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Analyses on education, occupation influences preference of personal loan from organized loan lenders

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Abstract

Consumer characteristic refers to various factors that influence buying behaviour. The consumer characteristics such as Age, Income, Gender, Education and occupation influences buying behaviour towards gold loan and personal loan in Mumbai metro region. The Researcher has tried to find out the scope of these factors influencing the behaviour. The Researcher has studied only Age, Income, Education and Occupation as dependent variables. These independent variables were studied to analyses whether the Age, Income, Education and Occupation influence the preference of gold loan or personal loan between organized or unorganized loan lenders.

Keywords: Education, occupation, preference, organized loan lenders, personal loan

1. Introduction

The demand for financial assistance can arise for anyone; simply the reasons might differ from person to person. The process of borrowing and lending is intricate; the individual who is borrowing wants the money without any hassle, and the individual or institution lending it wants guarantees the about repayment.

Here borrowing directly relates to the Loans taken. The term loan is defined a debt evidenced by a note which specifies, among other things, the principal amount, interest rate and date of repayment ^[1]. There are various types of loans available in the market. But at the time of financial need a person looks for immediate and hassle-free liquidity or monetary assistance from near and dear ones or for any financial loan lenders in the market for borrowing. The immediate loan form is a Personal loan or a Gold Loan. Traditionally, both the loans were available, but this process is dominated by unorganized loan lenders. A Personal loan is given by Pawn broker and moneylender and Gold loan from jewelers as well as pawn brokers. Since 1991, owing to the entry of various Banks and Non-Banking, Financial Companies (NBFCs) in the Personal Loan segment, the Personal loan provision scenario has changed. The professional employed person prefers to take a personal loan from Public or Private Banks and avoid borrowings from the local Pawn brokers. Today the borrowers are influenced by buying decision for Personal loan as well as Gold Loan. The decision-making is determined by profiles depends upon buyers' characteristics which include social, culture, lifestyle, roles and status. Depending upon the personal factors like income, age, education Loan lenders offer a comprehensive range of personal loans. At the same time, post 2008, Gold loans has emerged as organised financial solutions that can be adapted to suit the changing needs and circumstances.

2. Objectives of the study

The main objective is to study the gold loan and personal loan market in Mumbai and its preference between these two loans among the consumers (borrowers) as follows:

A. To make comparative analysis of unorganised and organised gold loan market and personal loan market

The gold loan and personal loan have been provided by both organised and unorganised loan lender. Previously the gold loan and personal loan market was dominated by unorganised loan lender. Since 1991, the organised financial institutions are entering in this product line. Organised lenders have started offering comprehensive range of loans to consumers.

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The market scenario has changed and there is an increase in demand of seeking loans from organized lender by the borrower. Thus, the researcher has tried to undertake comparative study of gold loan and personal loan preference among borrower. To analyse the comparison, the researcher has used ‘Consumer Preference Scale ‘towards the gold loan or personal loan in organised and organised loan provision through Questionnaire conducting field survey.

B. To examine how consumer characteristics influence buying behaviour towards the gold loan and personal loan

Consumer characteristic refers to various factors that influence buying behavior. The consumer characteristics such as Age, Income, Gender, Education, Family status, Role etc. influence buying behavior towards the gold loan and personal loan in the Mumbai metro region. The Researcher has tried to find out the scope of these factors

influencing the behavior. The Researcher has studied only Age, Income, Education and Occupation as independent variables. These independent variables were studied to analyse whether the Age, Income, Education and Occupation influence the preference of gold loan or personal loan between organised or unorganised loan lenders.

3. Hypotheses of the study

H₀ - Education, age and occupation have no influence on the preference of personal loan from organised loan lenders

H₂ - Education, age and occupation influence on the preference of personal loan from organised loan lenders

To test the Second Hypothesis Chi-square test is used along with a simplified table. The responses are represented in the following table:

Table 8.9 (b): Chi-square test to test H₂

| Parameters | Chi-square (x ² value) | d.f. | Asymp. Sig. | Decisions | Conclusion |
|------------|-----------------------------------|------|-------------|--|---|
| Education | 3.810 | 8 | .0874 | The P value is 0.874 Which is > than 0.05. Hence H ₀ is Accepted. | Borrower’s preference for personal loan from an organised loan lender is independent of education. |
| Age | 30.37 | 72 | 1.00 | The P value is 1.00 Which is > than 0.05. Hence H ₀ is Accepted. | Borrower’s preference for personal loan from an organised loan lender is independent of age. |
| Occupation | 3.883 | 6 | .692 | The P value is 3.88 which is > than 0.05. Hence H ₀ is Accepted. | Borrower’s preference for personal loan from an organised loan lender is independent of occupation. |

From the above table 8.9 (b) the variables like education, age and occupations have no influence on preference of personal loan from organised loan lenders.

Education: Borrower’s preference for personal loan from the organised loan lender is independent of education.

Age: Borrower’s preference for personal loan from an organised loan lender is independent of age.

Occupation: Borrower’s preference for personal loan from an organised loan lender is independent of occupation.

The consumer profile parameters include:

- Age
- Education
- Income
- Occupation

1.6 (a) ‘Age’

In order to identify the Respondent’s Age, the age range was scaled between Ages a) 25-35, b) 36-45, c) 46-55, d) Above 55 in the questionnaire for the survey to collect data. The survey analysis as follows:

Table 1.6 (a): Age of the respondents.

| Age | No. of respondents | Percent |
|----------|--------------------|---------|
| 25-35 | 178 | 24.08 |
| 36-45 | 379 | 51.29 |
| 46-55 | 135 | 18.26 |
| Above 55 | 47 | 6.37 |
| Total | 739 | 100.0 |

(Compiled from the field-survey)

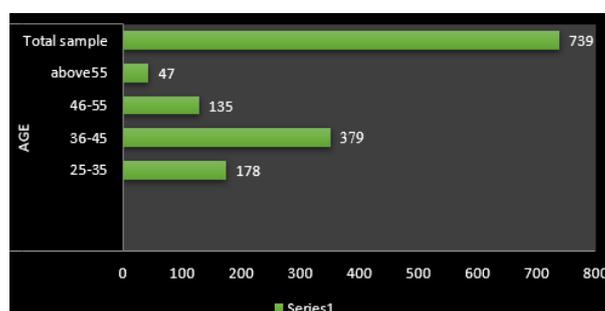


Chart 1.6 (a): Age of the respondents.

The table 1.6 (a) and Chart 1.6 (a) indicates the Age of the Respondents of the Study. The total respondents were 739. Out of total sampling, i.e. 739, the age scale is as follows:

- a) 25-35, the populous is 178; this disclosed that the ages in the range of 25-35 are high which 24.08 percent of the total population.
- b) Age 36-45, the populous is 379; this indicates that the age in the range of 36-45 is very higher side. That is 51.29 percent out of total population.
- c) Age 46-55, the populous 135, for the study is 18.26 percent of the total population.

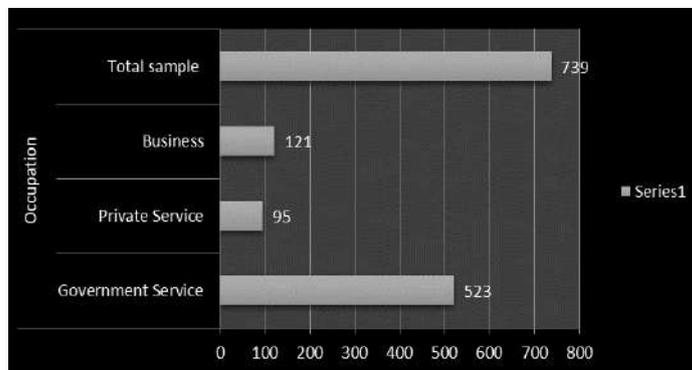
d) Age 55 above is 6.37 percent of the total population.

1.6 (b) Occupation

Table 1.6 (b): Occupation of the respondents.

| Particulars | | No. of respondents | Percent |
|-------------|--------------------|--------------------|---------|
| Occupation | Government service | 523 | 70.77 |
| | Private service | 95 | 12.86 |
| | Business | 121 | 16.37 |
| | Total | 739 | 100.0 |

(Compiled from the field-survey).



(Compiled from the field-survey.)

Chart 1.6 (b): Occupation of the respondents.

The table 1.6 (b) and Chart 1.6 (b) indicates ‘Occupation/ Profession of the Respondents of the study. The total respondents were 739. The respondents were scaled in:

- a) Government Services include those who work in any Public sector.
- b) Private Service includes those who work in any Private sector services.
- c) Business includes those who have their own Business operating like Sole proprietor/Partners/Joint Hindu Family/Joint stock Company.

From the respondent the government is 52.3 that is 70.77 percent. This indicates this government employed respondents can be prospective borrowers with stable income. So, if in case they require additional loan with existing on the bases on their payback capacity they can be given a loan.

1.6 (c) Monthly income

Table 1.6 (c): Monthly income of the respondents

| Particulars | | No. of respondents | Percent |
|----------------|-----------------|--------------------|---------|
| Monthly income | Less than 15000 | 29 | 3.92 |
| | 15000-25000 | 43 | 5.82 |
| | 26000-30000 | 127 | 11.19 |
| | 31000-50000 | 158 | 21.39 |
| | 51000-75000 | 149 | 20.16 |
| | 76000-above | 228 | 30.85 |
| | Total | 734 | 99.30 |
| | Missing System | 5 | .70 |
| Total | | 739 | 100.0 |

(Compiled from the field-survey).

Missing system figure has not been presented in the chart 1.6 (c) below.

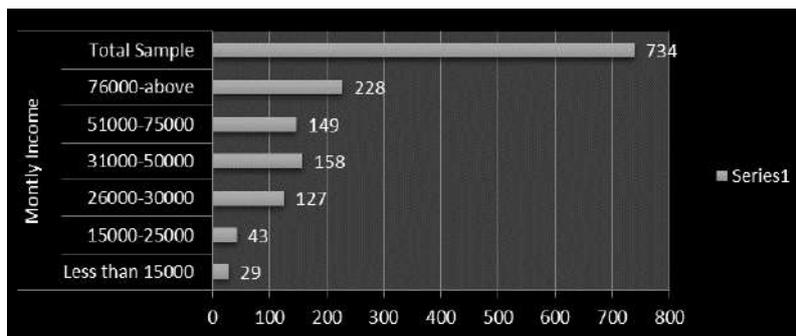


Chart 1.6 (c): Monthly income of the respondents.

The table 1.6 (c) and Chart 1.6 (c) indicates ‘Monthly Income’ of the Respondents of the study. The total respondents were 739. The respondents were scaled in:

- a) Less than 15000 - Includes those respondents whose monthly income is less than 15000.

- b) 26000-30000 - Includes those respondents whose monthly income is between 26000-30000.
- c) 31000-50000 - Includes those respondents whose monthly income is between 31000-50000.
- d) 51000-75000 - Includes those respondents whose

- monthly income is between 51000-75000.
 e) 76000-above includes those respondents whose monthly income is 76000 and above.

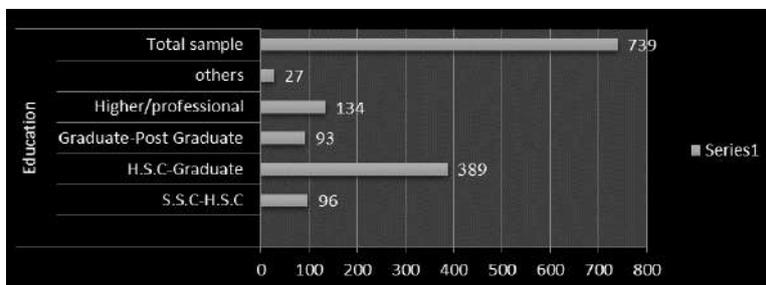
This is vital factors in the study, because it indicates whether which income group or all income groups requires financial need. On the bases of their payback capacity, the borrowers make a preference in the types of as well as sources of loan lender.

Table 1.6 (d): Education of the respondents

| | Particulars | No. of respondents | Percent |
|-----------|------------------------|--------------------|---------|
| Education | S. S. C-H. S. C. | 96 | 12.99 |
| | H. S. C-Graduate | 389 | 52.63 |
| | Graduate-Post Graduate | 93 | 12.58 |
| | Higher/professional | 134 | 18.14 |
| | Others | 27 | 3.66 |
| | Total | 739 | 100.0 |

(Compiled from the field-survey.)

1.6 (d) Education



(Compiled from the field-survey)

Chart 1.6 (d): Education of the respondents.

The table 1.6 (d) and Chart 1.6 (d) indicates the Education of the Respondents in the Study. The total respondents were 739. The respondents were scaled as follows:

- a) S.S.C – H.S.C means those who have completed S.S.C (Secondary School Certification) only or H.S.C means Higher Secondary Certification) only is 12.99 percent out of total respondents.
- b) H.S.C - Graduation means those who have completed HSC only or Graduation in any stream is high and 388. It is the 52.63 percent of the total respondents.
- c) Graduate - Post graduate: means those who have graduated from any stream only or Post graduation from any stream is 93 that 12.58 percent of the total respondents.
- d) Higher/Professional means those who have professional degrees from the stream is 134 is 18.14 percent of the total population.
- e) Others include any type of qualification.

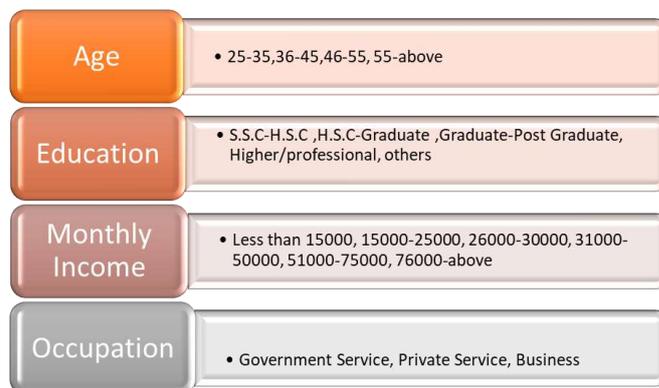
The purpose is to identify the weather, Education-factor influence Preference towards the choice of the loans. It indicates that from the 739 respondents, 389 are between H.S.C to Graduation, this concludes that there is a good number of literate populous from the sampling. So, the decision-making towards the loan can be appropriate with stable income and Education.

Inferences

- From the above tables and charts it can infer that:
- The four parameters were scaled in their respective ranges to get the appropriate response like:
 - It has been analysed from the Chart 1.6 (a) that populous AGE in the range of 36-45 is higher side. It indicates that the Loan lenders can get a good age group for placing and promoting their loan segment. Because loan lenders can get longer duration to collect the payment and borrowers get long period to repay the loan.
 - It has been analysed from chart 1.6 (a) that the

populous Education is among. H. S. C and Graduation, good qualified respondents. Loan lender’s needs to plan their procedures and promotions accordingly.

- It has been analysed that from chart 1.6 (c) that out the total respondents, the Government Service person is more. Thus, loan lenders get fixed income and service group as borrowers. There is higher security for repayment of the loan.
- It has been analysed that from chart 1.6 (d) that out of total respondents, monthly income is higher side towards 76000 and above as well as monthly income between 51000-75000 is also the higher side of the respondents.



Conclusion

Consumer profile is useful information for determining the target consumers (borrowers) for the Loan products. The analyses help to understand, which type of consumer (borrowers) would prefer a gold loan or personal loan from organised or unorganised loan lenders. It can help to plan their promotions accordingly. In other words, the analyses prove to be more profitable to target advertising to a specific market segment. As most of the loan, lenders are promoting their loan products very rigorously. The next chapter deals with the analysis on ‘Preference’ of borrowers towards Gold Loan and Personal Loan.

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