Was the Service provided Quick]	1.000	.723
Your experience in Bank [Customer Counselling]	1.000	.714
Your experience in Bank [Understanding Customer Needs]	1.000	.712

Your experience in Bank [Promotion of Products]	1.000	.763
Your experience in Bank [Care and Concern for the Customer]	1.000	.763
Your experience in Bank [Attracting Customers]	1.000	.832
Your experience in Bank [Customize Product and Services]	1.000	.701
Your experience in Bank [Physical Facilities]	1.000	.611
Your experience in Bank [Relationship Banking]	1.000	.712
Your experience in Bank [Prompt attention to Customer Needs]	1.000	.785
Your experience in Bank [Information Technology]	1.000	.492
Your experience in Bank [Appointing more service personnel]	1.000	.846
Your experience in Bank [Branch Location]	1.000	.590

The effect of factor analysis is shown in Table 3 by showing the Eigen value above 0.700 for attributes considered by the customer to pick the bank to take out the loan. Attributes such as the type of scheme provided, time lag in the provision of bank services & standard of services offered by bank employees in the form of customer advice, awareness of the loan requirement of the customer, demonstration of customer issues, appealing manner of handling, product customization, banking relationship, immediate attention to the customer have an Eigen value greater than 0.700. It reflects people relying on all of the above factors to select banks to take loans.

### **FINDINGS**

The research shows that demographic variable occupation, income group & education qualifications have a strong relationship with loan quantity, loan length, processing charges & form of interest chosen with high chi-square value & these attributes have a significant value lower than .005. The study also explores that the customer focuses on various variables related to bank & quality of services rendered by bank employees in the form of customer advice, knowing the loan requirement of the customer, demonstrating customer issues, attractive manner of handling, product customization, banking relationship, immediate customer interest when handling customers.

### **CONCLUSION**

India's population comprises the largest proportion of the middle family, who need funds to fulfil their own and family needs, but resources are scarce. And they've got to rely on banks to lend. Before taking loans, it is important to assess personal factors and the standard of service offered by the banks. So before choosing a loan option, individuals have to keep track of all the issues. All quantitative factors such as the amount of loan needed, processing charges requested by banks, types of interest & time between processing the loan application & receiving the funds in hand must be assessed by customers, otherwise the real reason for obtaining the fund for fulfilling needs will be defeated. The rise in the number of customers is also concerned with qualitative factors related to unique characteristics associated with the system, attitude, actions, attachment, way of communicating with bank employees. Customer loyalty must be the primary motivation for banks to succeed as rivalry grows.

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