



# A Study of Financial and Non-Financial Aspects of House Loans Affecting Home Purchase Decisions in Pune

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**Abstract-** Housing is a fundamental human necessity and a key determinant of an individual's economic stability and social status. In rapidly developing urban centers like Pune, the demand for residential properties has increased significantly due to factors such as population growth, urbanization, industrial expansion, and the rise of the information technology sector. However, escalating property prices have made home ownership increasingly difficult for many individuals, particularly middle-income groups. In this context, housing finance, especially in the form of bank-provided home loans, has emerged as a critical facilitator enabling individuals to fulfill their aspiration of owning a home. This study examines the role of housing loans in influencing home buying decisions in Pune city. It explores various factors that affect borrowers' preferences, including interest rates, loan tenure, repayment capacity, processing procedures, and financial awareness. The research is based on primary data collected through structured questionnaires distributed among prospective and existing home loan borrowers in Pune. Secondary data has also been utilized from journals, reports, and banking publications to provide a comprehensive understanding of the housing finance sector. The findings of the study indicate that interest rates and EMI affordability are the most significant factors influencing loan selection among borrowers. Flexible repayment options and longer loan tenures are also preferred, as they reduce the financial burden on individuals. Additionally, the study reveals that awareness about loan schemes, government subsidies, and tax benefits plays an important role in decision-making. However, complexities in documentation and processing delays remain key challenges faced by borrowers. The study further highlights that housing loans not only support individual home ownership but also contribute to economic development by boosting the real estate sector, generating employment, and encouraging investment. Banks and financial institutions play a vital role in this process by designing customer-friendly loan products and maintaining competitive interest rates. In conclusion, housing finance has become an indispensable tool in addressing the growing housing demand in urban areas like Pune. While it has significantly improved access to home ownership, there is a need for simplifying loan procedures, enhancing financial literacy, and introducing more affordable loan schemes to cater to diverse income groups. The study provides valuable insights for policymakers, financial institutions, and researchers to improve the effectiveness of housing loan systems and promote inclusive growth in the housing sector.

**Keywords** - for this study include housing finance, home loans, home ownership, residential properties, urbanization, population growth, middle-income groups, borrower preferences, interest rates, EMI affordability, loan tenure, repayment capacity, financial awareness, government subsidies, tax benefits, documentation challenges, processing delays, real estate growth, economic development, employment generation, investment, customer-friendly loan products, affordable housing, financial literacy, inclusive growth, Pune housing market, and banking sector.

## I. INTRODUCTION

Housing is one of the most essential human needs and plays a crucial role in determining the standard of living, economic stability, and social status of an individual. In a developing country like India, owning a house is not only considered a basic necessity but also a symbol of financial security and long-term investment. Over the years, rapid urbanization, population growth, and economic development have significantly increased the demand for housing, particularly in urban areas. Cities such as Pune have witnessed tremendous growth due to their strong presence in the information technology sector, educational institutions, and industrial development, making them attractive destinations for employment and migration.

The continuous influx of people into Pune has led to a sharp rise in demand for residential properties, which in turn has increased property prices. As a result, purchasing a house through personal savings has become difficult for most individuals, especially for middle-income groups. In this situation, housing loans have

emerged as an important financial solution that enables individuals to purchase homes by providing financial assistance. Banks, housing finance companies, and other financial institutions offer a wide range of home loan products with varying interest rates, repayment tenures, eligibility criteria, and additional benefits. These loans allow borrowers to repay the borrowed amount over a long period in the form of Equated Monthly Installments (EMIs), making home ownership more accessible.

The decision to select a housing loan is complex and influenced by various factors. These factors can be broadly categorized into financial factors and non-financial factors. Financial factors include interest rate, EMI, loan tenure, processing charges, and tax benefits. Among these, interest rate is one of the most critical determinants as it directly affects the overall cost of the loan. Similarly, EMI affordability is important because borrowers must ensure that their monthly payments fit within their income limits. Loan tenure also plays a role in decision-making, as longer tenures reduce EMI burden but increase total interest payable.



In addition to financial aspects, non-financial factors have gained increasing importance in recent years. Factors such as service quality, ease of documentation, transparency in loan terms, speed of loan processing, availability of digital services, and brand reputation of banks significantly influence customer preferences. In today's competitive banking environment, customers expect not only affordable loan options but also efficient and hassle-free service. A bank that offers quick approvals, minimal paperwork, and good customer support is often preferred over others.

Furthermore, borrower behavior is also influenced by psychological and social factors such as trust, past experiences, and recommendations from family and peers. With the advancement of technology, digital banking and online loan processing have further transformed the housing finance sector, making it more convenient and accessible for customers.

## II. LITERATURE REVIEW

The literature on housing finance reveals a diverse range of factors influencing borrower behavior. However, these studies vary in terms of focus, methodology, and geographic context.

Fulwari and Kumar (2016) conducted an empirical study and found that income level and interest rates are the most significant determinants of housing loan demand. Their findings suggest that borrowers are highly sensitive to interest rate fluctuations, as even a small increase can significantly raise the total repayment burden over time.

Holambe and Desai (2022), focusing specifically on Pune, highlighted the role of demographic factors such as age, occupation, and income. Their study concluded that younger individuals are more inclined to take housing loans due to longer repayment horizons, while higher-income individuals prefer shorter tenures to reduce interest costs.

Srinivasa Kumar (2020) emphasized the importance of EMI affordability and tax benefits. Tax deductions under housing loan schemes act as incentives, encouraging individuals to invest in real estate. This indicates that government policies also play a role in shaping borrower behavior.

Babu et al. (2025) introduced a new perspective by emphasizing non-financial factors. Their study found that customer service, digital banking facilities, and transparency significantly influence borrower satisfaction. This reflects the changing expectations of modern consumers.

Manju K.V. et al. (2025) compared public and private sector banks and found that private banks perform better in terms of service quality, while public banks are preferred for lower interest rates and reliability.

Despite these contributions, existing literature has certain limitations. Most studies focus either on financial factors or demographic variables, with limited integration of non-financial aspects. Additionally, there is a lack of region-specific studies that consider the unique characteristics of cities like Pune.

This research addresses these gaps by providing a comprehensive analysis that combines financial, non-financial, and behavioural factors within a single framework.

## III. PURPOSE OF THE STUDY

The primary purpose of this study is to examine and analyze the role of housing loans in influencing the home buying decisions of individuals in Pune city. With the rapid growth of urbanization and rising property prices, owning a house has become a challenging task for many people, especially those belonging to middle-income groups. In such a scenario, housing finance provided by banks and financial institutions plays a crucial role in making home ownership accessible. This study aims to understand how different loan-related factors such as interest rates, loan tenure, repayment capacity, processing time, and eligibility criteria affect the decisions of borrowers.

Another important purpose of the study is to evaluate the level of awareness among individuals regarding various housing loan schemes, government subsidies, and tax benefits associated with home loans. It also seeks to identify the preferences and expectations of borrowers while selecting a particular bank or financial institution for availing a loan. Furthermore, the study aims to highlight the challenges faced by customers during the loan application and approval process, such as documentation complexity, hidden charges, and delays.

In addition, the study intends to assess the broader economic impact of housing loans, particularly how they contribute to the growth of the real estate sector and overall economic development in Pune city. By analyzing these aspects, the research aims to provide useful insights for banks, policymakers, and researchers to improve housing loan services, simplify procedures, and design more customer-friendly financial products that cater to the diverse needs of borrowers.

## IV. RESEARCH METHODOLOGY

Research methodology is an essential part of any study as it provides a systematic framework for collecting, analyzing, and interpreting data. It helps in ensuring that the research is conducted in a structured and scientific manner. The present study focuses on analyzing the factors influencing housing loan decisions among individuals in Pune. The methodology adopted for this research is designed to examine both financial and non-financial factors affecting borrower behavior.

The study is based on a descriptive research design, as it aims to describe the characteristics, preferences, and behavior of individuals regarding housing loans. Descriptive research is suitable for this study because it helps in understanding the relationship between different variables such as interest rate, EMI, service quality, and customer decision-making. The research follows a quantitative approach, as numerical data is collected and analyzed using statistical tools.



The data for this study has been collected from both primary and secondary sources. Primary data has been collected through a structured questionnaire distributed among respondents in Pune city. The questionnaire consists of multiple questions related to demographic details, financial factors, and non-financial factors influencing housing loan decisions. Secondary data has been collected from research papers, journals, banking reports, and online sources related to housing finance in India. This combination of primary and secondary data enhances the reliability and validity of the study.

The sample size for the study consists of 100 respondents selected from different areas of Pune city. The respondents include salaried employees, business persons, and self-employed individuals who have either taken a housing loan or are planning to take one. A convenience sampling method has been used due to time and accessibility constraints. Although this method may have some limitations, it is suitable for exploratory and descriptive studies.

The collected data has been analyzed using simple statistical tools such as percentages, tables, and charts to present the findings in an understandable manner. In addition, the Chi-square test has been used to examine the relationship between variables such as interest rates and housing loan decisions. This statistical tool helps in determining whether there is a significant association between the selected factors and borrower behavior.

The study also considers certain variables for analysis. Independent variables include interest rate, EMI, loan tenure, service quality, and processing time, while the dependent variable is the housing loan decision of the borrower. By analyzing these variables, the study aims to identify which factors have the most significant impact on decision-making.

## V. HYPOTHESIS TESTING (CHI-SQUARE TEST)

### Hypothesis

H<sub>0</sub> (Null Hypothesis): There is no significant relationship between interest rate and housing loan decision.

H<sub>1</sub> (Alternative Hypothesis): There is a significant relationship between interest rate and housing loan decision.

Observed Data Table (O)

Interest Rate Opinion	Take Loan (Yes)	Take Loan (No)	Row Total
Low Interest	40	10	50
High Interest	25	25	50
Column Total	65	35	100

Expected Frequency Table (E)

$E = (\text{Row Total} * \text{column Total})$

Grand Total

Interest Rate Opinion	Yes (E)	No (E)
Low Interest	32.5	17.5
High Interest	32.5	17.5

Chi-Square Calculation Table

Category	O	E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> / E
Low-Yes	40	32.5	56.25	1.73
Low-No	10	17.5	56.25	3.21
High-Yes	25	32.5	56.25	1.73
High-No	25	17.5	56.25	3.21
Total $\chi^2$				9.88

Result Table: Chi-Square Test Summary

Particulars	Value
Degree of Freedom (df)	$(2-1)(2-1) = 1$
Level of Significance	5% (0.05)
Critical Value ( $\chi^2$ table value)	3.84
Calculated $\chi^2$ Value	9.88
Decision	Reject H <sub>0</sub>
Conclusion	Significant relationship exists
Reason for Rejection	Calculated $\chi^2$ (9.88) > Critical Value (3.84), hence difference is not due to chance

1. Have you taken or are you willing to take a housing loan?

Housing Loan	Respondents	Percentage
Yes	65	65%
No	35	35%
Total	100	100%





**Interpretation**

Out of the total respondents, 65% (65 people) have taken a housing loan, while 35% (35 people) have not. This clearly indicates that a majority of the respondents are dependent on housing loans for purchasing or constructing their homes.

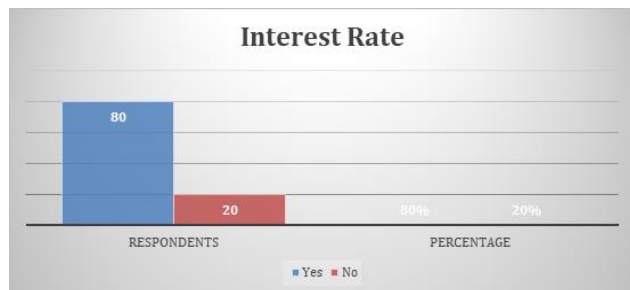
The higher percentage of “Yes” responses suggests that housing loans play a significant role in enabling home ownership, likely due to high property prices and the need for financial assistance. It also reflects awareness and accessibility of loan facilities among individuals.

On the other hand, the 35% who have not taken loans may prefer self-financing, lack eligibility, or avoid debt due to interest burden.

Overall, the data highlights that housing finance is a key support system, with most people relying on loans to fulfill their housing needs.

2. Does the interest rate influence your decision to take a housing loan?

Interest Rate	Respondents	Percentage
Yes	80	85%
No	20	20%
Total	100	100%



**Interpretations**

1. Interest rate is decisive: 80% of respondents say interest rate influences their housing loan decision. This makes it one of the strongest financial factors.

2. Very low indifference: Only 20% say interest rate does not influence them. Cost of borrowing matters to 4 out of 5 people.

3. Consistent with earlier data: Q6 Challenges showed "High Interest" as the #1 challenge at 30%. Q5–Q15 earlier showed Interest Rate had 75% agreement. This Q2 result at 80% "Yes" confirms interest rate is a top-tier factor.

4. Critical for MSME owners: Q1–Q6 showed your sample is 80% Micro/Small enterprises taking business loans from PSU banks. For home loans, their sensitivity to interest rate will be high because EMI burden directly impacts business cash flow.

5. Policy implication: Banks and housing finance companies targeting MSME owners in Pune should highlight competitive interest rates, subvention schemes, or floating vs fixed rate options to convert this segment.

**VI. FINDINGS OF THE STUDY**

The present study was conducted to analyze the factors influencing housing loan decisions among individuals in Pune. Based on the analysis of primary data collected through questionnaires and the application of statistical tools such as the Chi-square test, several important findings have emerged.

The study reveals that interest rate is one of the most significant factors affecting housing loan decisions. A majority of respondents indicated that they prefer loans with lower interest rates, as it reduces the overall cost of borrowing. The Chi-square test also confirmed that there is a significant relationship between interest rate and housing loan decisions, which means that changes in interest rates directly influence borrower behavior.

Another important finding is that EMI affordability plays a crucial role in decision-making. Respondents showed a strong preference for loan options where the EMI fits comfortably within their monthly income. This indicates that borrowers carefully evaluate their repayment capacity before taking a loan, and financial planning is a key consideration.

The study also found that loan tenure influences borrower preferences. Many respondents prefer longer loan tenures because they result in lower monthly EMIs, even though the total interest paid over time may be higher. This suggests that immediate affordability is often prioritized over long-term cost.

In addition to financial factors, non-financial factors such as service quality and processing time are also important. Respondents expressed a preference for banks that offer quick loan approval, minimal documentation, and efficient customer service. This shows that convenience and customer experience play a vital role in choosing a financial institution.

Furthermore, the study highlights that brand reputation and trust in banks influence decisions. Well-known and established banks are generally preferred because customers perceive them as more reliable and secure. Trust and transparency in loan terms are important for building customer confidence.

The findings also indicate that digital banking and online loan services are gaining importance. Many respondents prefer banks that provide online application facilities, status tracking, and digital documentation, as these features save time and effort.

Another key observation is that demographic factors such as income and occupation affect loan decisions. Higher-income individuals tend to opt for loans with shorter tenures to reduce interest costs, while middle-income groups prefer longer tenures for affordability.

Overall, the study finds that housing loan decisions are influenced by a combination of financial, non-financial, and personal factors.



Among these, interest rate and EMI are the most dominant factors, while service quality and convenience are becoming increasingly important in the modern banking environment.

## VII. CONCLUSION

The present study was conducted to analyze the various factors influencing housing loan decisions among individuals in Pune. With the increasing demand for housing and the rising cost of property in India, housing loans have become an essential financial tool that enables individuals to fulfill their dream of home ownership. The study aimed to examine both financial and non-financial factors affecting borrower behavior and to understand their impact on decision-making.

Based on the analysis of data collected from respondents, it can be concluded that financial factors play a dominant role in housing loan decisions. Among these, interest rate is identified as the most important factor, as it directly affects the total cost of borrowing. The results of the Chi-square test confirmed that there is a statistically significant relationship between interest rate and housing loan decisions, leading to the rejection of the null hypothesis. This clearly indicates that borrowers are highly sensitive to changes in interest rates and prefer loan options with lower rates.

In addition to interest rate, EMI affordability and loan tenure are also key determinants. Borrowers tend to choose loan options where the EMI is manageable within their monthly income, even if it results in a longer repayment period. This shows that affordability and financial stability are major considerations in decision-making.

The study also highlights the growing importance of non-financial factors such as service quality, processing time, transparency, and digital banking facilities. In today's competitive environment, customers expect not only low-cost loans but also efficient and convenient services. Banks that provide faster approvals, minimal documentation, and better customer support are more likely to attract borrowers.

Furthermore, the research indicates that trust and brand reputation play a significant role in influencing customer choices. Borrowers prefer well-established financial institutions that offer reliability and security. The increasing use of digital platforms has also changed customer expectations, making online services an important factor in loan selection.

Overall, the study concludes that housing loan decisions are influenced by a combination of financial, non-financial, and behavioral factors. While financial aspects such as interest rate and EMI remain the most critical, non-financial factors are gaining importance in shaping customer preferences.

The findings of this study are useful for banks and housing finance companies in designing better loan products and improving service quality. By understanding customer needs and preferences, financial institutions can enhance customer satisfaction and remain competitive in the market. The study also

provides valuable insights for policymakers to develop effective housing finance policies.

However, the study is limited to a sample from Pune city and may not represent the entire population. Future research can be conducted on a larger scale by including more regions and additional variables to gain deeper insights into housing loan behavior.

In conclusion, housing loans play a vital role in fulfilling the housing needs of individuals, and understanding the factors influencing loan decisions is essential for improving the overall efficiency of the housing finance system.