AN INVESTIGATION ON SALARIED PEOPLE PERCEPTION TOWARDS HOME LOAN IN TRICHIRAPPALLI DISTRICT

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ABSTRACT
This study explores the perceptions and attitudes of salaried individuals towards home loans. As housing affordability becomes an increasing concern, understanding the mindset of this demographic is crucial for financial institutions aiming to tailor their products effectively. The research delves into factors influencing the decision to take a home loan, such as interest rates, loan tenure, monthly income, job stability and financial goals. Through a survey-based methodology, data was collected from a diverse group of salaried employees across various industries. The findings reveal key trends and preferences, highlighting the importance of transparency, flexible repayment options and personalized financial advice. The study also identifies potential barriers and misconceptions that may deter individuals from opting for home loans. These insights can assist lenders in developing strategies to better meet the needs of salaried professionals, ultimately fostering a more inclusive and supportive lending environment.
Keywords: Home Loan; Salaried People;

INTRODUCTION
Purchasing a home is a significant milestone in many people's lives, symbolizing stability, financial success and personal accomplishment. For most individuals, buying a home outright with cash is not feasible, leading to the necessity of a home loan. Home loans, also known as mortgages, play a crucial role in making homeownership accessible by allowing buyers to borrow money against the value of a property, repaying the amount over a specified period, typically ranging from 15 to 30 years. This introduction will provide a comprehensive overview of home loans, covering their types, key components, the application process and their importance in the financial landscape.
A home loan is a secured loan offered by financial institutions, where the property being purchased acts as collateral. The primary purpose of a home loan is to finance the acquisition of residential property, enabling individuals to buy homes they could not afford to pay for outright. The loan is repaid through monthly installments, which include both the principal amount borrowed and interest charged by the lender. Home loans are essential in the real estate market as they democratize access to property ownership and stimulate economic activity by facilitating investments in residential properties.

Types of Home Loans
Home loans come in various forms, each designed to meet different borrower needs and financial circumstances. The most common types of home loans include:
1. **Fixed-Rate Mortgages:** These loans have a fixed interest rate for the entire loan term, resulting in consistent monthly payments. They are popular for their predictability and stability, making budgeting easier for homeowners.
2. **Adjustable-Rate Mortgages (ARMs):** ARMs have interest rates that adjust periodically based on a specific index or benchmark. These loans usually start with a lower interest rate compared to fixed-rate mortgages, but the rate can increase or decrease over time, leading to fluctuating monthly payments.

3. **Government-Backed Loans:** These include FHA (Federal Housing Administration) loans, VA (Veterans Affairs) loans and USDA (United States Department of Agriculture) loans. They are designed to support specific groups, such as first-time homebuyers, veterans and individuals in rural areas, often offering more favorable terms and lower down payment requirements.
4. **Interest-Only Loans:** Borrowers pay only the interest for a specified period, typically 5-10 years, after which they start paying both principal and interest. These loans are attractive for those expecting their income to increase in the future or those looking for lower initial payments.
5. **Jumbo Loans:** These are loans that exceed the conforming loan limits set by government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac. They are used for purchasing high-value properties and usually require a higher credit score and a substantial down payment.

In the contemporary economic landscape, the aspiration to own a home has transcended mere necessity and evolved into a symbol of stability, achievement and long-term security. For salaried individuals, home ownership represents not only a fundamental human need but also a significant financial milestone and an investment in their future. As the dynamics of personal finance continue to evolve, home loans have become an indispensable tool for many in realizing their home ownership dreams. This study aims to delve into the perceptions and attitudes of salaried individuals towards home loans, shedding light on their experiences, motivations and the challenges they face in this journey.

The housing market, characterized by fluctuating property prices, changing interest rates and evolving economic policies, presents a complex environment for potential homeowners. For salaried people, navigating this landscape is often fraught with uncertainties and risks. Unlike other forms of borrowing, home loans typically involve significant amounts, long-term commitments and a complex interplay of various financial factors. This complexity makes the perception of home loans a crucial factor in decision-making processes related to home ownership. [5]

In recent years, the importance of understanding borrower perceptions has gained prominence among policymakers, financial institutions and housing authorities. [6,7] A nuanced understanding of how salaried individuals perceive home loans can provide valuable insights into the effectiveness of current financial products and services, the adequacy of existing support systems and the potential areas for improvement. This study seeks to contribute to this understanding by exploring the factors that shape the perceptions of salaried individuals
towards home loans, including their attitudes towards interest rates, repayment terms, loan accessibility and financial literacy.[7]

Key Components of Home Loans

Several critical components define the structure and terms of a home loan:

1. **Principal:** This is the amount of money borrowed to purchase the home. It is the base figure upon which interest is calculated.
2. **Interest Rate:** The cost of borrowing the principal, expressed as a percentage of the loan amount. Interest rates can be fixed or adjustable and significantly impact the total repayment amount.
3. **Loan Term:** The duration over which the loan is repaid. Common loan terms are 15, 20 and 30 years, with longer terms typically resulting in lower monthly payments but higher overall interest costs.
4. **Down Payment:** An upfront payment made by the borrower, usually a percentage of the property's purchase price. A higher down payment reduces the loan amount and can lead to better loan terms.
5. **Monthly Payments:** These include both principal and interest and, in many cases, property taxes and insurance. They are calculated based on the loan amount, interest rate and loan term.
6. **Amortization:** This refers to the gradual repayment of the loan over time, where each payment contributes to both the principal and interest, with the proportion of principal increasing over the loan term.

The Home Loan Application Process

The process of obtaining a home loan involves several steps designed to assess the borrower's creditworthiness and ensure they can repay the loan. The typical steps include:

1. **Pre-Approval:** Before house hunting, borrowers often seek pre-approval from a lender, which involves a preliminary assessment of their credit, income and financial status. This gives an estimate of the loan amount they qualify for and signals to sellers that they are serious buyers.
2. **Loan Application:** The borrower submits a formal application, providing detailed financial information, including income, assets, debts and credit history. This information helps the lender evaluate the borrower's ability to repay the loan.
3. **Property Appraisal:** The lender requires an appraisal of the property to determine its market value. This ensures the property is worth the loan amount and serves as adequate collateral.
4. **Loan Approval:** Based on the borrower's financial profile and the property's appraisal, the lender decides whether to approve the loan. Approved loans are then processed and the terms are finalized.
5. **Closing:** During closing, the borrower signs the loan agreement and other necessary documents, pays closing costs and the down payment and the property ownership is transferred.

OBJECTIVE OF THE STUDY:

- To investigate the perception of salaried individuals towards home loans including their attitudes, beliefs and opinions
- To assess the level of satisfaction among salaried individuals with their current home loan experiences including the application process, lender transparency and repayment terms
- To identify potential barriers and concerns that salaried individuals face when considering or managing home loans such as affordability, eligibility criteria and fear of financial instability

REVIEW OF LITERATURE

Vidhayavathi. K (2002) [1] in this study evaluated the performance of housing finance institutions on certain selected business parameters as well as through an opinion survey over the home loan seekers and concluded that apart from interest rate advertisement, service quality, courtesy and speed of service are certain other important dimensions affecting the growth of housing finance industry.

Goyal and Joshi (2011)[2] have said in their study on Social and Ethical Aspects of Banking Industry that banks can project themselves as a social and moral oriented association by just dispensing credits to those social, moral and ecological concern associations.

Kumar and Gulati (2010) [3] examined at the centrality of the possession on the Indian local bank's adequacy. Data Envelopment Analysis (DEA), which is a non-parametric, deterministic and straight programming- b a s e d system, was utilized to register open and private division banks effectiveness score. The operational cross-sectional information of the general population and private area banks amid the money related years 2005-06 and 2006-07 was utilized and it was found that (1) De nova private division banks command the development of effective boondocks of Indian household saving money industry; (2) Primarily, the entire specialized wastefulness stops from administrative inadequacy rather than scale wastefulness; and (3) Though the general population and private part banks' productivity contrasts have been noted, in a large portion of the cases these distinctions are measurably insignificant. Overall, it is reasoned that industry possession is incapable in the Indian local saving money industry.

Sendhilvelan and Karthikeyan (2007)[4] RBI has expressed that the development towards general keeping money ought to have speedier dependability and proficiency of the budgetary framework, yet without anyone else it cannot give a viable or feasible answer for the operational issues of individual organizations emerging from credit capitalization, abnormal state of NPAs vast resources liabilities crisscross, liquidity and so forth. However, in a business sector driven economy to confront the opposition one variable is the size and subsequently, the passage of Universal banks is unavoidable for the general monetary advancement of our nation. There is most likely step by step we are moving

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towards the administration of a couple of substantial banks from the administration of numerous little banks. This illustration is accomplished with the idea of widespread managing an account which surely fortify the banking sector.

ANALYSIS AND INTERPRETATION

TABLE 1 AGE FACTOR OF THE RESPONDENT

Age	No. of respondents	Percentage
18-25	8	4%
26-35	76	38%
36-45	48	24%
46-55	38	19%
56+	30	15%
Total	**200**	**100%**

In the above table out of 200 respondents it is inferred that 4% of respondents are from age 18- 25, 38% of the respondents are from age 26-35, 24% of the respondents are from age 36-45, 19% of the respondents are from age 46-45, 15% of the respondents are from age 56 and above.

TABLE 2 GENDER OF THE RESPONDENT

Gender	No. of respondents	Percentage
Male	133	66.5%
Female	67	33.5
Total	**200**	**100%**

In the above table out of 200 respondents it is inferred that 66.5% of respondents are from male gender, 33.5% of the respondents are from female gender.

TABLE 3 THE EMPLOYMENT LONGEVITY OF THE RESPONDENT

EMPLOYMENT LONGEVITY	NO. OF RESPONDENTS	PERCENTAGE
Less than 1 year	7	3.5%
1-3 years	21	10.5%
4-7 years	48	24%
8-10 years	57	28.5%
More than 10 years	67	33.5%
Total	**200**	**100%**

In the above table out of 200 respondents it is inferred that 3.5% of respondent’s employment longevity is less than 1 year, 10.5% of respondent’s employment longevity is between 3-5 years, 24% of respondent’s employment longevity is between 4-7 years, 28.5% of respondent’s employment longevity is between 8-10 years, 33.5% of respondent’s employment longevity is more than 10 years.

TABLE 4 THE RESPONDENT’S PERCEIVING PROCESS FOR APPLYING HOME LOAN

PERCEIVING PROCESS	NO. OF RESPONDENTS	PERCENTAGE
Easy	24	12%
Somewhat challenging	35	17.5%
Challenging	64	32%
Very challenging	77	38.5%
Total	**200**	**100%**

In the above table out of 200 respondents it is inferred that 12% of respondents have opted that applying for home loan is easy process,17.5% of respondents have opted that applying for home loan is a somewhat challenging, 32% of respondents have opted that applying for home loan is challenging process and remaining 38.5% of respondents have opted that applying for home loan is very challenging

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TABLE 5 THE RESPONDENT'S IDEA OF TAKING OUT HOME LOAN

IDEA OF TAKING HOME LOAN	NO. OF RESPONDENTS	PERCENTAGE
It's a wise investment in my future and long-term stability.	43	21.5%
It's a necessary step for achieving homeownership, albeit a bit intimidating.	26	13%
It's a risky financial commitment that I approach cautiously.	26	13%
It's a burden I'd rather avoid due to potential financial strain.	21	10.5%
It's an opportunity for financial growth and asset accumulation.	84	42%
Total	**200**	**100%**

In the above table out of 200 respondents it is inferred that 21.5% of respondents have opted idea of It's a wise investment in my future and long-term stability, 13% of respondents have opted idea of It's a necessary step for achieving homeownership albeit a bit intimidating, 13% of respondents have opted idea It's a risky financial commitment that I approach cautiously, 10.5% of respondents have opted idea It's a burden I'd rather avoid due to potential financial strain and remaining 42% of respondents have opted idea It's an opportunity for financial growth and asset accumulation.

TABLE 6 THE RESPONDENT'S PERCENTAGE OF MONTHLY INCOME TOWARDS HOMELOAN PAYMENT

PERCENTAGE OF MONTHLY INCOME	NO. OF RESPONDENTS	PERCENTAGE
Less than 20%	25	15.5%
21-30%	18	9%
31-40%	78	39%
41-50%	45	22.5%
More than 50%	34	17%
Total	**200**	**100%**

In the above table out of 200 respondents it is inferred that 15.5% of respondents percentage of monthly income towards their home loan is less than 20%, 9% of respondents percentage of monthly income towards their home loan is between 21%-30%, 39% of respondents percentage of monthly income towards their home loan is between 31%-40%, 22.5% of respondents percentage of monthly income towards their home loan is between 41%-50%, 17% of respondents percentage of monthly income towards their home loan is more than 50%.

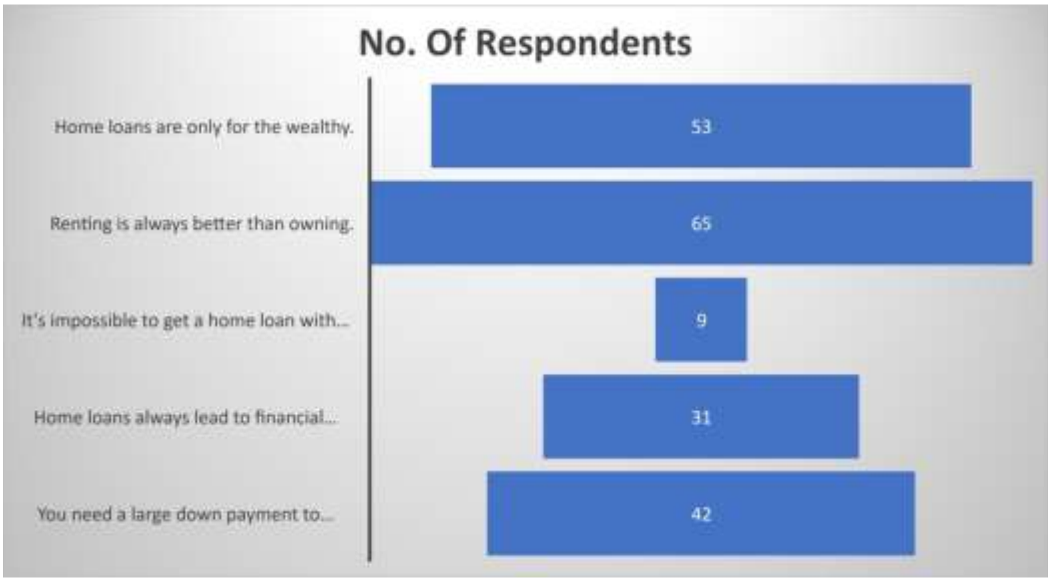

Fig: 1 SHOWS THE RESPONDENTS MISCONCEPTIONS ABOUT HOME LOAN THEY ENCOUNTERED

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In the above table out of 200 respondents it is inferred that 26.5% of respondent's misconception was home loans are only for the wealthy, 32.5% of respondent's misconception was renting is always better than owning, 4.5% of respondent's misconception was It's impossible to get a home loan with bad credit, 15.5% of respondent's misconception was home loans always lead to financial strain, 21% of respondent's misconception was you need a large down payment to qualify for a home loan

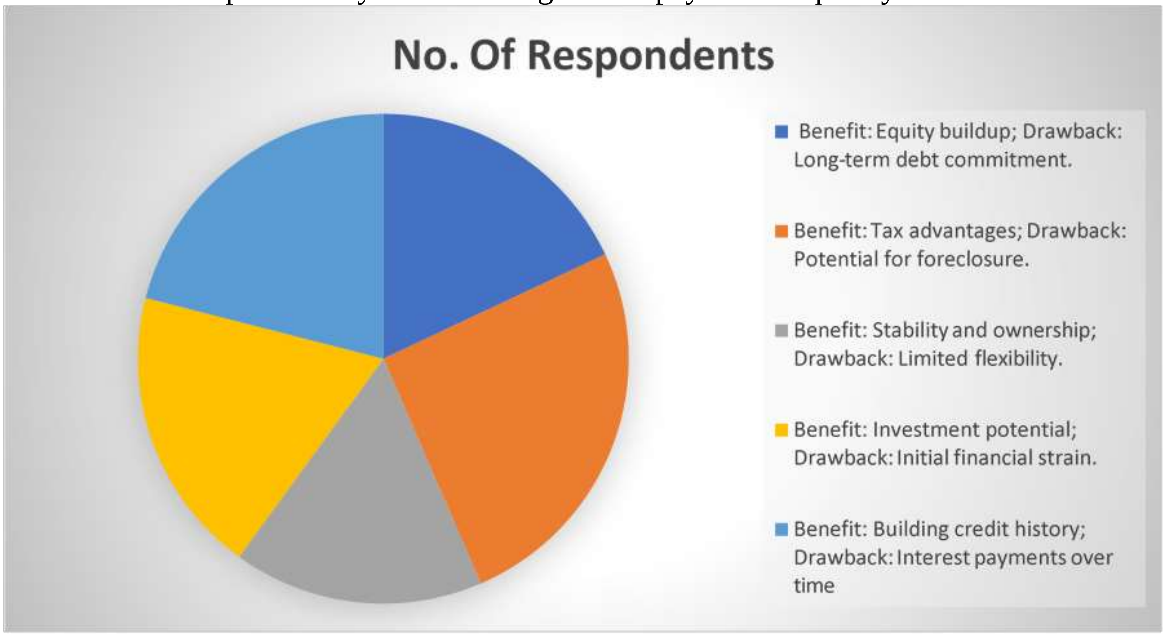

Fig: 2 SHOWS THE RESPONDENTS BENEFITS AND DRAWBACKS IN TAKING OUT HOME LOAN

In the above table out of 200 respondents it is opted by 18% respondent's benefit: Equity buildup; Drawback: Long-term debt commitment, 25.5% respondent's benefit: Tax advantages; Drawback: Potential for foreclosure, 16.5% respondent's benefit: Stability and ownership; Drawback: Limited flexibility, 19% respondent's Benefit: Investment potential; Drawback: Initial financial strain, 21% Benefit: Building credit history; Drawback: Interest payments over time.

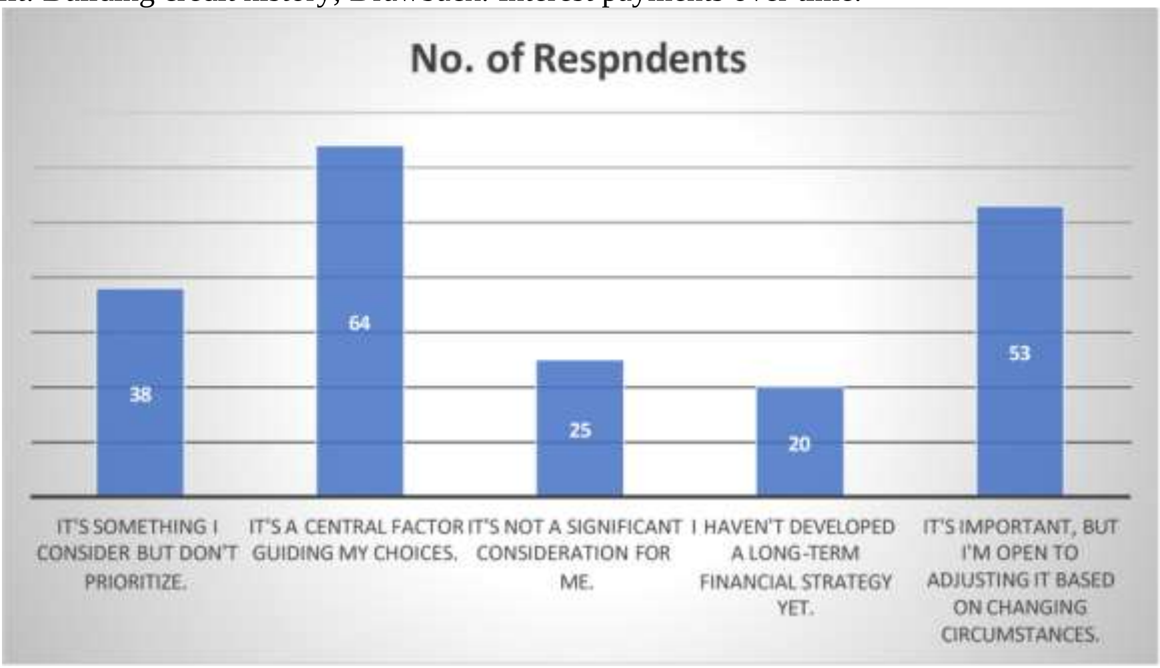

Fig: 3 SHOWS THE RESPONDENTS LONG-TERM PLAN PLAYS IN DECISION MAKING PROCESS

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In the above table out of 200 respondent's 19% of them says it's something I consider but don't prioritize, 32% of them opted saying that their decision plays as it's a central factor guiding my choices, 12.5% of them says it's not a significant consideration for me, 10% of them says i haven't developed a long-term financial strategy yet, 26.5% of them says It's important, but I'm open to adjusting it based on changing circumstances.

SUGGESTION & CONCLUSION

- With 33.5% of respondents having more than 10 years of employment, financial institutions could develop products that reward long-term employment. These could be loyalty programs that offer lower interest rates or benefits on loans and mortgages for those with stable employment histories.
- Given that 40.5% of respondents have an annual household income between 6 lakhs and 9.9 lakhs, financial products should be tailored to this income bracket. This could include mid-range investment products, affordable loan options and budgeting tools that help manage household finances effectively within this income range.
- Since 77.5% have taken out home loans, it's crucial to provide continuous support and information on how to manage and optimize these loans. Offering periodic financial counseling and resources on refinancing options or interest rate management could be highly beneficial.
- With 70.5% finding the process challenging or very challenging, financial institutions should focus on simplifying the home loan application process. This could include online application tools, clear and concise guidance and better customer support to ease the process for applicants.
- Since 42% view home loans as an opportunity for financial growth and asset accumulation, promoting educational content on how to leverage home loans for long-term financial stability and growth can be effective. Workshops, webinars and financial planning sessions could be valuable additions.
- With 44.5% very confident in managing their home loan, financial institutions could offer advanced management tools such as online loan tracking, personalized financial advice and apps that help borrowers stay on top of their loan payments and other financial obligations.
- Since 24% consider economic stability and job security important, offering products that provide stability, such as fixed-rate mortgages and services that give insights into economic trends could help attract and reassure potential borrowers.
- Since 52% prioritize low interest rates and flexible repayment options, financial institutions should focus on promoting these features prominently in their marketing materials and product descriptions. Transparent comparisons with competitors could also enhance trust and appeal.
- Given that 32.5% believe renting is always better than owning, educational campaigns that compare the long-term financial benefits of owning versus renting could help dispel this misconception. Offering tools that show the potential financial growth from owning property could also be persuasive.
- With 25.5% citing tax advantages but concerns over foreclosure, providing detailed educational resources about the tax benefits and ways to avoid foreclosure through careful financial planning and timely loan management can help alleviate these concerns.
- With 44.5% managing through budgeting, financial institutions could offer comprehensive budgeting tools and workshops that focus on expense management and prioritization, ensuring customers can effectively handle their loan repayments while managing other financial responsibilities.
- Given that 43.5% conduct thorough income versus expense analyses, providing detailed affordability calculators and personalized financial assessments can help customers understand their financial position better and make informed decisions regarding home loans.
- With 37.5% planning to make extra payments, encouraging this behavior through incentives such as reduced interest rates for early repayments or flexible prepayment options could help customers reduce their loan burdens more quickly.

- With 24% advising to start saving early, financial institutions could promote savings plans and programs that help potential home buyers build a solid down payment, enhancing their readiness and confidence when applying for a home loan.
- With only 7% very satisfied, focusing on improving customer service, simplifying loan processes and providing ongoing support throughout the loan term could enhance customer satisfaction. Gathering regular feedback and making continuous improvements based on it can also help.

CONCLUSION

The study on salaried people's perception towards home loans reveals significant insights into the financial behaviors and attitudes of this demographic. A major finding is the strong correlation between annual household income and the percentage of monthly income allocated to home loan payments, indicating that higher-income households tend to devote a larger proportion of their earnings to home loans. Additionally, the study highlights the diverse factors influencing perceptions of home loans, including interest rates, loan tenure and the overall economic environment. These factors collectively shape how salaried individuals approach home financing, reflecting their priorities, risk tolerance and long-term financial goals. The implications of these findings for policymakers and financial institutions, understanding these perceptions can guide the development of tailored home loan products that address the specific needs and concerns of salaried individuals. This could include offering flexible repayment plans, competitive interest rates and clear, transparent information about loan terms. For salaried people themselves, this study underscores the importance of thorough financial planning and awareness when considering a home loan. Overall, the study contributes valuable knowledge to the field of personal finance, emphasizing the critical role of income and financial literacy in shaping home loan perceptions and decisions among salaried individuals.

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