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A study on Customer's Awareness On Changing Home Loan Interest Rate By RBI

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Abstract: House is the dream of most of the people, and for that they are taking home loan but, in between the loan period there is a change in home loan interest rate by RBI. Whenever interest rate decreases due to economic condition of the country bank did not give proper information to their customer. This study shows how far the customer are aware of interest rate and due to unawareness what are the problems they are facing. Convenience sampling technique is used and descriptive method is used and the population size is 140 home loan customers from different banks with various age groups, occupational classes, different banks in Chennai city. Percentage analysis, correlation test and ANOVA test was performed using SPSS and the result is useful to determine customer awareness on home loan interest rate.

Keywords: Awareness, problems, satisfaction, home loan, interest rate, bank.

I. INTRODUCTION

The housing is one of the basic needs of the people as it ranks next to food and clothing. Everyone of us need a place of our own, which we called as HOME. The Home signifies comfort, security and peace, but buying an immovable property in India is a lifetime challenge. rising price of properties, it has almost become impossible for an average earning person to buy a home through lump sum payment. Therefore, the concept of home loan has come into existence Home loan is a golden opportunity to bring their dreams into reality. RBI has introduced the policy of housing finance and the banks can play a supporting role in this connection by providing housing loan to many people who are eligible for it, but interest rates play an important role in our everyday lives. So being aware and making ourselves up to date is our responsibility as well as the bank's responsibility. This study shows how far the customer are aware of current interest rate.

1.1. Industry profile

A bank is a financial institution that accepts deposits and invests them in lending activities, either directly or indirectly through capital markets. A bank is a financial institution that takes deposits, makes loans, pays checks, and offers other financial services. A bank is a financial intermediary that protects, transfers, exchanges, and lends money. One of the most important functions of banks is to link those with money, such as investors and depositors, with those who need money, such as individuals or businesses seeking loans. A bank serves as a conduit between consumers with capital deficits and those who have capital surpluses.

Reserve bank of India

The Reserve Bank of India (RBI) is India's central bank, in charge of the issue and supply of the Indian rupee as well as banking system control. It also oversees the country's key payment networks and works to advance the country's economic growth.

Commercial Banks

A commercial bank is a financial institution that accepts public deposits and provides loans to individuals, businesses, and organizations..

Retail Banks

Retail banking, also known as consumer banking that provide services to individual rather business.

1.2 Need for the study

The aim of the study is to find the Awareness level of the customers on Home loan interest rate. Awareness on interest rate is very essential for the Home loan customers. Awareness on interest rate and other guidelines about loan helps to prevent them in both mental and economical problems. So, to suggest suitable measures to develop awareness on interest rate and reduce the problem arising due to unaware of current interest rate.

1.3 Scope of study

- The study has been conducted on behalf of Home loan customers.
- The scope of the study is to find out the Customers awareness on home loan interest rate.
- The study was conducted in Chennai.
- The study covers the awareness level of customers in respect of home loan interest rate

1.4 Objective of study

- To identify customer's awareness on change in home loan interest rate by RBI.
- To identify the problems faced by customers due to lack of information from bank side regarding home loan interest rate.
- To identify customer's satisfaction on services provided by Bank

1.5 Limitations of study

- Some of the respondents can hide the real information.
- Some of the respondents avoid to fill the form.
- Sometime people did not have time to fill questionnaire, so they mark option without even reading the question.
- A sample size cannot always represent the whole population.

2. Review of literature

George and Shay (1974) in his research on “Some Factors affecting awareness of the consumer regarding home loan” concluded that a majority of borrowers still remained unaware and continued to underestimate annual percentage rates of charge on closed-end installment credit contracts.

Jean Mann Due (1955) in his study has found that consumers are having less knowledge in Banking guidelines. Sources of uncertainty, including future interest rates, housing prices, and general economic conditions, are other factors in the mortgage decision

Kasthuri (2016) studied the customer perceptions and satisfaction towards the home loans offered by public sector banks. The research has found that the customers of the bank were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, employee co-operation and query handling, prima facie of some problems like procedural delays, lack of knowledge and red-tapism. The results further revealed that the main reason for people to prefer this bank is the trust of the customers in the bank, lower interest rates and easy repayable instalments.

Manoj (2010) analysed the Problems that consumers face when it comes to interest rates. Changes in interest rates are influenced by the country's economic situation, and many people are unaware of this, and banks are also not providing information to the public. Every bank's benchmark rate will calculate the percentage point of interest rate based on its credibility and size.

Ravi C.S &Kundan Basavaraj (2013) investigated the satisfaction level on customers towards loans, interest rates, services provided in public, private banks in Chennai. Overall satisfaction on bank is positively and still need to be given attention by focusing on customer issues

3. Research design

Descriptive Research Design, has been used in this study. This study is pertaining to the home loan buyers from the banks in Chennai. This study was conducted among the 140 respondents

3.1 Sampling technique

The method adopted here is convenient sampling method because convenient is a complete survey method. The data has been collected only from Home loan customers. The area from which sampling were conducted is around Chennai.

3.2 Sources of data

For the purpose of the study two sources of data have been collected.

3.2.1 Primary data

In order to gather Primary data, a survey will be carried out. It is the evidence that is obtained directly by persons who have taken home loans and the data collected through

- Personal questions
- Questionnaire

3.2.2 Secondary data

Secondary data were gathered from previous home loan reports collected, interest rate, knowledge of the customer because of its connection to my study, I used the data.

3.3. Structure of questionnaire

Multiple choice questions and Likert's scale questions

3.3 Sample size

The response is 140 borrowers from different banks in Chennai, having different age group, employment status, educational criteria and convenience sampling method is used.

3.4 period of study

The period of study was from December 2020 to March 2021.

3.5 Analytical tools

- Percentage Analysis
- Correlation
- ANOVA

4. Percentage analysis

4.1.1 Table showing the respondents through which medium customer aware of interest rate

MEDIUM OF INFORMATION	NO OF RESPONDENTS	PERCENTAGE%
Banker	32	22.86%
Friends and Family	62	44.29%
Social media	38	27.14%
Newspaper	8	5.71%
TOTAL	140	100

Source: Primary Data

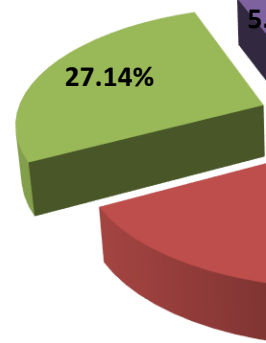


Chart 4.1.1 showing the respondents through which medium customer aware of interest rate

Interpretation

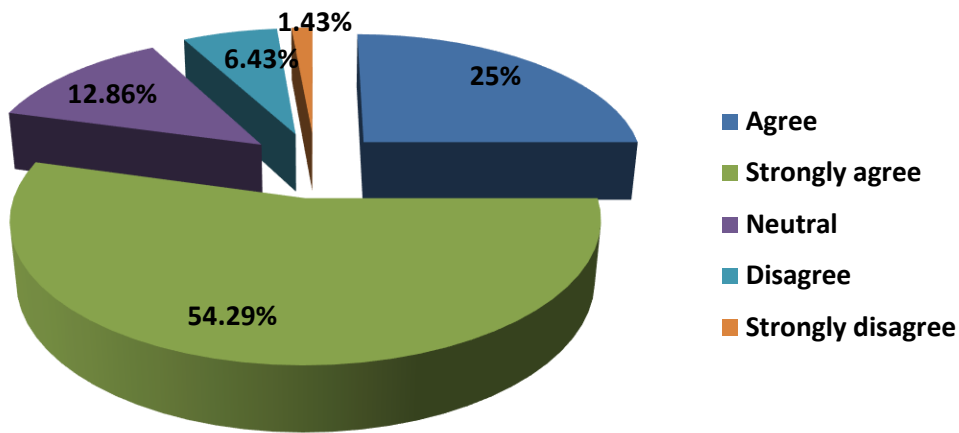
From the above table it is interpreted that 22.86% of respondents are aware of banker, 44.29% of respondents are aware of friends and family, 27.14% of respondents are aware of social media and 5.71% of respondents are aware of newspaper.

Table 4.1.2 showing respondents that bank did not give proper information

Whenever interest rate decreases by RBI

BANK DID NOT GIVE PROPER INFORMATION WHENEVER INTEREST RATE DECREASES BY RBI	NO OF RESPONDENTS	PERCENTAGE %
Agree	35	25%
Strongly agree	76	54.29%
Neutral	18	12.86%
Disagree	9	6.43%
Strongly disagree	2	1.43%
TOTAL	140	100

Source: Primary Data



4.1.2 Chart showing respondents that bank did not give proper information

Whenever interest rate decreases by RBI

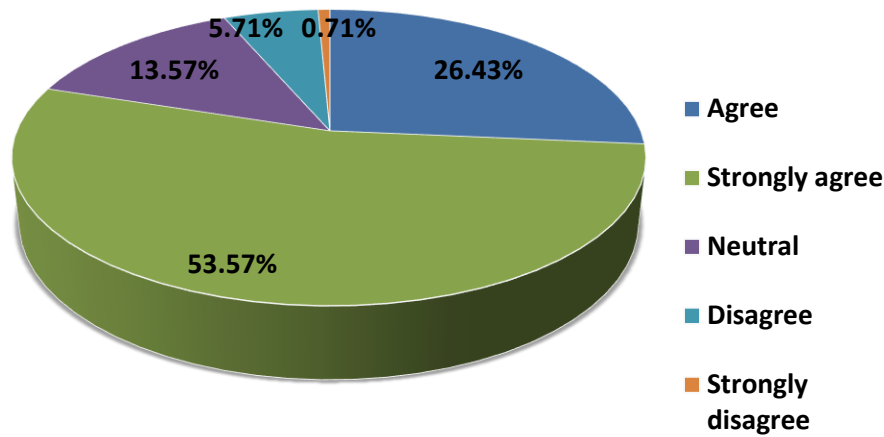
Interpretation

From the above table it is interpreted that 25% of respondents are agree, 54.29% of respondents are strongly agree, 12.86% of respondents are neutral, 6.43% of respondents are disagree and 1.43% respondents are strongly disagree.

4.1.3 Table showing respondents that Customer affected psychologically due to uninform change in home loan interest rate

CUSTOMER AFFECTED PSYCHOLOGICALLY DUE TO UNIFORM CHANGE IN HOME LOAN INTEREST RATE	NO OF RESPONDENTS	PERCENTAGE %
Agree	37	26.43%
Strongly agree	75	53.57%
Neutral	19	13.57%
Disagree	8	5.71%
Strongly disagree	1	0.71%
TOTAL	140	100

Source: primary data



4.1.3 Chart showing respondents that Customer affected psychologically due to uninform change in home loan interest rate

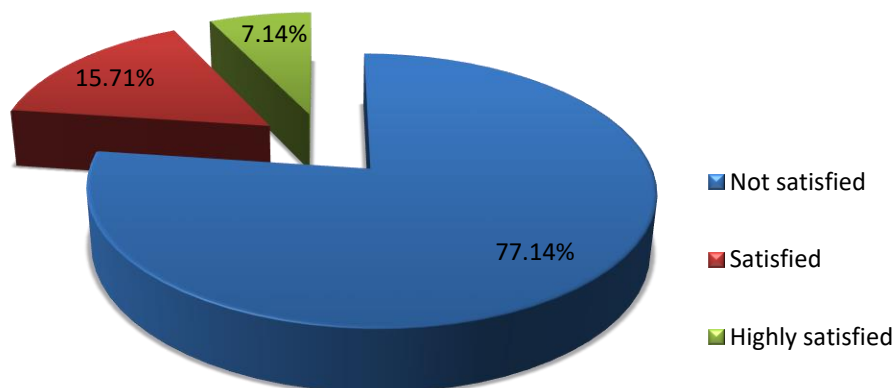
Interpretation

From the above table it is interpreted that 26.43% of respondents are agree, 53.57% of respondents are strongly agree, 13.57% of respondents are neutral, 5.71% of respondents are disagree and 0.7% respondents are strongly disagree.

4.1.4 Table showing respondents on their satisfaction on services provided

LEVEL OF SATISFACTION OF SERVICES PROVIDED	NO OF RESPONDENTS	PERCENTAGE %
Not satisfied	108	77.14%
Satisfied	22	15.71%
Highly satisfied	10	7.14%
TOTAL	140	100

Source: primary data



4.1.4 Chart Showing respondents on their satisfaction on services provided

Interpretation

From the above table it is interpreted that 77.14% of respondents are not satisfied, 15.71% of respondents are satisfied and 7.14% of respondents are highly satisfied.

4.2 Correlation:

Hypothesis:

HO (Null hypothesis): There is no significant relationship between customer affected psychologically due to uninform change in home loan interest rate and bank did not give proper information whenever interest rate decreases by RBI.

H1 (Alternative hypothesis): There is a significant relationship between customer affected psychologically due to uninform change in home loan interest rate and bank did not give proper information whenever interest rate decreases by RBI.

Table showing correlation on customer affected psychologically due to uninform change in home loan interest rate and bank did not give proper information whenever interest rate decreases by RBI.

Correlations			Customer affected psychologically due to uninform change in home loan interest rate	Bank did not give proper information whenever interest rate decreases by RBI
Spearman's rho	Customer affected psychologically due to uninform change in home loan interest rate	Correlation Coefficient	1.000	.473**
		Sig. (2-tailed)	.	.000
		N	140	140
	Bank did not give proper information whenever interest rate decreases by RBI	Correlation Coefficient	.473**	1.000
		Sig. (2-tailed)	.000	.
		N	140	140

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation:

Since the P-value is 0.000 is less than 0.05, H0 is rejected and H1 is accepted. Hence, There is a positive correlation between customer affected psychologically due to uninform change in home loan interest rate and bank did not give proper information whenever interest rate decreases by RBI.

4.3 Anova:

Hypothesis:

HO (Null hypothesis): There is no significant difference between customer satisfaction on services provided by the bank with regard to the sources by which customer were aware of interest rate

H1 (Alternative hypothesis): There is a significant difference between customer satisfaction on services provided by the bank with regard to the sources by which customer were aware of interest rate

Table 4.6.1 showing Test of homogeneity on satisfied by the services and from which medium customer aware of interest rate.

Tests of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
Satisfied by services	Based on Mean	213.714	3	136	.000
	Based on Median	15.896	3	136	.000
	Based on Median and with adjusted df	15.896	3	31.000	.000
	Based on trimmed mean	166.871	3	136	.000

Table 4.6.2 showing analysis variance of satisfied by the services and from which medium customer aware of interest rate.

ANOVA					
Satisfied by services					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	42.525	3	14.175	280.407	.000
Within Groups	6.875	136	.051		
Total	49.400	139			

Interpretation

Homogeneity of variances is significant at 0.000 (lesser than 0.05), Since the P-value is 0.000 is less than 0.05, Hence, H₀ is rejected and H₁ is accepted. There is significant difference between customer satisfaction on services provided by the bank with regard to the sources by which customer were aware of interest rate.

5. Findings of the study

- A Majority (44.29%) of respondents getting awareness on change in interest rate from their friends and family.
- A Majority (54.3%) of respondents are strongly agreed that their bank did not update the customers when interest rate decreases
- A Majority (53.57%) of respondents are strongly agreed that their bank not informing the changed interest rate and due to this it causes psychological pressure on them.
- A Majority (27.1%) of respondents are unsatisfied on their banks regarding not providing proper guidelines and information whenever new set of guidelines provided by RBI.
- Since the P-value is $0.000 < 0.05$, then alternate hypothesis accepted and there is positive correlation between uninformed interest rate causes psychological pressure on customer and bank fails to alert customer when interest rate decreases. From the result it is found that due to the uninformed change in interest rate, respondents are mentally depressed.
- Since the P-value is $0.000 < 0.05$, then alternate hypothesis accepted and there is a significant difference between satisfied by the services and from which medium customer aware of interest rate, From the above result it is found that the customers are satisfied only if the bank provide the information directly to them.

6. Suggestions

As a result of this research certain suggestion are put forward in order to increase the customer awareness level and reduce the problems faced by the customer due to unawareness

- Interest rate has decreased as per RBI guideline, even then the customer are paying in higher interest rate because due to the lack of information by the bank, Thereby the bank has more responsibility to make their customer aware of current interest rate via phone call, social media, advertisement, intimation letter.

- Bank fails to inform customer about the change in interest rate due to which customers are affected mentally, Thereby RBI and Bank should take respective steps to make their customer known about change in interest rate.
- The majority of respondents are aware of interest rates via social media, friends, and relatives, and regret not knowing the current interest rate, which has a psychological impact and has caused them to lose trust in their respective bank.
- RBI and other banks should step forward and take some steps to improve customer relationships by publishing information on the front page of newspapers, broadcasting it on television, and sending voice record calls to customers.

7. Conclusion

This research was conducted to determine consumer understanding of home loan interest rates. The survey and research were performed with people of various ages, as well as customers from various banks and occupation classes. The majority of consumers are unaware of interest rates, according to research. It's because the bank didn't give their customers clear instructions about the new set of guidelines published by RBI. It affects the customers psychologically in both mentally and economically. So, the bank should provide excellent service and clear guidelines, making them feel valued customers.

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