



DETERMINANTS OF BORROWER'S AWARENESS ON VEHICLE FINANCE IN COIMBATORE DISTRICT

S. Poornimadevi* & Dr. K. Sirajuddin**

* Associate Professor & Head, Department of Commerce-BPS, NGM College, Pollachi, Coimbatore, Tamilnadu

** Associate Professor, PG and Research Department of Commerce, NGM College, Pollachi, Coimbatore, Tamilnadu

Abstract:

In today's scenario, people in India are trying to elevate their life style with a passenger car. Rising per capita income and changes in demographic profile have lead them to own a car. But the people find it difficult to have at single payment. The availability of various schemes and features and the fact that the financing can cater to the requirements of the customer and needs has made auto financing products viable. They, therefore favourably opt for the vehicle financing schemes. They make an effort to search for the information about various vehicle financing schemes. Every day banks and financial institutions are coming up with better car loans schemes trying to provide lower interest rates and better repayment options. In this case, it becomes necessary to study the people's reach of information regarding these aspects. In order to identify the factors that determine the level of awareness of borrowers, Percentage analysis, Chi-square test and Multiple Regression analysis were carried out. Out of the results, it is found that, socio-economic factors have a strong influence on the level of awareness of borrowers.

Key Words: Borrowers, Awareness & Vehicle Finance

Introduction:

In today's scenario, people in rural and semi-urban areas in India are trying to elevate their life style, but people in metropolitan cities are completely disappointed with the public transport system. At present, India has highest proportion of population below 35 years. Nearly, 70 per cent of the people were added to the working population. This has shown the way to the Increase in income level, standard of living and purchasing power of the people. The trend has triggered the people to feel owning a car is not a luxury but a necessity. Further, the reduction of excise, easy finance at lower rate of interest, favourable Government policies, lack of transport systems and growing awareness of the need for a better means of transportation have paved way for the desire of owing a car. Right now, a number of financial institutions such as SBI, ICICI, IOB, HDFC and other commercial banks are providing lucrative schemes of car finance. A prospective borrower should know the key aspects of car loan to be cost effective.

Review of Literature:

Cars Direct.Com Inc. (2000) in its article "Site will widen auto buyers inventory financing options", observed that pioneered institutions' direct sales model for online car buying, has unveiled a financing platform that will allow prospective customers to search for the best loans and terms from a cadre of lenders.

Dr. Sanjay J. Bhayani (2005) in their study "Retail Banking Awareness: An Empirical Analysis (with special reference to private sector banks)", analysed the customer's awareness about the services provided now, after they utilize these services and the post purchase behaviour of the customers. The use of lending services is still not up to expected and this requires awareness among the customers. The customers should be educated on this part.

Bobo (2007) examined “Impact of vehicle loan on economy” and revealed that vehicle loan markets might be described as returning to traditional standards, where metrics such as loan-to-value and debt to income ratios matter again.

Gayathri Balakrishnan. R. (2010) in her study on “Customer Awareness about the Banking Services - A study” found that the economic changes of customers can be very easily encashed by the bank by providing good quality services at the right time and at the right place. The bankers should be sensitive to customer’s perceptions to meet the expectations of the customer.

Objectives of the Study:

- ✓ To identify the factors that determines the level of awareness of car loan borrowers.
- ✓ To offer suggestions for enhancing the level of awareness of borrowers.

Statement of the Problem:

The study of borrower’s awareness evinces great interest focal topic of the day. For the buyer, benefits from insight into their own borrowing related decisions while they purchase car loan. The lending institutions could operationalize the attempt to solve the issues related to borrowing of loans. Hence, the present study makes an attempt to study the level of awareness of car loan borrowers.

Research Methodology:

Sampling Design: The present study has been carried out in Coimbatore city by selecting 412 respondents by convenience sampling, possessed with vehicle loan.

Data: The present study is an empirical study. First hand data have been collected from interview schedule and the secondary data have been drawn from related Journals, Magazines and Textbooks.

Statistical Tools Used: Data collected from the respondents have been analyzed with the help of the following statistical tools.

- ✓ Percentage Analysis
- ✓ Chi-Square Test
- ✓ Multiple Regression

Limitations:

- ✓ The study is intended to measure the level of awareness of car loan borrowers only.
- ✓ The findings may be generalized to Coimbatore district only.

Analysis and Interpretation:

Percentage Analysis & Chi-Square Test :

The awareness of borrowers of vehicle finance primarily depends upon social and economic profile. They are presented in table.

Table 1: Socio -Economic Profile of Borrowers and Factors influencing the Awareness

Factors	Classification	Number	Percentage	DOF	X ² value
Age	Up to 25	84	20.40	2	0.744
	26 to 45	258	62.60		
	Above 45	70	17.00		
Gender	Male	324	78.60	4	-0.984
	Female	88	21.40		
Marital Status	Married	285	69.20	4	-1.072
	Unmarried	127	30.80		
Area of Residence	Urban	163	39.60	2	0.758
	Semi-urban	125	30.30		
	Rural	124	30.10		
Education	Up to H.Sc./	134	32.50	4	0.701

	Diploma				
	Degree	124	30.10		
	PG	98	23.80		
	Professional	56	13.60		
Occupation	Salaried	138	33.50	4	0.850
	Professional	68	16.50		
	Agriculture	63	15.30		
	Business	93	22.60		
	Others	50	12.10		
Monthly Income	Up to 15000	158	38.30	2	0.057
	15001to 30000	151	36.70		
	Above 30000	103	25.00		
Family Income	Up to 20000	127	30.80	2	0.674
	20001to 40000	180	43.70		
	Above 40000	105	25.50		
Total Members in Family	Up to Two	84	20.40	2	2.573
	3 to 4	260	63.10		
	Above 4	68	16.50		
Income Tax Status	Assessee	194	47.10	4	2.893*
	Non-Assessee	218	52.90		

Source: Primary Data

* Significance at 5% Level

Inferences:

Age: The age wise classification of borrowers given in table.1 reveals that majority of borrowers (i.e.) 258 (62.20%) belong to the age group of 26 to 45 years. While 70(17.00%) borrowers belong to the age group of above 45 years, the remaining 84(20.40%) borrower's age is up to 25 years.

Gender: The above table shows that out of 412 borrowers, 324(78.60%) are male and 88(21.40%) are female.

Marital Status: Two hundred and eighty five (69.20%) borrowers are married and 127(30.80%) are unmarried.

Area of Residence: As stated in the table, Out of 412 borrowers, 163(39.60%) belong to urban area where 124(30.10%) borrowers belong to the rural area and remaining 125(30.30%) borrowers are of semi urban area.

Education: It is observed from table that out of 412 borrowers 134(32.50%) have studied up to HSC / Diploma, 124(30.10%) are graduates, 98(23.80%) are post graduates and 56(13.60%) have finished professional degrees.

Occupation: The above table reveals that Out of 412 borrowers, 138(33.50%) are salaried employees, 68(16.50%) are professionals, 63 (15.30%) are agriculturists, 93(22.60%) are engaged in business and the remaining 50(12.10%) have stated that their occupation as 'others'.

Monthly Income: It is clear from table that 158(38.30%) borrower's monthly income from primary occupation is up to 15000 while 151(36.70%) borrowers monthly income is between Rs.15001 to Rs.30000, the remaining 103(25.00%) respondents have the monthly income of above Rs.30000/-.

Family Income: Where some of the borrowers have the income other than their primary income that is total family income it is clear from the table that 127(30.80%) families have the family income up to Rs.20000. 180(43.70%). Families' income ranging from Rs.20001 to Rs.40000 and the rest 105 (25.50%) families' incomes is above Rs.40000.

Total Members in Family: Among the sample respondents, majority (i.e.) 260(63.10) have 3 to 4 members in their family. There are only 2 members in 84(20.40%) families and 68(16.50%) families have more than four members.

Income Tax Status: One hundred and ninety four respondents (47.70%) are income tax assesses. The remaining 218(52.90%) are not income tax assesses.

Determinants of Awareness - Multiple Regression Analysis:

In order to find out the factors that determine the level of awareness, the selected ten variables have been regressed on the following awareness index.

$$AI = a + b_1 A + b_2 G + b_3 MS + b_4 AR + b_5 EQ + b_6 OCC + b_7 MI + b_8 FI + b_9 TFM + b_{10} ITA + e$$

AI = Awareness Index; a = Intercept Term; A = Age; G = Gender; MS = Marital Status; AR = Area of Residence; EQ = Educational Qualification; OCC = Occupation; MI = Monthly Income; FI = Family Income; TFM = Total Family Income; ITA = Income Tax Assessment; e = Error term

Table 2: Determinants of Awareness - Multiple Regression Analysis

Variables	Regression Coefficient	Standard Error	t
Age	0.170*	0.081	2.095
Gender	3.523*	1.617	2.179
Marital Status	3.662*	1.672	2.190
Area of Residence	-1.139	0.763	-1.494
Educational Qualification	-0.159	0.465	-0.341
Occupation	0.235	0.432	0.545
Monthly Income	0.001*	0.000	2.031
Family Income	0.001**	0.000	-2.738
Total Family Members	0.366	0.394	0.929
Income Tax Assessee	-3.203*	1.230	-2.604

* Significant at five percent level **Significant at one per cent level (Figures with in parenthesis indicate percentage)

Constant: 60.911 Std. Error of Estimate : 6.846 R2: 0.034 R2: 0.065*

Results:

The results of the regression analysis shows that out of ten variables selected, seven are found to be insignificant.

(i) Age and Awareness: Table.2 reveals that age influences awareness. The value of regression co-efficient indicates that for a unit of increase in awareness by 0.170 units. Hence, higher the age, greater the awareness.

(ii) Gender and Awareness: Male borrowers are with high level of awareness compared to female borrowers. The table reveals that the gender influences awareness. The value of regression co-efficient indicates that for the increase in probability of being male borrowers, there is an increase in awareness by 3.523 units.

(iii) Marital Status and Awareness: The borrowers who are married have greater awareness than those who are not married. The regression co-efficient indicates that the marital status highly influences awareness. Hence, the value of regression co-efficient indicates that for an increase in the probability of being married, there may be an increase of 3.662 units in awareness.

(iv) Monthly Income and Awareness: The borrowers who have higher monthly income have more awareness. The value of regression co-efficient indicates that monthly income of borrowers influences awareness. The value of regression co-efficient indicates that for a unit of increase in monthly income, there may be an increase of 0.001 units in awareness.

(v) Family Income and Awareness: High family income results in greater awareness. The regression co-efficient indicates that family income influences awareness. The value of regression co-efficient indicates that for a unit of increase in family income, there is an increase of 0.001 units.

(vi) Income Tax Assessment and Awareness: The regression co-efficient indicates that income tax assessment negatively influences awareness. The value of regression co-efficient indicates that for a unit of increase in the probability of getting income tax assessment, there is a decrease of 3.203 units in awareness.

Summary of Findings:

Percentage Analysis:

- ✓ Majority of borrowers (i.e.) 258 (62.20%) belong the age group ranging between 26 to 45 years and 324(78.60%) are male members.
- ✓ Majority of the borrowers (i.e.) 285(69.20%) are married and 163(39.60%) belong to urban area.
- ✓ Majority of the borrowers (i.e.) 124(30.10) are graduates and 138(33.50%) are salaried employees.
- ✓ Majority of families (i.e.) 158(38.30%) have the monthly income up to Rs.15000/- and 180(43.70%) have the family income ranging between Rs.20001 to Rs.40000. of which, only 194(47.70%) are income tax assessee.
- ✓ There are 3 to 4 members in majority (i.e.) 260(63.10%) of the families of borrowers.

Chi-Square Test: The variables gender, marital status, occupation and family income are significantly associated with borrowers' awareness while the variables age, area of residence, education, total members in family, monthly income are not significantly associated with awareness of borrowers of vehicle finance.

Multiple Regressions: Under multiple regression analysis, it is found that the variables age, gender, marital status, monthly income, family income and income tax assessment are significantly related with borrower's awareness.

Suggestions:

- ✓ The interest rate is to be regularized by Govt. to avoid charging of different rates by different lending agencies.
- ✓ Tax exemption may be given to vehicle loan.
- ✓ Customer education and awareness can be strengthened by providing simple, lucid and attractive literature at the customer.
- ✓ Bank officials should explain the terms of loan clearly to the borrowers.

Conclusion:

Thus, the vehicle finance gave way to the role of the banks and other financial institutions, which harnessed the growth of the auto mobile industry by offering auto loans at competitive prices and have been instrumental in raising the standard of living of people. From the study, it is found that there exists some unidentified gap in the flow of information from lending institutions to customers. The clear knowledge of those aspects can well cater to the requirements of the consumers and bring India to the greater heights. Govt has to take measures to bridge the knowledge gap of customers.

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