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Determinants of Consumers' Preference for Consumer Durable Loan Products

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Abstract

Consumer durable goods are products that provide utility over an extended period and include household appliances and high-value items such as washing machines, refrigerators, televisions, audio-video systems, motor vehicles, and other long-lasting consumer products. Owing to their relatively high cost, many consumers are unable to purchase these products with their regular income, particularly amid rising living expenses and increasing household financial commitments. As a result, consumer durable loan products offered by banks and financial institutions have become an important source of financing, enabling consumers to acquire durable goods without placing an immediate financial burden on their finances. Against this backdrop, the present study was undertaken to identify the factors influencing consumers' preference for consumer durable loan products in Chennai City. The study was based on primary data collected from 200 respondents using a structured questionnaire. A total of seventeen variables representing different aspects of consumer durable loan products were analyzed using exploratory factor analysis, which identified five predominant factors influencing consumers' borrowing decisions, namely Product Features, Professionalism, Brand Image, Word-of-Mouth, and Convenience. Among these, product features and professionalism emerged as the most influential determinants of consumers' preference for consumer durable loan products. Further, the results of the chi-square analysis revealed a statistically significant association between the volume of consumer durable loans availed by the respondents and their income level, indicating that income plays a vital role in determining the extent of consumer durable loan utilization.

I.INTRODUCTION

Consumer durable goods are products that provide utility over an extended period and include household appliances and high-value items such as washing machines, refrigerators, televisions, audio-video systems, motor vehicles, and other technologically sophisticated products. Unlike non-durable goods, these products are not consumed immediately but continue to provide benefits over time, making their purchase a significant financial decision for consumers. With the rising cost of living and increasing household expenditures, many consumers have limited disposable income, making it difficult to purchase durable goods through outright payment. Consequently, consumer durable loan products offered by banks and financial institutions have become an attractive financing option, enabling consumers to acquire essential and aspirational products through convenient Equated Monthly Instalment (EMI) schemes at competitive interest rates. In India, where festivals such as Pongal and Diwali often stimulate consumer spending through attractive discounts and promotional offers, the demand for consumer durable loans increases considerably as consumers seek affordable financing solutions to purchase household appliances and electronic products. These loans not only facilitate quick access to funds with minimal documentation and faster approval but also provide flexible repayment options, helping consumers manage their financial commitments effectively. However, in today's highly competitive financial market, where consumers have access to numerous lending institutions and financing alternatives, understanding the factors that influence their preference for consumer durable loan products has become increasingly important. Consumer borrowing decisions are shaped by multiple factors, including product features, service quality, brand image, convenience, promotional activities, and financial benefits. A comprehensive understanding of these determinants enables banks and financial institutions to design customer-centric loan products, strengthen their competitive position, and enhance customer satisfaction. In this context, the present study has been undertaken to identify the factors influencing consumers' preference for consumer durable loan products in Chennai City.

Review Of Literature

Bhatia et al. (2014) conducted a factorial study of consumer buying behavior towards durable goods with reference to urban working women. The paper studied the urban working women’s purchase attitude with special reference to consumer durables. This study also prevails that there is a significant difference in buying behavior of working women depending on what type of organization they work. Zandweghe and Braxton (2013) focused on consumer spending on durable goods. Despite an unprecedented degree of monetary policy accommodation, including record-low interest rates, the pace of the current economic recovery has been only moderate. It finds that the effect of interest rates on this category of spending has weakened following the recovery. Dasar et al. (2013) discussed an intensive empirical survey of the various factors influencing the buyer's behavior on consumer durables in Bijapur District (Karnataka State). Divya and Mukherjee (2013) discussed the effect of payment mechanisms on the replacement time of durable products purchase. Their arguments are based on how payment methods (cash or EMI) influence the consumption experiences of durable goods, which ultimately impacts the replacement time. Frangos et al. (2012) discussed the banking industry which appears as one of the most rapid emerging sectors needing to identify the main factors that lead to maintenance of existing customers and ways to attract new ones. Das et al. (2008) have elaborated the consumers' perception on buying color television which is mostly affected by factors like structural add-ons, word-of-mouth, technical features, durability, ground reality, etc.

Objectives of the Study

The study has been carried out with the following objectives:

1. To examine the factors influencing the consumers towards the consumer durable loans products in Chennai city.
2. To find out the relationship between income of the respondents and volume of consumer loan availed by the respondents and
3. To identify the association of gender, age of the respondents and determinants of consumer loan availed by respondents in Chennai city.

Statement Of Hypothesis

To achieve the stated objectives, the following hypotheses were formulated, which justify all the possible variables of the study.

1. There is no significant relationship between income of the respondents and volume of consumer loan availed by the respondents in Chennai city.
2. There is no significant association between the gender of the respondents and determinants of consumer durable loan products in Chennai city.
3. There is no relationship between the age of the respondents and determinants of consumer durable loan products in Chennai city.

Research Methodology

The present paper's decisive objectives are to find out the factors influencing the consumers towards the consumer durable loans in Chennai city. A sample of 200 respondents visiting the various retail outlets in Chennai was chosen for the study using simple random sampling method. In order to determine their perception, the respondents were asked to give their responses by way of filling up a questionnaire on different items related to the attributes of preferring a consumer durable loan which was constructed on a 5-point Likert scale (5 = strongly agree and 1 = strongly disagree) for all the 17 attributes. The data was collected during the period from March 2015 to August 2015. The sampling size includes both male and female users from different occupation, age, and income groups. The questionnaire was administered to the customers who had visited the retail outlets in Chennai city. The data collected was classified, tabulated, processed and analyzed in a systematic manner mainly to identify the group of determinants. Since the study consisted of an evaluation of 17 variables, the researchers felt a strong need for identifying the critical factors that influenced the consumer durable loan segment of Chennai. Against this backdrop, the data was run using SPSS 21.0 version by relying on the principal component analysis (factor analysis) and chi-square test used to find out the relationship between the demographic variables with the determinants of consumer durable loan products.

Data Analysis and Discussion

Table :1

Characteristics of Respondents

Gender	**Frequency**	**Percent**
Male	117	58.5
Female	83	41.5
Total	**200**	**100.0**
Age		
Up to 25 years	40	20.0
26-35 years	80	40.0
36-45 years	60	30.0
Above 45 years	20	10.0
Total	**200**	**100.0**
Educational qualification		
Up to HSC	45	22.5
UG	96	48.0
PG	36	18.0

Professional	23	11.5
Total	**200**	**100.0**
Monthly Income		
Up to Rs.25,000	65	32.5
Rs.25,001- 35,000	46	23.0
Rs.35,001-45,000	57	28.5
Above Rs.45,000	32	16.0
Total	**200**	**100.0**
Sector of Employment		
Government	70	35.0
Private	98	49.0
Business	32	16.0
Total	**200**	**100.0**
Volume of Loan Availed		
Up to Rs.50,000	50	25.0
Rs.50,001-75,000	90	45.0
Rs.75,001-1,00,000	40	20.0
Above Rs.1,00,000	20	10.0
Total	**200**	**100.0**

Source: Primary data

Table 1 represents that demographic profile of respondents. Out of 200 respondents, majority 58.5% of respondents were male whereas 41.5% of respondents were female. In connection with age wise distribution, majority 40% of respondents were in the age group of 26-35 years, followed by 30% of respondents were in the age group of 36-45 years, 20% of respondents were in the age group of up to 25 years and 10% of respondents were in the age group of above 45 years. Regarding educational qualification majority 48% of respondents were UG qualified, followed by 22.5% of respondents were up to HSC qualified, 18% of respondents were PG qualified and only 11.5% of respondents were professionally qualified. Monthly income wise majority 32.5% of respondents monthly income was up to Rs.25,000, followed by 28.5% of respondents monthly income between Rs.35,001-45,000, 23% of respondents monthly income was between Rs.25,001- 35,000 and only 16% of respondents monthly income was above Rs.45,000. Employment wise, majority 49% of respondents were private employees and majority 45% of respondents were taken the consumer durable loan between Rs. Rs.50, 001-75,000.

Identify The Factors Influencing the Consumers Towards the Consumer Durable Loan Products in Chennai City

The present study's core objective is to find out the factors influencing consumers towards the consumer durable loans in Chennai city. The variables of those factors are responded by the consumers in Likert's five point scale. The factors influence the consumers to prefer the huge number of variables. So, it is forced to analyze the situation for the data reduction. Therefore factor analysis and principal component methods are applied and the variables are reduced into predominant factors. Factors influence the consumers to prefer the durable loan products are identified through 17 variables in Likerts five point scale. The factor analysis is applied on these 17 variables and the following results are obtained.

Table :2

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.832
Bartlett's Test of Sphericity	Approx. Chi-Square	3691.660
	df	136
	Sig.	0.000**

Significant at 5% level

From the above table, it is observed that KMO measure of sampling adequacy is 0. 832. Bartlet's Test of Sphericity, Chi-square value is 3691.660 are statistically significant at 5% level. This shows that the sample size is adequate to reduce the 17 variables into major factors with considerable amount of variance.

Table :2

Communalities For Factors Influencing the Conusmers to Prefer the Consumer Durable Loan Products in Chennai City

Variables	**Initial**	**Extraction**
V1	1.000	0.954
V2	1.000	0.966
V3	1.000	0.781
V4	1.000	0.806
V5	1.000	0.738
V6	1.000	0.856
V7	1.000	0.841
V8	1.000	0.769
V9	1.000	0.866

V10	1.000	0.924
V11	1.000	0.809
V12	1.000	0.694
V13	1.000	0.639
V14	1.000	0.942
V15	1.000	0.881
V16	1.000	0.661
V17	1.000	0.809

Source: Computed data

Extraction Method: Principal Component Analysis.

Communalities for Factors Influencing the Consumers to Prefer the Consumer Durable Loan Products in Chennai City It is observed from the above table the variance ranges from 0.661 to 0.966. It implied 17 variables exhibited the variations from 66.1% to 96.6%. This is statistically significant for derivation of factors.

Table :3
Total Variance Explained for Factors Influencing the Conusmers to Prefer the Consumer Durable Loan Products in Chennai City

Total Variance Explained						
Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.626	44.859	44.859	5.353	31.489	31.489
2	2.176	12.803	57.662	2.881	16.944	48.433
3	1.590	9.353	67.015	2.873	16.899	65.332
4	1.432	8.424	75.439	1.565	9.205	74.537
5	1.110	6.531	81.970	1.264	7.433	81.970
6	.836	4.917	86.887			
7	.495	2.913	89.799			
8	.424	2.497	92.296			
9	.350	2.060	94.356			
10	.235	1.384	95.740			
11	.207	1.220	96.960			
12	.184	1.082	98.041			
13	.132	.778	98.819			
14	.094	.551	99.370			
15	.057	.334	99.704			
16	.044	.257	99.961			
17	.007	.039	100.000			

Source: Computed data

Extraction Method: Principal Component Analysis

The above table highlights that total variance explained for consumers to prefer the consumer durable loan products in Chennai city. There are 17 variables are reduced into 5 predominant factors with individual variances (31.489, 16.944, 16.899, 9.205and 7.433). These five factors are responded by the considerable number of underlying variables.

Table :3

Rotated Component Matrix[a]

	Component				
	1	2	3	4	5
Rate of Interest	0.927				
No hidden charges	0.915				
Tenure of loan	0.900				
Flexibility of payment options	0.895				
No pre-closure charges	0.826				
Affordable processing charges	0.742				
Confidentiality		0.832			
Free-look period		0.828			
Terms and conditions		0.759			
Properly selling the loan products		0.758			
Brand image			0.889		
Reputation			0.810		
Cash back			0.781		
Recommendation by friends/relatives				0.918	
Advertising				0.737	
Branch accessibility					0.749
Top-up facility available					0.658

Source: Computed data

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

Rotation converged in 9 iterations

The above table highlights that the prime five components which played a very significant role among the consumers to prefer the consumer durable loan products in Chennai city. The rotated component helps in making a broad interpretation of five parameters that are identified. The first factor is the most vital factor explaining 31.489% out of total variance. In total, six statements load on this factor. The highest loading is "Rate of Interest" (0.927), followed by "No hidden charges" (0.915), "Tenure of loan" (0.900), "Flexibility of payment options" (0.895)," No pre-closure charges"(0.826) and "Affordable processing fees" (0.742). It is named as "Features of the loan product".

The second factor explains 16.944% out of total variance, which comprises four statements. The highest loading among the statement is "Confidentiality" (0.832) followed by "Free-look period" (0.828), "Terms and conditions" (0.759), "Properly selling the loan products" (0.758). It is interpreted as "Professionalism".

The third factor explains 16.899% out of total variance, which comprises three statements. The highest loading in third factor is "Brand image" (0.889), "Reputation" (0.810) and "Cash back" (0.781). It can be inferred as "Brand Image"

The fourth factor explains 9.205% out of total variance, which comprises two statements. Among these two statements the highest loading is "Recommendation by friends/relatives" (0.918) and "Advertising" (0.737). It is concluded as "word-of-mouth".

The fifth factor explains 7.433% out of total variance, which comprises two statements. The highest loading among these two statements is "Branch accessibility" 0.749) and "Top-up facility available" (0.658). It is named as "Convenience".

Null Hypothesis 1

There is no significant association between monthly income of the respondents and the volume of durable loan availed by the respondents in Chennai city.

Table :4

Chi-square test for whether there is any significant association between monthly income of the respondents and the volume of durable loan availed by the respondents in Chennai city

Monthly Income	Durable loan availed				Total	Chi-square value	P value
	Up to Rs.50,000	**Rs.50,001 - 75,000**	**75,001-100,000**	**Above Rs.1,00,000**			
Up to Rs.25,000	14 (21.5%) [28.0%]	24 (36.9%) [26.7%]	17 (26.2%) [42.5%]	10 (15.4%) [50.0%]	65 (100.0%) [32.5%]	**36.935**	**0.000****
Rs.25,001-35,000	11 (23.9%) [22.0%]	29 (63.0%) [32.2%]	6 (13.0%) {15.0%]	0 (0.0%) [0.0%]	46 (100.0%) [23.0%]		
Rs.35,001-45,000	23 (40.4%) [46.0%]	20 (35.1%) [22.2%]	5 (8.8%) [12.5%]	9 (15.8%) [45.0%]	57 (100.0%) [28.5%]		
Above Rs.45,000	2 (6.3%) [4.0%]	17 (53.1%) [18.9%]	12 (37.5%) [30.0%]	1 (3.1%) [5.0%]	32 (100.0%) [16.0%]		
Total	**50**	**90**	**40**	**20**	**200**		

Source: Computed data
represents significant at 1% level
Note: Figures in ( ) row percentage
Figures in [ ] column percentage

The above table reveals that Chi-square test for whether there is any significant association between monthly income of the respondents and the volume of durable loan availed by the respondents in Chennai city. The Chi-square value is 36.935 and corresponding p value is 0.000, which is less than 0.01. Therefore the null hypothesis is rejected at 1% level of significant. Hence it concluded that there is strong association between monthly income of the respondents and the volume of durable loan availed by the respondents in Chennai city.

Null Hypothesis 2

There is no significant association between the gender of the respondents and determinants of consumer loan products in Chennai city

Table :5

Chi-square test for whether there is any association between the gender of the respondents and determinants of consumer loan products in Chennai city

Determinants	**Chi-square value**	**P value**	**Accepted/ Rejected**
Features of the product	1.233	0.540	Accepted
Professionalism	2.004	0.367	Accepted
Brand image	0.862	0.650	Accepted
Word-of-mouth	1.057	0.589	Accepted
Convenience	1.393	0.498	Accepted

Source: Computed data

The above table shows that whether there is any significant association between the gender of the respondents and determinants of consumer loan products in Chennai city. The p value of all the determinants of consumer loan products are greater than 0.05. Therefore the null hypothesis is accepted at 5% level of significant. Hence it is concluded that there is no significant association between the gender of the respondents and determinants of consumer loan products in Chennai city.

Null Hypothesis 3

There is no significant association between the age of the respondents and determinants of consumer loan products in Chennai city

Table :6

Chi-square test for whether there is any association between the age of the respondents and determinants of consumer loan products in Chennai city

Determinants	**Chi-square value**	**P value**	**Accepted/ Rejected**
Features of the product	0.503	0.998	Accepted
Professionalism	1.080	0.982	Accepted
Brand image	1.036	.984	Accepted
Word-of-mouth	.663	.995	Accepted
Convenience	4.202	.649	Accepted

Source: Computed data

Chi-square test for whether there is any association between the age of the respondents and determinants of consumer loan products in Chennai city highlighted in the above table. Since the p value of all the determinants of consumer durable loan products are greater than 0.05. Therefore, the null hypothesis is accepted at 5% level of significant. Hence it is concluded that there is no association between the age of the respondents and determinants of consumer loan products in Chennai city.

II.CONCLUSION

From the above discussion, it was observed that majority of the consumers are willing to avail the consumer durable loan products from banks/ financial institutions. Those who are not willing to avail the consumer durable loan products have varied reasons like interest, burden, liabilities and regular payment of EMI's. In this study seventeen variables were identified through literature survey. After identifying the variables factor analysis and chi-square test were applied. The results of the factor analysis indicate that Features of the products, Professionalism, Brand image, Word-of-mouth and Convenience are the important determinants of consumer durable loan products in Chennai city. Out of five identified factors, features of the products were considered to be the most important factor, followed by professionalism; Brand image; Word-of-Mouth; and Convenience. The results of the chi-square test show that there is significant association between volume of loan consumer durable loan availed by the respondents and income of the respondents. The results can be useful to developers and practitioners to better understand the loan-seeking customers from their point of view as well to design better innovative and satisfying policies to meet the needs of the loan-seeking segment of the society.

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