

**FACTORS AFFECTING CUSTOMERS' DECISION TO ACQUIRE
BANK LOANS IN KATHMANDU VALLEY**

A Dissertation submitted to the Office of the Dean, Faculty of Management, in partial
fulfilment of the requirements for the Degree of Masters of Business Studies

by

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**FACTORS AFFECTING CUSTOMERS’ DECISION TO ACQUIRE BANK LOANS IN KATHMANDU VALLEY**” The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Rajan Sitaula has defended research proposal entitled “**FACTORS AFFECTING CUSTOMERS’ DECISION TO ACQUIRE BANK LOANS IN KATHMANDU VALLEY**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Dr. Suman Kamal Parajuli and Dr. Dipak Mahat and submits the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

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Rajan Sitaula
Researcher

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ABBREVIATIONS

| | | |
|------|---|--------------------------|
| AD | : | Anno Domini |
| ATM | : | Automated Tailor Machine |
| BD | : | Bank Design |
| BLP | : | Bank Loan Policies |
| BS | : | Bikram Sambat |
| CS | : | Customer Service |
| CS | : | Customer Satisfaction |
| e.g. | : | Example |
| F/Y | : | Fiscal Year |
| i.e. | : | That is |
| IR | : | Interest Rate |
| IT | : | Information Technology |
| LPD | : | Loan Purchasing Decision |
| Ltd | : | Limited |
| NRB | : | Nepal Rastra Bank |
| SD | : | Standard Deviation |
| TU | : | Tribhuvan University |

ABSTRACTS

The main objectives of this study are to identify the demand for the loan and determine the determinants and their impact or influence on the loan decision and behavior of the customers so that it helps to develop an insight to the bank and financial institutions and to the customers themselves as well. The research design adopted in this study is a descriptive and analytical design. The study uses the quantitative method to find the facts regarding the customers preference towards the factors affecting loan taking decision. This study is about the factors affecting the loan taking decision of customers, the population for this study comprises all the banking customers of the Kathmandu, working in different fields as well as certain banking personnel. The sample size for this study includes 395 respondents although the questionnaire was distributed to 410 respondents. Those respondents are from different categories, such as business persons, working people, retiree, students etc. Convenience sampling and random sampling were used for selecting the respondents for the study. The findings presented in this study shows the results of a multiple regression analysis that investigated the impact of five independent variables (Bank Design, Customer Service, Loan Policy, Interest Rates, and Satisfaction) on one dependent variable (Loan Purchase Decision). The results indicated that Bank Design, Customer Service, and Interest Rates have a significant positive impact on Loan Purchase Decision, while Loan Policy does not have a significant impact. The independent variables were found to be significantly correlated with each other, indicating the possibility of multicollinearity. The findings suggest that banks can improve their loan sales by focusing on Bank Design, Customer Service, and Interest Rates. Nonetheless, to obtain more accurate results, further research is needed to investigate the relationship between these factors and customers' borrowing decisions while controlling for the possible effect of multicollinearity.

Keywords: *Bank Design, Customer Service, Loan Policy, Interest Rates, and Satisfaction*

CHAPTER I

INTRODUCTION

1.1 Background of the study

Human history demonstrates that people once engaged in barter trading, which involved exchanging items with one another in order to satisfy their wants. The monetary system, which uses money as a medium of exchange for goods and services, gradually replaced the barter trade system. These days, money is frequently employed and regarded as a significant component for carrying out business-related and other activities (Ibrahim & Mohd, 2023).

Banks and other financial organizations are fiercely competing with one another to grow their businesses as a result of the aggressive global financial development. Customers, on the other hand, evaluate and choose a bank for their financial activities based on a variety of variables. New approaches, conclusions, and suggestions for both banks and consumers have therefore been added to the decision process. Some financial institutions have lost their credibility, trust, and reputation as a result of their practice of irrational and immoral financial practices. Numerous institutions have collapsed and experienced financial crises as a result of this, including Lehmann Brothers and subprime lending in the United States. Therefore, it is necessary to evaluate what keeps the current banking sectors in business, as well as the key elements that enable them to retain their current clientele and find new ones. Hoque et al. (2022) assert that in this situation, banking management's overall customer happiness with loans is essential. Relatedly, the subject of “how customers select banks” in terms of loan purchased has been a key contestation in the literature since loans can led to sustainability or collapse of banks. Similarly, it can either be a boon or a bane for the clients in terms of the circumstances (Ariyanti et al., 2025).

However, with regard to this study, a recent study by Karthikeyan (2015) discovered a negative relationship between religious obligation and the intention to use Islamic personal financing. This means that the more religiously obligated bank customers are, the less likely they are to use Islamic personal financing. They clarified that their findings did not align with those of previous research because the items in the research questionnaire, which were modified from earlier studies to better reflect the study context of Islamic personal financing, could have produced the opposite results.

According to Karthikeyan (2015), this study implies that the more commitment to the Shariah principle (religious requirement), the more favorable the aim.

The term "religiosity" refers to an individual's inherent religious inclination, wherein religion gives them a framework that gives their life purpose. According to this study, a consumer's ethical convictions, which are manifested in their commitment and daily behavior, constitute their religiosity. Since a person's spirituality determines their level of religiosity, measuring this variable is difficult and very subjective. A person's religiosity will be assessed in this study to determine whether it has an impact on their attitude about using Islamic banking facilities, but being religious does not obligate one to use these services (Khan et al., 2020).

Although religion has a significant impact on people's social and personal conduct, there is little research in this area, claim Ibrahim and Mohd (2023). Overall, every prior study confirmed that individuals who have adhered to particular religious principles might affect their behavior and choices. Furthermore, Iqbal and Fikri (2024) came to the conclusion that the most significant elements influencing Kuwait's adoption of Islamic banking were cultural and religious ones. According to a different study by Boaz et al. (2014), the adoption of Islamic banking will be significantly influenced by religious factors.

When it comes to loan purchase concerns, Nepal is not an exception. Regarding requirements and financing, customer loan purchases have long been a top concern for banking and financial organizations. This is due to the fact that the desire to repay the debt in the future always supports the actual need for the loan. The competition has intensified due to the presence of 28 commercial banks, over 70 development banks, over 75 financial companies, and numerous other cooperatives. In order to deploy their assets and offer solutions to consumers in general, banks and other financial institutions have now come to understand the significance of the wants and preferences of their clients. They are keen to understand the elements that impact and determine the customers' loan buying decisions and preferences in order to offer financial solutions. Therefore, the goal of the research is to produce valuable data and insights that banks and other financial institutions may use to sell their products as well as to advise consumers about what to look for when applying for loans.

1.2 Problem Statement

The purpose of this study is to experimentally investigate and increase our understanding of the elements that the bank takes into account when granting loans, as well as the factors that influence customers' decision-making. Since many loans have defaulted, the primary issue facing the Nepalese business with regard to loan disbursement is that they fail to determine the actual needs of their clients and offer them loans to boost their investment and lower the cost of idle funds (Xinhua, 2017). In spite of several attempts, many banks and financial institutions are unable to meet the financing needs of their clients and are unable to customize products that satisfy both the needs of the clients and the organization's goals.

Social impact was referred to as subjective norms in numerous earlier research. A subjective norm is a person's perspective of what other people think about whether or not they should engage in a certain conduct. According to Abdullah and Abdwahab (2015), behavioral intention is stronger when the subjective norm is more positive. It has also been mentioned how important a subjective norm is. Thapa (2018) verified that behavioral intention is positively impacted by a subjective norm when it comes to Thai consumers' online shopping. Subjective norm is a significant predictor of intention to use in the Malaysian setting. According to a different study, the intention to buy halal food products in Malaysia is positively correlated with subjective norms. Prior research in the field of Islamic finance demonstrated that the inclination to employ Islamic personal financing is directly influenced by subjective norms. Furthermore, Khan et al. (2020) discovered that subjective norm, rather than attitude, was the most significant predictor of desire to adopt Islamic funding. Nonetheless, research on perceived norm as a predictor of intention has yielded contradictory findings. According to the study by Armitage, Ibrahim, and Sopian (2023), the TPB's weakest component is the subjective norm. It is also connected to a study by Bhandari et al. (2021) that discovered that business students' propensity to act unethically was only weakly predicted by subjective norms. As a result, this study has taken social influence into account and attempts to comprehend how it affects university employees' perceptions of banking products.

What factors affect loan purchases in the banking sector of Nepal is the primary research topic. Are these circumstances advantageous to the banks or the clients? How do the banks' clients handle these circumstances?

The following are specific study questions:

- i. What are the major factors that affect the loan decision of the customers?
- ii. Is there any relationship between the loan decision factors and the loan decisions of the customers?
- iii. How does the loan decision factors impact on the loan decisions of the customers?

1.3 Objectives of the Study

In order to gain insight into the bank and other financial institutions as well as the customers themselves, the primary goals of this study are to ascertain the demand for loans, identify the determinants, and ascertain their impact or influence on the loan decision and behavior of the customers.

In addition, the following is a list of the study's goals.

- i. To assess the major factors that affect the loan decision of the customers.
- ii. To analyze the relationship between the loan decision factors and the loan decisions of the customers.
- iii. To the examine impact of loan decision factors on the loan decisions of the customers.

1.4 Rationale of the Study

In order for banks and other financial institutions to obtain information and customize loan products and other products in a way that gives them a competitive edge over rivals, this study will assist in identifying the determinants and factors that affect and influence the loan decision of the customers. It is crucial that banks and other financial institutions create products that cater to the needs of their clientele because the Nepalese market is tiny but overrun with financial organizations. Customers will also benefit from this research since they will have a better understanding of the elements to be taken into account before taking out a loan, which will help them choose the best bank or financial institution and loan type. Thus, the study's importance rests in its findings, which will assist banks and other financial

institutions as well as consumers in making informed judgments on the sale and acquisition of loans, respectively.

This study examines the factors that significantly influence consumers' decisions to take out loans from a variety of commercial banks and other financial organizations that offer different loan products. The main goal of this study is to identify the key elements and characteristics that consumers take into account when choosing which financial institutions to borrow from. Secondly, the study examines the significance or level of influence of the determinants among the different determinants that have varying degrees of influence when deciding whether to take out a loan from any financial institution. In the context of Nepal, where a comparatively small market is served by a high number of banks and financial institutions offering a variety of financial services, this study is crucial. Banks and other financial organizations can use this study's insights to build new products and determine the costs and prices of lending products.

1.5 Limitations of the Study

Although the study's findings may be compelling, they may not be representative of Nepal's entire population because it was conducted in a short amount of time and with a small sample size that was limited to the Kathmandu Valley. This is because the study was conducted to fulfill the academic requirements of Tribhuvan University's Master of Business Studies Program in Kathmandu, Nepal. Furthermore, the following limitations are present and somewhat reduce the study's validity and reliability.

- i. It is not possible to extrapolate the components of this study's loan decision behavior to the entire population.
- ii. The study's execution time is constrained and brief.
- iii. There is a small sample size.
- iv. Although an attempt has been made to include customers from outside the Kathmandu Valley through electronic media, the sample has only been gathered from within the valley.

- v. Because the study is centered on the service industry, it is exclusively pertinent to that industry.
- vi. The research is focused on the service sector and is therefore relevant to service sector only.

CHAPTER II

LITERATURE REVIEW

Since there are many different kinds of loans accessible to finance customers' needs, ranging from personal loans to company loans, loan purchasing behavior has been a significant trend in both European and American countries. Although there are numerous financial institutions in Nepal that provide a variety of loan options, customers are not as involved in the loan decision-making process as they are in other countries.

2.1 Conceptual Review

Installments

Installments are the periodic payments made to settle a loan. These payments are usually equal and occur at regular intervals, such as monthly. The total loan amount, including the principal and interest, is divided into these equal payments over the loan's tenure. Installments are a quantitative variable, meaning they can be measured using numerical values and statistical tools. For instance, if you take out a mortgage, your monthly installment is calculated based on the loan amount, interest rate, and loan term (Zhang et al., 2018).

Customer Service

Customer service quality in banking refers to the effectiveness and efficiency of the service provided by banks and financial institutions. This includes factors such as responsiveness, reliability, assurance, empathy, and tangibles (Parasuraman, Zeithaml, & Berry, 1988). Service quality is a non-quantitative variable because it involves subjective assessments rather than numerical measures.

Service quality is often assessed through qualitative methods such as customer surveys, interviews, and focus groups. One common tool is the SERVQUAL model, which measures the gap between customer expectations and their perceptions of the service received.

Social Influence

Social influence, in the context of this study, refers to the perceived pressure from important others (e.g., family, friends, colleagues) to perform or not perform a

specific behavior. This is often termed as subjective norm in social psychology and is a key component of the Theory of Planned Behavior (Tamang et al., 2024).

According to Rahman et al. (2019), subjective norms significantly impact the acceptance and use of Islamic financing methods. They found that normative pressures were more influential in predicting the intention to use such financing than personal attitudes.

Interest Rate

When represented as a percentage of the loan amount, the interest rate represents the cost of borrowing money. Because it can be accurately measured and expressed quantitatively, it is a quantitative variable. How much more you pay on top of repaying the principal is determined by the interest rate (Ojo et al., 2020).

Insurance and Guarantee

Insurance and guarantees are mechanisms to protect the lender (bank) against potential losses. When a borrower provides collateral, the bank may require insurance or guarantees to cover the value of the collateral in case of default. This helps mitigate the risk associated with lending. For instance, mortgage insurance protects the lender if the borrower defaults on the loan, ensuring that the lender can recover the loan amount (Makhija et al., 2017).

In a research model, dependent variables are the outcomes that the study aims to explain or predict. Their values depend on the independent variables, which are the factors manipulated or measured to observe their effect on the dependent variable. In the given model, the loan decision is the dependent variable. It is influenced by various independent variables such as installments, interest rate, customer service, social influence, and insurance. The relationship between these variables can vary in strength and direction (Koirala & Parajuli, 2021).

2.2 Theoretical Review

2.2.1 Bounded Rationality Theory

This theory was proposed by Simon (2015), suggests that individuals and organizations make decisions based on limited information and cognitive capabilities, rather than on a completely rational basis. This theory acknowledges that decision-making is a complex process and that individuals and organizations are often unable

to consider all available information and alternatives when making a decision. Instead, they rely on simplified decision-making strategies, or heuristics, to make decisions quickly and efficiently.

According to Simon (2015), the use of heuristics can lead to biases and errors in judgment, but it is often necessary for individuals and organizations to rely on them due to the limited cognitive resources and time available for decision-making. The bounded rationality theory suggests that individuals and organizations are influenced by a variety of factors when making decisions, including the availability of information, the complexity of the decision, and the resources available for decision-making.

The bounded rationality theory is a key concept in the field of behavioral economics and has had a significant impact on our understanding of how individuals and organizations make decisions. According to the theory, decision-making is influenced by the limited cognitive resources and time available to individuals and organizations. As a result, individuals and organizations are unable to consider all available information and alternatives when making a decision and must rely on simplified decision-making strategies, or heuristics, to make decisions quickly and efficiently (Simon, 2015).

One of the key features of the bounded rationality theory is the idea that individuals and organizations are influenced by a variety of factors when making decisions. These factors can include the availability of information, the complexity of the decision, and the resources available for decision-making. For example, if an individual or organization has access to more information about a potential loan, they may be more likely to make a well-informed decision. Similarly, if a decision is complex and requires a lot of analysis and consideration, individuals and organizations may be more likely to rely on heuristics to make a decision more quickly.

Another important aspect of the bounded rationality theory is the idea that heuristics can lead to biases and errors in judgment. These biases and errors can occur because individuals and organizations are unable to consider all available information and alternatives when making a decision. As a result, they may rely on flawed or incomplete information when making a decision, leading to suboptimal outcomes.

Overall, the bounded rationality theory provides an important framework for understanding how individuals and organizations make decisions, and has helped to shed light on the ways in which decision-making is influenced by limited cognitive resources and time (Simon, 2015).

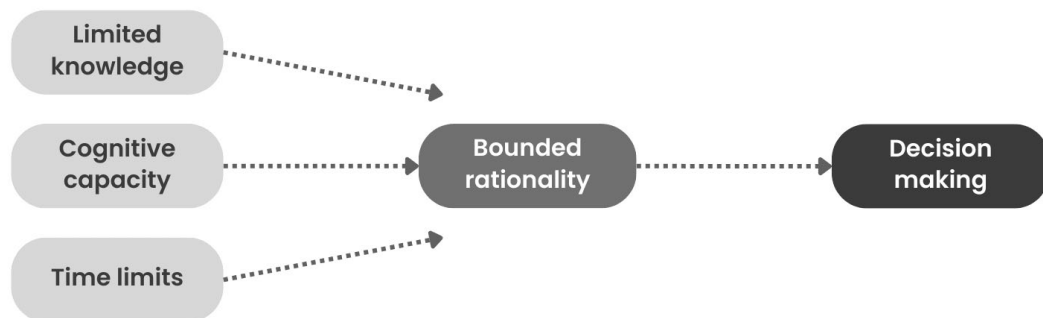


Figure 1 Bounded Rationality Theory

2.2.2 Behavioral Finance Theory

The behavioral finance theory is a field of study that investigates how psychological, emotional, and cognitive factors influence financial decision-making. According to this theory, individuals and organizations make financial decisions based on a combination of rational and irrational factors, rather than on purely rational considerations (Shefrin & Statman, 2018).

One of the key insights of the behavioral finance theory is that individuals and organizations are influenced by psychological biases and emotions when making financial decisions. These biases and emotions can include overconfidence, optimism, and a tendency to follow the crowd. For example, individuals may be more likely to make risky loan decisions if they are experiencing positive emotions, such as overconfidence or optimism.

The behavioral finance theory also suggests that individuals and organizations use mental shortcuts, or heuristics, to make financial decisions. These mental shortcuts can help individuals and organizations make quick decisions, but they can also lead to biases and errors in judgment. In addition to psychological biases and emotions, the behavioral finance theory also takes into account the role of cognitive factors in financial decision-making. For example, individuals and organizations may be influenced by their cognitive biases and limitations, such as their ability to process

and understand complex information. Overall, the behavioral finance theory provides an important framework for understanding how psychological, emotional, and cognitive factors influence financial decision-making and has helped to shed light on the ways in which individuals and organizations make loan decisions (Shefrin & Statman, 2018).

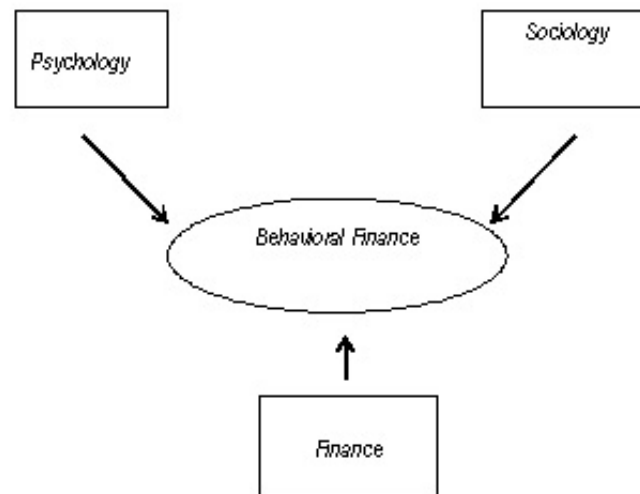


Figure 2 Behavioral Finance Theory

2.2.3 Heuristics Theory

The heuristics theory is a concept in psychology and behavioral economics that suggests that individuals and organizations use mental shortcuts, or heuristics, to make decisions. These mental shortcuts can help individuals and organizations make quick decisions, but they can also lead to biases and errors in judgment. There are several types of heuristics that individuals and organizations may use when making decisions. For example, the availability heuristic suggests that individuals and organizations are more likely to base their decisions on information that is readily available to them, rather than on a more comprehensive analysis of all available information. This means that individuals and organizations may be more influenced by information that is easily remembered or easily retrieved from memory, rather than by more objective or relevant information (Tversky & Kahneman, 2013).

The anchoring and adjustment heuristic suggests that individuals and organizations may anchor their decisions to a starting point and then make adjustments based on additional information. This means that individuals and organizations may start with an initial estimate or assumption and then make small adjustments based on additional

information, rather than considering all available information and alternatives. The representativeness heuristic suggests that individuals and organizations may make decisions based on their perception of how similar a situation is to a prototypical example, rather than on a more comprehensive analysis of the situation. This means that individuals and organizations may rely on stereotypes or assumptions about a situation, rather than on more objective or relevant information (Tversky & Kahneman, 2013).

The heuristics theory suggests that individuals and organizations use these mental shortcuts to make decisions more efficiently, as it can be time-consuming and cognitively demanding to consider all available information and alternatives when making a decision. However, the use of heuristics can also lead to biases and errors in judgment, as individuals and organizations may rely on incomplete or flawed information when making a decision. Overall, the heuristics theory provides an important framework for understanding how individuals and organizations make decisions and has helped to shed light on the ways in which mental shortcuts can influence decision-making (Tversky & Kahneman, 2013).

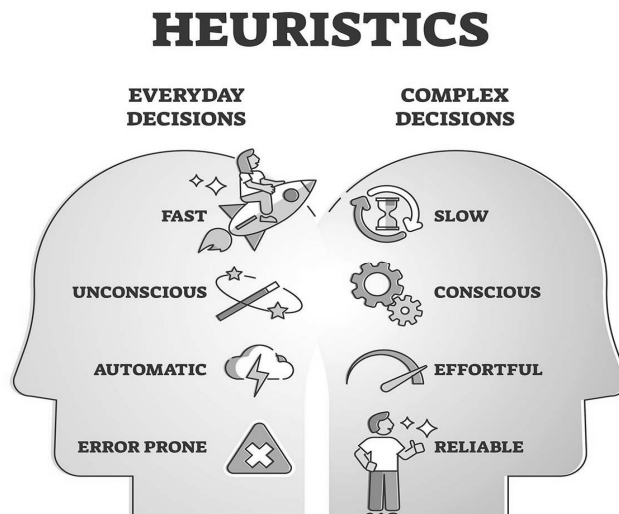


Figure 3 Heuristics Theory

2.2.4 Customer Behavior and Preferences of Loan

Research that looked at consumer behavior and preferences with regard to bank and loan types. Understanding the elements influencing the selection of financial institutions, determining the factors influencing the type of services offered by financial institutions, and comprehending the loan-purchasing behavior of clients

were the goals of the study. According to the report, people are increasingly keeping substantial sums of money on hand. The recent cash shortages may have agitated the populace, particularly during times of necessity, such as during festivals. There is a significant amount of money leaving the banking systems, as evidenced by the cash on hand being about 1.5 times the monthly revenue and the bank balance being about 1/4 of the total. When asked why they preferred their banks, the majority of clients cited their effectiveness and customer service. Technology follows, possibly as a result of many banks offering fewer distinctive technology products and services that are more or less the same. A portion of the clientele engages in financial dealings with various financial intermediaries (Bhatta, 2002).

The study conducted by the research published in the United States is worth mentioning. The aim of the research was to determine the elements that influence the choice of banks in the United States and the correlation between these elements and the choice of bank made by American consumers. Following a thorough examination of the data, it was discovered that financial considerations—such as interest rates for savings accounts, fund security, and loan availability—have a significant impact on consumers' decisions to borrow money from a specific bank. Additionally, the survey discovered that bank confidentiality is a significant element influencing consumers' decision to select a bank. According to the survey, managers should understand that young people like interacting with sophisticated technological gadgets like automated teller machines. This suggests that when choosing a bank, younger consumers are more likely to prioritize features that provide them with easy and fast access to services than aspects like location, hospitality, and the state of the bank's facilities (Javalgi et al., 2019).

To ascertain the choice of a dual banking environment, 301 commercial bank clients, both Muslim and non-Muslim, were polled. Determining a bank's selection criteria and the connection between the contributing elements and the bank choosing decision were the primary goals of the study. Their primary conclusions that influenced their choice of bank were the staff's friendliness, transaction speed, and prompt and effective services. The findings once again demonstrated that the primary determinants of a client's decision to choose a bank were customer service, service quality, and the transparency and confidentiality of the bank's employees. According to the report, referrals from friends and acquaintances rank among the most

significant considerations for both male and female clients when choosing a bank. Although young people like to act autonomously, recommendations from friends and family also play a role in choosing the bank. They discovered that the most crucial considerations when selecting a bank to work with are pricing, social responsibility, and Islamic religious belief (Haron et al., 2014).

The study that asked 811 bank customers in the greater Athens area of Greece to determine the key bank selection factors that urban consumers of savings accounts employ in the Hellenic bank market is worth mentioning. Once more, the study's goal was to determine the elements that influence consumers' choice of bank and the connections between those elements and the consumers' choice of bank. Greek consumers, like those of advance banks, look for secure, quick, and technologically advanced financial services. Greek clients cited location convenience and service quality (customer attention, personalized service, no lines) as the most important characteristics. Furthermore, the effectiveness of the bank's services, its reputation, its fees, its convenient location, and the interest rates on loans and savings accounts are additional possible elements that influence consumers' choice of bank (Haron et al., 2014).



Figure 4 Customer Behavior and Preferences of Loan

2.2.5 Loan Categories Theory

The concept of loan categories is an important concept in the field of finance and banking. It is a way to classify different types of loans based on their purpose, time period, interest rate, or other factors. Loan categories are used to help banks and other financial institutions better understand the various types of loans that they offer. This

knowledge can help them to make better decisions about what types of loans are best suited for a particular customer or set of customers. In addition, loan categories can help banks and other lenders assess the risk associated with a particular loan, allowing them to make more informed decisions about whether to extend credit to a borrower. In this paper, I will discuss the various loan categories and their theoretical foundations. I will begin by discussing the basic concepts and definitions associated with loan categories. I will then discuss the various theories that have been proposed to explain the different loan categories. Finally, I will discuss the implications of these theories and how they can be used to inform decision-making in the banking and finance industry (Cheng & McCann, 2014).

Before discussing the various theories related to loan categories, it is important to first define and discuss the basic concepts associated with loan categories. A loan is defined as a sum of money, goods, or services that is lent by one party, typically a bank or other financial institution, to another party, usually a borrower. The borrower is usually obligated to repay the loan, along with any applicable interest, in accordance with the terms and conditions of the loan agreement. One way to classify loans is by their purpose. Common loan categories in this regard include consumer loans, business loans, mortgage loans, auto loans, and student loans. Consumer loans are loans that are used for personal purposes, such as home improvement projects or medical expenses. Business loans are loans that are used to finance business activities, such as purchasing equipment or expanding operations. Mortgage loans are loans that are used to purchase a home. Auto loans are loans that are used to purchase a vehicle. Finally, student loans are loans that are used to finance a student's education. Another way to classify loans is by their time period. Short-term loans are loans that must be repaid within a relatively short period of time, typically one year or less. Medium-term loans are loans that must be repaid over a period of three to seven years. Long-term loans are loans that must be repaid over a period of seven years or more. A third way to classify loans is by their interest rate. Fixed-rate loans are loans that have the same interest rate throughout the life of the loan. Variable-rate loans, on the other hand, have an interest rate that can change over time. Finally, loans can also be classified by the type of collateral that is provided. Collateral is a form of security that is used to guarantee repayment of a loan in the event that the borrower defaults.

Common types of collateral include real estate, vehicles, jewelry, stocks, and bonds (Davies, 2015).

While there is no single theory that explains the various loan categories, there are several theories that have been proposed to explain the different types of loans. These theories can be grouped into two main categories: economic theories and non-economic theories. The most prominent economic theory related to loan categories is the liquidity preference theory. This theory states that borrowers prefer loans with shorter maturities because they are less risky and more liquid. This means that borrowers are more likely to default on longer-term loans because they may not have the funds to repay them when they become due. The second economic theory related to loan categories is the risk-return tradeoff theory. This theory states that borrowers are willing to accept higher levels of risk in order to generate a higher return on their investment. Borrowers are more likely to select loans with higher interest rates and longer maturities if they expect to receive a higher return on their investment. The third economic theory related to loan categories is the time preference theory. This theory states that borrowers prefer loans with shorter maturities because they are more likely to receive their money sooner. This means that borrowers are more likely to select loans with shorter maturities if they need the money quickly.

There are several non-economic theories that have been proposed to explain the various loan categories. The most prominent of these theories is the behavioral finance theory. This theory states that borrowers act in ways that are irrational and that they are not always rational when it comes to selecting loans. For example, borrowers may select loans with higher interest rates or longer maturities despite the fact that these loans may be riskier and less beneficial. The second non-economic theory related to loan categories is the sociological theory. This theory states that borrowers' decisions are influenced by their social environment and that they may select loans based on factors such as peer pressure or societal norms. For example, borrowers may select loans with longer maturities if their peers are doing so, even if the loan may not be the most beneficial for them. The third non-economic theory related to loan categories is the psychological theory. This theory states that borrowers' decisions are influenced by their emotions and that they may select loans that make them feel good, even if the loan may not be the most beneficial for them.

For example, borrowers may select loans with higher interest rates if they believe that it will increase their sense of security and make them feel more comfortable.

The various theories related to loan categories have important implications for lenders and borrowers alike. Lenders can use these theories to better understand the motivations and behaviors of borrowers when it comes to selecting loans. This knowledge can help lenders to make more informed decisions when it comes to extending credit and deciding which types of loans are best suited for a particular set of customers. Borrowers can also benefit from the various theories related to loan categories. By understanding the various theories, borrowers can make more informed decisions when it comes to selecting loans. They can use this knowledge to decide which types of loans are most beneficial for them and which types of loans they should avoid (McAdams, 2012).

In conclusion, loan categories are an important concept in the field of finance and banking. They are used to classify different types of loans based on their purpose, time period, interest rate, or other factors. There are several theories that have been proposed to explain the various loan categories, including economic theories, non-economic theories, and psychological theories. These theories have important implications for lenders and borrowers alike, as they can help both parties to make more informed decisions when it comes to extending credit and selecting loans (Lam, 2015).

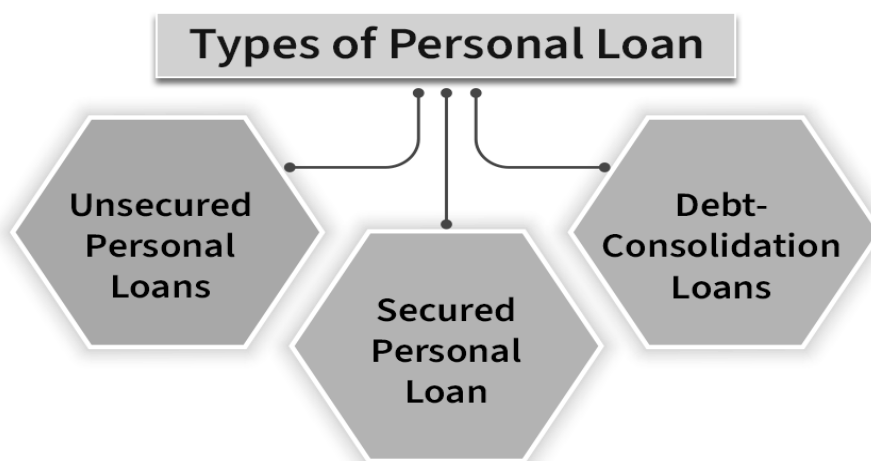


Figure 5 Loan Categories Theory

2.3 Empirical Review

2.3.1 National Review

Khadka et al. (2024) examined the intricate process of choosing a bank for individuals and their family members in the setting of Atharva Business College. Selecting a bank is an important option that is impacted by a number of social, economical, and individual factors. By being aware of these contributing elements, banks can improve customer satisfaction and successfully customize their offerings. This study comprehensively examines the behaviors and motivations underlying bank selection among persons connected to Atharva Business College through the use of a quantitative research approach, specifically a questionnaire survey. Key drivers are shown by the quantitative analysis of survey data, highlighting the relative significance of elements including interest rates, fees, accessibility, digital banking services, and brand reputation. The results provide insightful information about how customers behave in the banking industry, which helps banks develop more focused marketing campaigns, enhance customer care, and develop cutting-edge digital solutions. The study also emphasizes the impact of family ties on bank choice, emphasizing the necessity for banks to take family members' interrelated choices into account when creating customer engagement plans. To sum up, this study offers a thorough grasp of the bank selection procedure used by people and their family members connected to Atharva Business College.

Tamang (2024) analyzed the significance of bank selection criterion, 40 customers' responses are employed in the analysis, which takes a quantitative approach. In order to show the most significant customer influencing element in customer bank choosing in Kathmandu. The bank's selection criteria were established during the research using a 5-point Likert scale. The results showed that, among other things, the speed of services, the size of the branch network, the placement of branches, and the influence of sources are the primary elements that influence customers' choice of bank. In contrast, consumers give the least amount of weight to price, innovation, financial performance, and online banking when selecting a bank.

Magar (2023) investigated the factors influencing the bank choice of Atharva Business College students. This study used a quantitative research approach by distributing questionnaires to a sample of 40 students in order to achieve the stated

goal. To analyze the data, descriptive statistics were employed. According to the survey, there are six important criteria that have a big impact on college students' bank preferences. Location convenience, staff friendliness, minimal service fees, interest rates on loans and savings, ATM accessibility, and mobile banking choices are some of the factors. Researchers recommend that banks keep a close eye on and evaluate the preferences, actions, and expectations of their customers.

Bhandari et al. (2021) examined the customers' preferences among public and commercial banks in the Kathmandu Valley. There are 302 respondents—mostly people in the Kathmandu Valley between the ages of 20 and 40—were chosen as a sample in order to determine their preferences. The Customers' Satisfaction Index, which was created to categorize their preferences for private and public banks, forms the basis of the descriptive cross-designed study. To determine the elements influencing consumers' preferences for private and public banks, the SERVQUAL model has been implemented. According to this survey, 85% of consumers base their decision to create a bank account mostly on interest rates, while 86.4% of consumers compare banks. Customers who have accounts with private banks are more satisfied than those who have accounts with public banks in a number of categories, according to the overall satisfaction index results. Clients that use both banks frequently encounter a number of issues, mostly from staff members and management, however these issues are more common with public bank clients than private bank users. It's interesting to note that 91.75% of respondents (95.25% from public banks and 90.79% from private banks) said that the problems that consumers were having with the bank could be resolved. The key tactics that both public and private banks may use to please their clients are relationship-based pricing, employee motivation, embracing new technologies, and personalizing the customer experience.

Kattel and Shah (2020) identified the elements influencing Nepalese consumers' choice of commercial banks. Because their primary source of income is deposits from clients, banks use a variety of services to entice people to create bank accounts. Reputation, service quality, financial gain, convenience, group influence, information availability, and physical facilities are some of the characteristics that the study aims to analyze in order to determine how these factors affect the consumers' choice of bank. The study, which was based on descriptive and inferential research methodologies, used primary data that was successfully gathered from 150 consumers

who had accounts with various commercial banks using a standardized questionnaire. Given that convenience has the highest mean score according to descriptive analysis, banks are urged to concentrate on making their services easily accessible. The study found that clients have chosen banks based on reputation, service quality, and financial gain through the use of correlation and regression. Reputation was the most significant factor among the three variables examined in influencing consumers' choice of bank, while group influence and information accessibility had no effect.

Thapa (2018) examined the factors influencing customers' loan decisions in Nepal's capital city. In order to determine the link between the independent and dependent variables, a survey study was carried out for this investigation. The quality of service that BFIs provide, customer satisfaction with the services that BFIs provide, various loan covenants, the loan product itself, the loan installment structure, the need for an insurance policy and guarantee, and the interest rate on the loan were the independent variables that were taken into consideration. The clients' choice to take out a loan was the dependent variable. A total of 219 respondents' questionnaires were gathered and utilized for additional investigation. Several statistical methods were used to evaluate and interpret the data gathered from the respondents, and various figures and graphs were used to display the findings of the hypothesis testing. Respondent demographics, including age, gender, educational background, work status, and monthly income, are included in the study. Various factors' descriptive statistics were examined. The study's findings were inferred using the Cronbach's Alpha and Pearson correlation tests. Data analysis indicates that while there is no significant relationship between the loan's insurance and guarantee condition, there is a significant relationship between a number of variables, including interest rates, loan covenants, installment structure, customer satisfaction, and service quality.

Sanil and Paudel (2017) investigated the factors that influence working individuals in the Kathmandu Valley when choosing a bank. Seven aspects were examined in the study: technology, peer and staff recommendations, convenience, financial benefit, external and internal bank aesthetics, and core service performance. The questionnaire was created with these seven elements in mind, and it was given to ten individuals to verify its reliability. The results showed that the questionnaire was reasonably dependable for conducting research. The foundation of statistical analysis is the Arithmetic Mean, ANOVA, and correlation analysis. According to the study,

convenience—which encompasses factors like proximity, security, ease of use, and the organization's reputation—has a big influence on the banking choices made by working people in the Kathmandu Valley. Accurate account information and a welcoming environment should be the bank's top priorities. Working individuals are more cost-sensitive than benefit-sensitive, and they are more influenced by interest rates on fixed deposits than by savings when making banking decisions. According to the study's correlation analysis, peer recommendations are weakly connected with other factors. The study also indicated that banks need to improve information sharing, faster service, front desk staff, queue management, and ATM and mobile service.

Timsina (2016) used the time series Ordinary Least Square regression approach for empirical research in order to investigate the factors that influence the lending behavior of commercial banks in Nepal. Private sector credit (pvct) from Nepalese commercial banks is the dependent variable in this model, while the independent variables for the 1975–2014 period are the commercial banks' volume of deposits (dep), interest rate (Ir), stipulated cash reserve requirements ratio (crr), liquidity ratio (lr), inflation (inf), exchange rate (exr), and gross domestic product (gdp). Regression research revealed that the two factors that have the biggest effects on banks' lending behavior are their GDP and liquidity ratio. The Granger Causality Test demonstrates that there is a one-way causal relationship between GDP and private sector credit. According to the study, GDP is a good indicator of the state of the economy, and when commercial banks are making lending decisions, they should consider the macroeconomic climate of the nation as a whole, the factors that impact GDP generally, and their liquidity ratio specifically.

Table 2.1

Summary of National Review

| Author (Date) | Article Name | Objectives | Variables | Methodolog y | Findings |
|----------------------------|---|--|---|---|---|
| Khadka et al. (2024) | Unravelling the Influential Factors in | To examine factors affecting bank | Interest rates, fees, accessibility, digital | Quantitative approach using structured | Key determinants include interest rates, |

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|----------------------|---|---|---|---|--|
| | the Decision-Making Process of Bank Selection Preference among Atharvians and Their Relatives | selection among Atharva Business College students and their relatives | banking, brand reputation, family influence | questionnaires; survey-based | accessibility, digital services, and familial influence. Banks should tailor services to customer behaviors and family dynamics. |
| Tamang et al. (2024) | Bank Selection: The Choice of Bank among the Customers of Kathmandu District | To identify the most important customer-influencing factors in bank selection | Speed of services, branch network, branch location, source influence, innovation, financial performance | Quantitative method with 40 customer responses using 5-point Likert scale | Speed of service, branch accessibility, and influence sources are major factors; price and technology least considered. |
| Magar et al. (2023) | Atharva Business College Students' Choice Regarding Bank Selection | To identify factors affecting bank choice among college students | Location convenience, staff friendliness, low charges, interest rates, ATM availability, mobile | Questionnaire-based quantitative approach; descriptive statistics | Convenience, staff behavior, and digital services influence student choices. Recommends |

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| | | | banking | | regular monitoring of customer preferences. |
| Bhanda ri et al. (2021) | Customers' Preference s among Public and Private Banks in Kathmand u Valley | To determine customer satisfaction and preferences for public vs. private banks | Interest rate, service quality, technology, employee behavior | Descriptive cross-sectional design; SERVQUA L model; 302 respondents | Private bank customers report higher satisfaction. Key concerns include service quality and employee behavior. Emphasizes need for technological upgrades and personalized service. |
| Kattel & Shah (2020) | Bank Attribute Factors in Determinin g Customers' Choice of Commerci al Banks | To identify key bank attributes affecting customer choices | Reputation, service quality, financial gain, convenience, group influence, info availability, physical facilities | Structured questionnair e on 150 customers; descriptive, correlation and regression analysis | Reputation, service quality, and financial gain strongly influence choices; group influence and info availability have no impact. |

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|--------------------------|---|---|--|--|---|
| Thapa (2018) | Factors Affecting the Loan Decision of Customers in the Capital City of Nepal | To analyze factors impacting loan decisions of customers | Service quality, satisfaction, loan covenants, product type, installment structure, insurance, interest rate | Survey of 219 respondents; descriptive statistics, correlation, Cronbach's Alpha | Significant relationships found between loan decision and service quality, satisfaction, and interest rates; insurance and guarantee not significant. |
| Sanil & Paudel (2017) | Determinants of Bank Selection among Working People in Kathmandu Valley | To explore determinants influencing bank choice among working professionals | Core service, aesthetics, convenience, financial benefit, technology, peer recommendation, staff behavior | Structured questionnaire; mean, ANOVA, correlation analysis | Convenience is the most significant determinant; peer influence weakly correlated; recommends service quality and ATM/mobile service improvements. |
| Timsina (2016) | Determinants of Bank Lending in Nepal | To examine macroeconomic and institutional | Deposits, interest rate, CRR, liquidity ratio, inflation, | Time-series OLS regression; 1975–2014 | GDP and liquidity ratio significantly influence |

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|------------------------------------|-----------------------|------|---|
| determinants of bank lending | exchange rate, GDP | data | lending. Emphasizes monitoring macroeconomic conditions and liquidity. |
|------------------------------------|-----------------------|------|---|

2.3.1 International Review

Ariyanti et al. (2025) investigated how customers at the BMT Beringharjo Nganjuk Branch chose murabahah financing, emphasizing the importance of consumer information as the primary determinant of choice. This study employs a quantitative approach using a straightforward linear regression analysis method. Questionnaires were used to gather information from 66 BMT clients. With an R² value of 63.4% and a correlation coefficient of 0.796 (high relationship), the study's findings show that consumer awareness significantly affects murabahah finance decision-making. This suggests that consumer knowledge accounts for 63.4% of the variation in their choices, with other factors influencing 36.6%. The primary source of information (60.6%) is education from friends and family, whereas pamphlets and electronic media are less successful. To sum up, raising consumer awareness—particularly through product education—can promote better decision-making and bolster confidence in sharia financing. When developing marketing and educational initiatives to increase customer comprehension and BMT competitiveness in the sharia banking sector, this study is essential.

Iqbal and Fikri (2024) investigated the impact of Pakistan's decision to employ Islamic Easy House Finance (IEHF). 160 Meezan Islamic Bank employees received questionnaires. Random sampling was the testing approach used in this investigation. There were two sections to the questionnaire. While the other segment concentrated on the elements that affect how Muslims finance their Islamic Easy House (IEHF), the first segment contained data about the segments. The findings show that a number of important factors, such as the situation, the caliber of management, integrity, media attention, and societal impact, influence the decision to employ Islamic Easy House Financing (IEHF). Since most clients feel at ease selecting Islamic Easy House Finance (IEHF) due to Islamic Meezan Bank's solid reputation and vision, reputation

is the most trustworthy indicator. The research must be fully organized. Representatives of a single financial institution are also mentioned in the spotlight. Employees from different Islamic financial institutions may participate in future studies. The tests recommended in the current study could serve as a roadmap for directors and policymakers looking to improve Islamic Meezan Bank's offerings. As part of the study, an article about Pakistan's Meezan Islamic Bank will be published. The easy-house-choice Shari'ah laws of Pakistan are being examined for the first time in this study. The results of this study will be crucial for professionals and academics who are interested in developments in the banking industry at Pakistan's Meezan Islamic Bank.

Ibrahim and Mohd (2023) examined the elements affecting consumers' choices of Islamic banking products and Islamic house financing (IHF), which has grown in popularity in the banking industry over the previous thirty years. In order to illustrate present patterns, potential avenues for future research, and theoretical advancement, the SLR could map evolution and research domains, suggest a specific classification, and identify key difficulties. 33 screened articles from 2008 to 2020 from two primary databases (Scopus and Web of Science) and one supporting database were used in the systematic literature review (SLR), which followed a four-step reporting standard for the systematic evidence syntheses review method (research question formulation, systematic searching, quality assessment, and data extraction). Consumer behavior, consumer attributes, bank attributes, and bank attributes (Islamic) are the four main categories into which the resulting elements could be divided. 16 sub-themes were then created from the themes. Notably, each of the elements was crucial to the changing tastes of customers and the competitiveness of the product in the marketplace.

Hoque et al. (2022) looked at how customers' opinions about Islamic banking services affect their behavioral intentions to use them. Offering goods and services in accordance with Sharia law, Islamic banking has been a rapidly expanding industry. Despite being the favored banking option, a significant portion of Muslim clients have switched from traditional to Islamic banking. Therefore, the purpose of this study is to investigate the elements that motivate people to use Islamic banking. This study is cross-sectional, and questionnaires were used to gather data. 490 surveys completed by adult customers of Islamic banks were returned in total. The partial least squares

(PLS) approach was used to examine the data. The results show that while financial literacy has no discernible effect on attitudes, ethical organization, Islamic principles, and reputation do. The behavioral intention to use Islamic banking services is closely linked to attitude. The findings also show that while Islamic financial literacy is not linked to customers' behavioral mentality to take use of Islamic banking services, attitudes do mitigate the impact of Islamic values, ethical organization, and reputation on the behavioral intention to engage in such services. The relationship between Islamic values, ethical organizations, Islamic financial literacy, reputation, and attitudes—all of which influence customers' behavioral intentions to use Islamic banks' services and products—is demonstrated empirically in this study, which comes from a Muslim-majority nation like Bangladesh.

Amin et al. (2021) examined the impact of attitude, social influence, religious obligation, government support, and price on the intention to use Islamic personal financing. 150 clients of Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad, two fully operational Islamic banks in Malaysia, made up the sample. A semi-structured questionnaire was used in a face-to-face survey to collect data. Only 136 of the 150 replies were suitable for additional examination. Regression, correlation, and factor analysis were employed in the study to analyze the data. The study discovered that three factors—attitude, social influence, and the cost of Islamic personal influencing—were important in determining the intention to employ this strategy. Government assistance and religious commitment were found to be negligible predictors.

Khan et al. (2020) investigated the main elements impacting Pakistani clients' adoption of Islamic Banking (IB). 279 traditional bank clients in Rawalpindi and Islamabad provided the data. The analyses are conducted using regression analysis, discriminant validity, and descriptive statistical analysis. The usage intention is favorably and considerably impacted by bank reputation, Islamic banking performance, and its compatibility, according to religious views, values, life trends, and banking behavior. Islamic banking clients' intentions are negatively impacted by the perceived risk and complexity. Additionally, research reveals that Pakistani consumers of IB products know very little about the country. Both academics and practitioners may find this study useful in creating suitable and successful policies that will captivate prospective customers. In terms of originality, this study is one of

the first to analyze customers' intentions to adopt Islamic banking in the Pakistani setting using Roger's diffusion innovation theory.

Aksoy et al. (2016) looked at the goal of estimating the relative importance that borrowers place on different characteristics when choosing a loan provider among rivals. In order to give marketing academics and professionals a better grasp of the primary factors influencing loan selection. The study found that when choosing a bank to lend money to another, consumers place varying values on different criteria.

Gupta and Sinha (2015) analysed the factors influencing consumers' decisions to purchase home loans from SBI and LIC, the respondents cited low interest rates, easy accessibility, the institution's status and reputation, and the company's scheme as the main reasons for choosing SBI as their home loan provider, while they cited prompt service as a major factor in their decision to choose LIC.

Karthikeyan (2015) researched on customer preference for loans and advances at Lakshmi Vilas Bank, India, the loan offered by the bank was deemed satisfactory when compared to other branches situated in the closest locations, followed by other nearby competitors and financial institutions. In addition to the interest rate on loans and advances imposed by the bank and transaction costs, which were major factors taken into consideration by the customers when demonstrating their preference for the products and services offered by the bank in context, the study also discovered that customers preferred the bank's new products and services over its older offerings.

Magheswari et al. (2015) analyzed the Lakshmi Vilas Bank Limited's performance in agricultural advancements, paying particular attention to Karaikudi. The current study's analytical approach is predicated on gathering information from primary and secondary sources. Bank customers' primary data was gathered via a structured interview schedule, while secondary data was gathered from a variety of public and unpublished annual reports, journals, magazines, and information provided by the Reserve Bank of India. For the current study, 167 customers make up the sample size, and convince sampling has been used. The study was carried out among Karaikudi's bank customers. The study's primary conclusions include the observation that most respondents primarily obtained their information from banks and that most respondents thought the banker's interest rate was fair or appropriate. Based on the findings, it can be said that LVB Ltd. has performed satisfactorily when it comes to

lending to the priority sector (agriculture). Key words: bank, customer, loans and advances, Karaikudi, agricultural industry.

Abdullah et al. (2015) investigated the primary determinants of customers' intention to adopt Islamic personal financing. A survey was conducted with a sample of 308 University Utara Malaysia staff. The intention to employ Islamic personal financing was investigated in relation to attitude, social influence, perceived behavioral control, religious obligation, and religiosity. According to the findings, perceived behavioral control was a powerful predictor. An Islamic bank can better organize its Islamic personal financing facilities with the use of the study's conclusions.

Faizah et al. (2014) investigated the elements influencing consumers' decisions to take out Islamic personal loans. Examining how strongly Islamic personal loans have advanced in relation to social demographics, product understanding, service quality, and financial institution promotion was the aim of the study. Comparing these elements is another goal in order to determine which one has a greater influence on respondents' desire to select an Islamic personal loan. The findings demonstrated a strong relationship between the customer's choice of bank and the Islamic social demographic, product expertise, service quality, and marketing efforts of the financial institution. Additionally, the survey demonstrated that social demographics are the most important determinants of customers' bank preferences, followed by service quality and product expertise, and lastly, financial institution promotion.

Boaz et al. (2014) investigated the elements that impact consumer demand for commercial banks' financial services as well as the ones that have the greatest impact on bank service demand. The results demonstrated that the main drivers influencing the demand for the services provided by commercial banks were a number of criteria, including income level, educational background, savings, and transaction costs. However, the study also discovered that the most popular financial products provided by commercial banks were current and savings accounts. The transaction cost and the consumers' income level were the main factors influencing the demand for the services provided.

Frango et al. (2012) determined the elements that influence a customer's decision to obtain a loan from a specific bank has become crucial for many banks looking to draw in new business and keep hold of their current clientele. Finding the variables that

affect Greek consumers' decisions to obtain loans from commercial banks is the aim of the current study. Numerous factors, including customer satisfaction, service quality, and demographics, have been investigated as possible determinants of borrowers' decisions. To test our hypotheses, a sample of Greek people was picked at random. Following confirmatory factor analysis to ensure the instrument's validity, a questionnaire with self-determined scales was developed. According to the results of logistic regression, the most important factors influencing loan acceptance are interest rates, shop design, customer service, and individual marital status. A number of managerial implications indicate that bank managers should lower interest rates for all types of loans, particularly house loans, and concentrate on lending to single people.

Table 2.2

Summary of International Review

| Author (Date) | Article Name | Objectives | Variables | Methodology | Findings |
|------------------------|--|--|--|---|--|
| Ariyanti et al. (2025) | Understanding Consumer Behavior in Murabaha Financing Choices: The Role of Knowledge | To investigate the role of consumer knowledge in influencing murabahah financing decisions at BMT Beringharjo Nganjuk Branch | Consumer knowledge, decision-making sources of information | Quantitative approach with simple linear regression; survey of 66 BMT customers | Consumer knowledge significantly influences murabahah financing decisions (R = 0.796, R ² = 63.4%). Informal education (family/friends) is the primary information source |

(60.6%),
 whereas
 digital and
 printed
 media have
 less impact.
 Enhancing
 knowledge
 boosts trust
 in sharia
 financing.

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|---------------------------------|--|--|--|---|--|
| <p>Iqbal & Fikri (2024)</p> | <p>In Pakistan, the Choice of Requirements for Islamic Easy House Financing by Meezan Bank</p> | <p>To examine the determinants influencing consumer decisions toward Islamic Easy House Financing (IEHF) in Pakistan</p> | <p>Reputation, management quality, media prominence, social influence, integrity</p> | <p>Quantitative study; random sampling of 160 Meezan Bank employees; structured questionnaire</p> | <p>Key factors include Meezan Bank's reputation, vision, and media presence. Reputation is the strongest predictor of IEHF choice. Recommends broadening the study beyond a single</p> |
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| | | | | | institution. Insights are vital for marketing and product enhancement strategies in Islamic banking. |
| Ibrahim & Mohd Sopian (2023) | Factors Influencing Customers' Selection of Islamic Home Financing: A Systematic Review | To synthesize research trends, themes, and theoretical developments in Islamic home financing (IHF) over the past 30 years | Consumer behaviour, consumer attributes, bank attributes, Islamic bank attributes | Systematic Literature Review (SLR); 33 articles from 2008–2020 via Scopus, Web of Science, and one support database | Identifies four major themes and 16 sub-themes influencing IHF decisions. All factors are relevant in understanding evolving consumer preferences and enhancing product competitiveness. Offers a theoretical framework for future Islamic |

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|---------------------|---|--|---|---|--|
| | | | | | banking research. |
| Hoque et al. (2022) | What Factors Influence Customer Attitudes and Mindsets towards the Use of Services and Products of Islamic Banks in Bangladesh? | This empirical paper aims at measuring customer attitudes concerning Islamic banking services and how they influence their behavioural intentions to utilise them. | Dependent: Islamic banking services Independent: customer attitudes, Ethical organization, Islamic values. | This is cross-sectional research, where data were collected using questionnaires. A total of 490 questionnaires were received back from adult individuals who were clients of Islamic banks. The data were analyzed using the partial least squares (PLS) | The findings indicate that ethical organisation, Islamic values, and reputation significantly impact attitudes, whereas financial literacy has no significant impact on them. Attitude is strongly related to the behavioural intention to engage in Islamic banking services. |

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|--------------------|--|--|--|--|--|
| | | | | method. | |
| Khan et al. (2020) | Factors Influencing Islamic Banking Adoption: Evidence from Pakistan | This study aims to examine the major factors influencing the Islamic Banking (IB) adoption of Pakistani customers. | Dependent: intention of Islamic banking customers Independent: religious beliefs, values, life trends and banking behavior reveal that bank reputation, Islamic banking performance, and its compatibility | The data is collected from 279 conventional bank customers based in Rawalpindi and Islamabad. A descriptive statistical analysis, discriminant validity, and regression analysis are used to perform the analyses. | The finding shows that the buyers of IB products have limited knowledge in Pakistan. This study could assist the practitioner as well as academicians in developing appropriate and effective policies to fascinate potential consumers. |
| Thapa, (2018) | A Study on The Factors affecting the Loan decision of the | The objective of this study is to identify the influencing factors that customers consider while | Dependent: loan decision of the customers Independent: quality of | Questionnaires from a total of 219 respondents were collected | This study concludes that there is a significant relationship between various |

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|------------------------------------|--|---|---|--|--|
| Customers of Capital City of Nepal | <p>taking out the loan from banks and financial institutions. Accordingly, other primary objectives of this study are to determine the various variables that affect the loan decision of the customers and to define the degree of influence/significance of the relationship between the identified independent variables with the loan decision of the customers.</p> | <p>service provided by BFIs, satisfaction received by the customers from the service provided by BFIs, different loan covenants, the loan product itself, the installment structure on loan, the requirement of the insurance policy and guarantee and the interest rate on loan.</p> | <p>and used for further analysis. The data collected from the respondent s were analyzed and interpreted through the help of different statistical tools and results derived from the hypotheses testing were presented</p> | <p>variables such as quality of service, satisfaction level of the customer, interest rates on the loan, loan covenants, installment structure and the loan product whereas no significant relationship was found between the insurance and guarantee condition of the loan.</p> | |
| Magheswari, Sangeetha vand | <p>A Study on Agricultural Advances</p> | <p>In this paper, an attempt has been made to evaluate the Performance of</p> | <p>Dependent: Loans and Advances Independent:</p> | <p>Primary data were collected through well</p> | <p>The major findings from the study, It is observed</p> |

| | | | | | |
|---------------------------|---|--|--|--|---|
| Meganathan (2015) | of Lakshmi Vilas Bank Limited with Special Reference to Karaikudi | Agricultural Advances of Lakshmi Vilas Bank Limited with special reference to Karaikudi. | Customer, Agricultural sector | structure interview schedule methods from bank customers. The convince sampling has been adopted for the present study and the sample size of 167 customers. | that majority of the respondents have got the information mainly through bank only and It is also find that most of the respondents felt that the rate of interest charged by the banker is reasonable. |
| Abdullah and Wahab (2015) | Investigating Factors Affecting the Intention to Use Islamic Personal Financing | The purpose of this paper was to examine the main factors that influence consumers' intention to use Islamic personal financing. | Dependent: intention to use Islamic personal financing | A sample of 308 employees from Universiti Utara Malaysia was surveyed. | The results show that perceived behavioral control proved to be a strong predictor. The findings of |

| | | | | | |
|------------------------------|---|--|---|--|---|
| | | | control, religious obligation and religiosity | | this study provide key inputs to an Islamic bank for better planning of Islamic personal financing facilities. |
| Gupta and Sinha (2015) | A Comparati ve Study on Factors Affecting Consumer 's Buying Behavior towards Home Loans (With Special Reference To State Bank Of India And Life Insurance Corporatio n, Allahabad | The paper aims to study the various factors that influence the decision of the consumer for taking Home Loan. | Dependent: purchase of home loan Independent: ow Rate of Interest, Easy Accessibility , Status/Reput ation of the institution and Scheme offered by the company | Type of Study: The study is Descriptiv e in nature. Area Of Study: Allahabad City Sample Size: N = 100 respondent s Sampling Process: Random sampling technique was used for the purpose of | The finding of this study is longer repayment period, Easy documentati on formalities, Cooperative staff and Easy instalments are the major factors that had influenced the respondents to opt for Home Loan |

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|--------------|------------|------------------------|
| |) | the study. from SBI, |
| | | Data Type: whereas the |
| | | For the factors |
| | | purpose of namely Fast |
| | | the study processing |
| | | both of Loan, |
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| | | used. by |
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| | | ives and |
| | | Trust on |
| | | institution |
| | | acted as the |
| | | major |
| | | influencing |
| | | factors that |
| | | influenced |
| | | the |
| | | respondents |
| | | to opt for |
| | | Home loan |
| | | from LIC. |
| Frangos et | Factors | The purpose of |
| al. (2012) | Affecting | the present |
| | Customers | study is to |
| | ' Decision | identify factors |
| | for Taking | that influence |
| | out Bank | Greek |
| | Loans: A | customers' |
| Dependent: | A | This study |
| decision to | randomly | show that |
| take a loan | selected | personal |
| Independent: | sample of | marital |
| demographic | Greek | status, |
| s, service | citizens | customer |
| quality and | (n=277). A | service, |
| | | shop design |

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|---------------------|----------------------------|--|-------------------------------------|---|--|
| | Case of Greek Customers | decision to take out a loan from commercial banks. | satisfaction | questionnaire with self-determined scales were created after ensuring the instrument's validity through confirmatory factor analysis. | and interest rates are the most significant predictors of taking loans. Several managerial implications suggest bank managers should focus on giving loans to single individuals as well as change their interest rates policies by decreasing rates for all kinds of loans, especially housing loans. |
| Abdul et al. (2011) | Determinants of customers' | The present study investigates the | Dependent: intention to use Islamic | The sample comprised | The study found three determinant |

intention to use Islamic personal financing: effects of the following factors: attitude; social influence; religious obligation; government support; and pricing, on the intention to use Islamic personal financing.

personal financing Independent: attitude; social influence; religious obligation; government support; and pricing

of 150 customers of two fully fledged Islamic banks in Malaysia: Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad. Data were obtained through a face-to-face survey using semi-structured questionnaire. Out of a total of 150 responses, only 136

s to be significant in influencing the intention to use Islamic personal financing, namely, attitude, social influence and pricing of Islamic personal financing. Religious obligation and government support were found to be insignificant predictors.

| | | | | | |
|-------------------------|---|---|--|--|--|
| | | | | responses were usable for further analysis. | |
| Awan and Bukhari (2011) | Customer's criteria for selecting an Islamic bank: Evidence from Pakistan | The purpose of this paper is to determine the conditions under which Islamic banks can successfully compete with conventional banks by understanding customer attitudes towards Islamic banking products. | Dependent: customer's selection Independent: religious motivation, bank reputation and image, low or competitive service charges, location, quality of services, friends and family | sample of 250 respondent s was taken from four cities of Pakistan. Data for this study were collected by using a structured questionnaire containing two sections, where section I contains ten statements using Likert scale, for | Findings suggest that there is a lack of awareness about basic conventions of Islamic financing options among respondents and customers of both the pure Islamic banks and conventional banks with IBBs do believe that the bank's staff lacks ability to provide credible |

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| assessing | information |
| customer's | about |
| preferred | religious |
| selection | compliance |
| criteria for | of Islamic |
| Islamic | banking |
| banks. | financial |
| | services |

2.4 Research Gap

Previous studies on loan decision-making have predominantly emphasized individual and organizational characteristics, such as financial literacy, income level, and risk aversion (Thapa, 2018; Sanil & Paudel, 2017). In addition, some scholars have explored the role of cultural and social factors, including family influence and social norms, in shaping customers' borrowing behavior (Khadka et al., 2024; Magar et al., 2023). However, there remains a gap in the literature concerning the combined influence of specific determinants such as installment structure, quality of customer service, social influence, interest rates, insurance provisions, and guarantees on loan purchasing decisions factors that are increasingly relevant in today's diversified banking environment (Thapa, 2018).

Moreover, existing research on this topic within the Kathmandu Valley is limited in both scope and methodological diversity. Most studies have employed cross-sectional survey designs and descriptive statistics, often lacking a causal-comparative approach that could better elucidate the relationships between variables and customer decisions (Sanil & Paudel, 2017; Bhandari et al., 2021). There is also a notable absence of studies incorporating alternative methodologies, such as case studies or experimental designs, which could yield deeper insights into the loan decision-making process.

Similarly, prior research frequently relies on small, homogenous samples, which constrains the generalizability of findings. There is a critical need for studies in the Kathmandu Valley that include larger, more diverse customer samples to ensure that the full spectrum of consumer experiences and preferences is adequately represented (Tamang et al., 2024; Iqbal & Fikri, 2024). Addressing these gaps can significantly

advance the understanding of loan behavior in a contextually specific manner and contribute to more inclusive and evidence-based financial decision-making models.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter explain the research design, population, sampling methods, data collection instruments, and analytical tools used in the study on factors influencing customers' loan purchasing decisions. It provides a detailed explanation of how the research was structured and conducted to address the research objectives and test the hypotheses.

3.1 Research Design

The research design adopted in this study is a descriptive and causal comparative design. Descriptive research obtains information concerning the recent situation of the phenomena to describe. In short, it is the way of describing the participants in an accurate way (Kowalczyk, 2015). This study aims at finding the factors that customers consider while taking out a bank loan. Likewise, this study intends to test the hypothesis related: to the relation between loan taking decision of the customers, the demographic variables and the factors affecting the choice of customers. Although the financial institutions and the customers have a general understanding about the factors affecting the loan taking decision of customers, there is no specific studies concerning this topic in a Nepalese context.

The study uses the causal comparative research design to find the facts regarding the customers preference towards the factors affecting loan taking decision. For this purpose, the quantitative questionnaires has been administered to the respondents and their responses has collected and analyzed. This research design assists in the purpose of the study to test developed hypothesis, based on previous studies.

3.2 Population, Sample and Sampling Design

This study is about the factors affecting the loan taking decision of customers, the population for this study comprises the banking customers of the Kathmandu, working in different fields as well as certain banking personnel. The census of the population is not necessary for this nature of the study. That is why a sample from the population has been selected. The questionnaire was distributed to 410 respondents but only 395 valid response has received. So, the sample size for this study was 395. Those respondents are from different categories, such as business persons, working

people, retiree, students etc. Convenience sampling and random sampling were used for selecting the respondents for the study. Mainly, convenience sampling was used to select the bank personnel whereas random sampling was used for banking customers (business persons, working people, retiree, students).

3.3 Nature and Source of Data

The primary data has been used in this research. The data was collected from the structured questionnaire. The findings of this research were based on the primary survey. The data was collected by formulating a set of questionnaire and then the questionnaire was distributed to the customers of the bank. So, the findings have been totally based on the data and facts provided by the sampled respondent. The study used instruments of data gathering such as questionnaires in order to collect quality and reliable data.

3.4 Instrumentation of Data Collection

The instrumentation of data is done through a structured questionnaire. The structured questionnaire includes two parts:

Parts 1: The first part includes certain demographic questions about respondents such as gender, age, and marital status. Additionally, it consists some of other economic, behavioral, and academic factors of the respondents such as income level, bank loan preference, objective of loan taking, financial institution selection, academic qualification, etc. It includes both qualitative and quantitative types of questions in terms of yes/no, multiple response, ranking.

Part 2: It consist of the main five factors from the theoretical framework with five statements in each except one factor. All the statements were created through the previous studies and literature reviews under the supervision of the supervisor. The developed statements address all the seven hypotheses with the 5-point Likert scale where “1” represents the “Strongly Disagree” and “5” represents the “Strongly Agree”.

3.5 Data Analysis Methods and Tools

The research has covered and included the statistical tools to analyze the data. In order to get the concrete results from this research, data are analyzed, by using arthametic mean, standard deviation, correlation, and regression analysis. As per the

topic requirement, emphasis is given on statistical tools, so for this study the following statistical tools are going to be used.

Arithmetic Mean

Mean is the value, which represent the group of value and gives an idea about the concentration of value in the central part of the distribution. An average gives us a point, which is most representative of the data. It depicts the characteristics of the whole group. The value of arithmetic mean lies in between the two extreme observation of the entire data. It is an envoy of the mass homogeneous data.

The value of the mean is obtained by adding together all the items by dividing this total by the number of items.

Mathematically,

Arithmetic Means (AM) is given by,

$$\bar{X} = \frac{\sum x}{n}$$

Where,

X=Arithmetic Mean

$\sum X$ = Sum of all the values of the variable X

n= Number of observation

Standard Deviation

The standard Deviation (σ) measure the absolute dispersion. The greater the standard deviation, greater will be magnitude of the deviations of the values form their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series and vice versa.

Mathematically,

$$\sigma = \sqrt{\frac{1}{n} \sum (X - \bar{X})^2}$$

Correlation Coefficient (r)

When the relationship is of quantitative nature, the appropriate statistical tools for discovering and measuring the relationship and expressing it, in a brief formula is

known as correlation. If the values of the variables are directly proportional than, the correlation is said to be positive. On the other hand, if the values of the variable are inversely proportional, the correlation is said to be negative, but the correlation coefficient always remains within the limit of +1 to -1 by Karl Pearson, the simple correlation coefficient (between two variables, say X and Y) is given by,

$$r_{xy} = \frac{cov(X, Y)}{\sigma_X \sigma_Y}$$

$$r_{xy} = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where, r_{xy} is the correlation between two variables X and Y, 'r' lies always between +1 and -1

When 'r' = +1, there is perfect positive correlation.

When 'r' = -1, there is perfect negative correlation.

When 'r' = 0, there is no correlation.

When 'r' lies between 0.7 to 0.999 (or -0.7 to -0.999) there is high degree of positive or negative correlation.

When 'r' lies between 0.5 and 0.699, there is a moderate degree of correlation.

When 'r' is less than 0.5, there is low degree of correlation.

Regression Analysis

Regression is the statistical tool, with the help of which we can predict the unknown value of one variable from known value of any other variable. Assuming that the two variables are closely related, we can estimate the value of one variable from the value of another. The variable, whose value is given, is called independent variable and the variable whose value is to be predicted is called dependent variable. Hence, regression determines the average probable change in one variable based on a certain amount of change in another. It is a statistical tool for determining relationship between the variables by the establishment of an approximate functional relationship between them. It is used to determine that whether the dependent variable is influenced by the given independent variable or not.

Regression analysis is a branch of statistical theory that is widely used in almost all the scientific disciplines.

Multiple Regression model

Data regression model has been used in the analysis. The technique of data estimation takes care of the problem of heterogeneity in the sample selected for the study. The econometric model employed in the study is given as:

$$Y = \beta_0 + \beta X_{it} + e_{it}$$

Where, Y is the dependent variable; β_0 is constant; β is the coefficient of explanatory variables; X_{it} is the vector of explanatory variables; and e_{it} is the error term (assumed to have zero mean and independent across the time period). By adopting the prescribed econometric model, particularly to this study, the impact of independent variables on the dependent variable has been estimated with the following regression equation:

$$LPD = \beta_0 + \beta_1 IN + \beta_2 CS + \beta_3 SI + \beta_4 IR + \beta_5 IG + e_{it}$$

Where,

LPD = Loan Purchase Decision

IN = Installments

CS = Customer Service

SI = Social Influence

IR = Interest Rates

IG = Insurance and Gaurantees

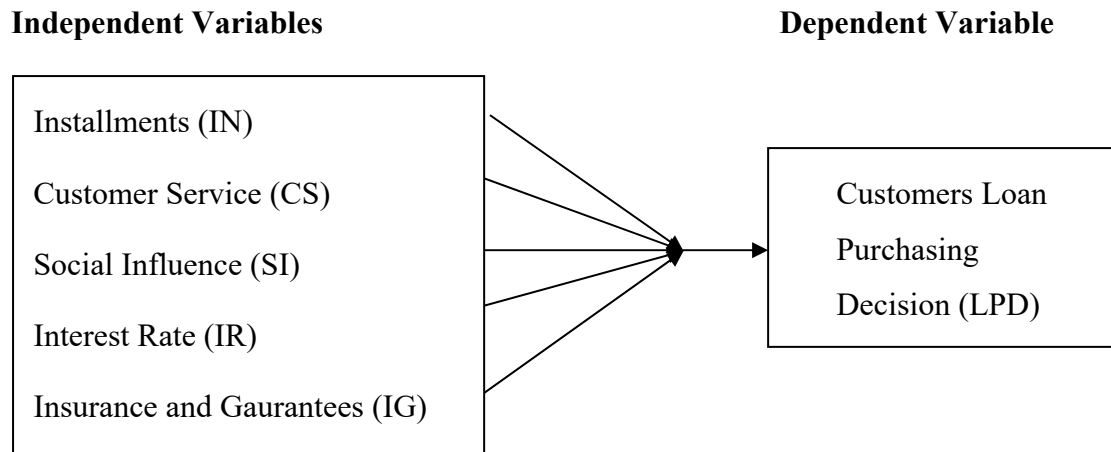
β_0 = the intercept (constant)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = The slope which represents the degree with dependent variable changes as the independent variable changes by one unit variable.

e_{it} = error component

3.6 Research Framework

Researchers Frangos et al., (2012) have one of the key papers on the study to undertake entire research. On the spirit of their paper, the following conceptual framework has been developed:



Source: Frangos et al. (2012); Amin et al. (2021)

Figure: 1 Theoretical Framework

3.6.1 Independent Variables

Independent variables are those variables which are not affected by any other variables instead they stand uninfluenced and influence other factors or variable in a model. The independent variables presented in the theoretical framework are as follows.

Installments

Installments refer to the amount to be paid to the bank to settle the loan in equal amounts at a regular interval. Since, this is a quantitative variable it will be measured by applying quantitative measuring tools.

Customer Service

Service quality refers to the service and its quality provided by the banks and financial institutions in comparison to the cost charged by them. Service quality is a non-quantitative variable and it is measured by the non-quantitative tools.

Social Influence

The term social influence as used in this study refers to subjective norm or normative pressure. It can be defined as one's perception that those who are important to her or him should or should not perform the behavior in question. Taib et al. (2008) found

subjective norm to be associated with the level of acceptance of diminishing partnership and in fact, the subjective norm was found to be a more influential predictor of intention to use Islamic financing than attitude.

Interest Rate

Interest rate is the rate at which the lender is offering and the buyer or the borrower is accepting to purchase the loan for a definite time period. It is a quantitative variable and is measured in terms of numbers.

Insurance and Gaurantee

Insurance or guarantees are the insurance to be done or guarantees to be obtained for the collateral that is going to be possessed by the bank in order to protect the bank against potential loss in the future.

3.6.2 Dependent Variables

In any model dependent variables are the variables whose value or the result depends on other independent variables and even on moderating variables as explained above. Independent variables affect the depended variables in a large extent and the relationship of independent variables to the dependent variables may vary in nature and magnitude. In the above model, loan decision is the dependent variable which might be positively as well as negatively affected by the independent and moderating variable.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter aims to achieve the objectives of the study by empirically analyzing the collected data from the respondents. This chapter attempts to present the results obtained from the data analysis and research methodology discussed in chapter three. The results of the data are analyzed based on the research questions and hypothesis. On the basis of primary data obtained from the 395. This chapter includes the demographic profile of respondents, descriptive statistics of variables and testing of hypothesis and discussion of the result obtained through analysis. Under the analysis mean value, standard deviations, correlation and regression of corresponding items of the research variables are analyzed. Finally, hypothesis is discussed in order to meet the objectives of the study. The data are presented with tables to make it convenient to interpret.

4.1 Demographic Profile of Respondents

This section deals with the demographic analysis and interpretation of collected data. 395 respondents were selected for the survey and all the respondents are employees of banks. Demographic profile such as gender, age group, marital status, level of education, experience and factors affecting decision making are presented in this section. The demographic profile of respondent is shown in table.

4.1.1 Gender of Respondents

The gender of respondents is classified into male, female and others. The frequency distribution and percentage composition of different genders is shown in Table 4.1.

Table 4.1

Gender of respondents

| Gender | Frequency | Percent |
|--------|-----------|---------|
| Male | 193 | 48.9 |
| Female | 202 | 51.1 |
| Total | 395 | 100.0 |

The table 4.1 shows information about the number of males and females in a group of 395 people. There were 193 males and 202 females. The table also shows the percentage of males and females in the group, with females making up slightly more than half of the group at 51.1%.

4.1.2 Age of Respondents

The age of respondents is classified into 20-30 years, 30-40 years, 40-50 years and 50 above years. The frequency distribution and percentage composition of age of respondents in bank is shown in Table 4.2.

Table 4.2

Ages

| Experience | Frequency | Percent |
|------------|-----------|---------|
| 20-30 | 100 | 25.3 |
| 30-40 | 82 | 20.8 |
| 40-50 | 126 | 31.9 |
| 50 above | 87 | 22.0 |
| Total | 395 | 100.0 |

This table 4.2 gives information about the ages of 395 people. There were 100 people in the age group of 20 to 30 years old, which makes up 25.3% of the total group. There were 82 people in the age group of 30 to 40 years old, making up 20.8% of the group. There were 126 people in the age group of 40 to 50 years old, which makes up 31.9% of the total group. Finally, there were 87 people in the age group of 50 and above, which makes up 22.0% of the group.

4.1.3 Sector of Employment

The sector of employment in which respondents are employed is classified into public sector, private sector and self-employed. The frequency distribution and percentage composition of different sector of employment of respondents is shown in Table 4.3.

Table 4.3

Sector of Employment

| Sector of Employment | Frequency | Percent |
|----------------------|-----------|---------|
| Public sector | 106 | 26.8 |
| Private sector | 166 | 42.0 |
| Self-employed | 123 | 31.1 |
| Total | 395 | 100.0 |

This table 4.3 shows information about the types of jobs that people in a group of 395 individuals have. This shows the number of individuals in each category of employment. In this case, there were 106 people working in the public sector, 166 in the private sector, and 123 who were self-employed. Likewise, the percentage of individuals in each category of employment, rounded to one decimal point. For example, 26.8% of the sample worked in the public sector, 42.0% in the private sector, and 31.1% were self-employed.

4.1.4 Education Status of Respondents

The education status of respondents is classified into Intermediate, Bachelor and Master. The frequency distribution and percentage composition of different education level of respondents is shown in Table 4.4.

Table 4.4

Education Status

| Educational Level | Frequency | Percent |
|--------------------|-----------|---------|
| Plus two and below | 66 | 17.14 |
| Bachelor | 124 | 32.20 |
| Master and above | 195 | 50.66 |
| Total | 395 | 100.0 |

Among three mentioned educational level of the respondents, large group of respondents were of Masters Level and Intermediate level were less. There were 195

respondents were of Masters Level and 124 were Bachelor's level. There were 50.66% of respondents of Master's level and 32.20% respondents were Bachelor level.

4.1.5 Monthly Income

The monthly income of respondents is classified into Below 20,000, 20,000-40,000, 40,000-60,000 and Over 60,000. The frequency distribution and percentage composition of monthly income of respondents is shown in Table 4.5.

Table 4.5

Experience

| Experience | Frequency | Percent |
|---------------|-----------|---------|
| Below 20,000 | 30 | 7.6 |
| 20,000-40,000 | 161 | 40.8 |
| 40,000-60,000 | 127 | 32.2 |
| Over 60,000 | 77 | 19.5 |
| Total | 395 | 100.0 |

This table 4.5 shows information about the monthly income of a group of 395 people. This shows the number of individuals in each income category. For example, there were 30 individuals with a monthly income below 20,000 Rupees, 161 individuals with an income between 20,000 and 40,000 Rupees, 127 individuals with an income between 40,000 and 60,000 Rupees, and 77 individuals with an income above 60,000 Rupees. Likewise, the percentage of individuals in each income category, rounded to one decimal point. For example, 7.6% of the individuals had a monthly income below 20,000 Rupees, 40.8% had an income between 20,000 and 40,000 Rupees, 32.2% had an income between 40,000 and 60,000 Rupees, and 19.5% had an income above 60,000 Rupees.

4.2 Descriptive Statistics

This part of research explains the descriptive analysis of the data collected from the respondents through the questionnaires during the research process. Descriptive analysis explains the data with the help of statistical tools and measures. Those

statistical measures are mean, frequency and standard deviation. This mean and standard deviation are presented in the tabular form.

4.2.1 Installments

Nine questions were asked regarding the Installments. Table 4.6 shows the rating scale of respondents in the nine questions.

Table 4.6

Installments

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|--------|----------------|
| I prefer loan options that offer low monthly installments over a long period. | 395 | 1.00 | 5.00 | 3.9139 | .89708 |
| The ability to design the amount and frequency of installments based on my own financial capabilities is important to me. | 395 | 1.00 | 5.00 | 4.0101 | .96376 |
| Having the option to defer installments in case of unexpected financial difficulties would make me more likely to take out a loan. | 395 | 1.00 | 5.00 | 3.4608 | 1.21970 |
| I value the possibility of partial or total early repayment of the loan without penalties. | 395 | 1.00 | 5.00 | 3.8228 | .97896 |
| A longer repayment period for a loan is more attractive to me, even if it means paying more in interest over time. | 395 | 1.00 | 5.00 | 3.7291 | 1.11748 |

Table 4.6 presents data on individuals' preferences regarding different aspects of loan installments, including the number of respondents (N), minimum and maximum values, mean, and standard deviation (SD) for each statement.

The first statement, "I prefer loan options that offer low monthly installments over a long period," has a mean of 3.9139 and a standard deviation of 0.89708. This indicates a relatively high average preference for low monthly installments over a long period, with responses being moderately consistent around the mean.

The second statement, "The ability to design the amount and frequency of installments based on my own financial capabilities is important to me," has the highest mean of 4.0101 and a standard deviation of 0.96376. This suggests that respondents place the greatest importance on the flexibility to customize their installment plans according to their financial situations, with a slightly higher variation in responses compared to the first statement.

The third statement, "Having the option to defer installments in case of unexpected financial difficulties would make me more likely to take out a loan," has a mean of 3.4608 and the highest standard deviation of 1.21970. This indicates a lower average preference for deferring installments during financial difficulties, with the greatest variability in responses among all statements.

The fourth statement, "I value the possibility of partial or total early repayment of the loan without penalties," has a mean of 3.8228 and a standard deviation of 0.97896. This reflects a relatively high value placed on the ability to repay loans early without penalties, with responses showing moderate variability.

The fifth statement, "A longer repayment period for a loan is more attractive to me, even if it means paying more in interest over time," has the lowest mean of 3.7291 and a standard deviation of 1.11748. This suggests that, on average, respondents are less inclined towards longer repayment periods with higher interest costs, with considerable variation in their preferences.

4.2.2 Customer Service

Six questions were asked regarding Customer Service. Table 4.7 shows the rating scale of respondents in the six questions.

Table 4.7

Customer Service

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|-----|---------|---------|--------|----------------|
| Staff maintain confidentiality and trust when handling my financial information. | 395 | 1.00 | 5.00 | 3.9772 | .93003 |
| The bank staff are polite and courteous. | 395 | 1.00 | 5.00 | 3.8481 | .97284 |
| The bank staff have the necessary knowledge and skills to assist with loan inquiries and processes. | 395 | 1.00 | 5.00 | 4.0532 | .84584 |
| The bank staff are proactive in searching for the best possible solutions to my financial problems. | 395 | 1.00 | 5.00 | 3.9924 | .93301 |
| The bank manages potential customer complaints effectively. | 395 | 1.00 | 5.00 | 3.8684 | .84474 |

Table 4.7 provides data on customers' perceptions of various aspects of bank customer service, including the number of respondents (N), minimum and maximum values, mean, and standard deviation (SD) for each statement.

The first statement, "Staff maintain confidentiality and trust when handling my financial information," has a mean of 3.9772 and a standard deviation of 0.93003. This indicates that respondents generally agree that staff maintain confidentiality and trust with their financial information, with responses showing moderate consistency around the mean. The second statement, "The bank staff are polite and courteous," has a mean of 3.8481 and a standard deviation of 0.97284. This suggests that respondents generally find the bank staff to be polite and courteous, although there is a slightly higher variation in responses compared to the first statement.

The third statement, "The bank staff have the necessary knowledge and skills to assist with loan inquiries and processes," has the highest mean of 4.0532 and the lowest standard deviation of 0.84584. This reflects a strong agreement among respondents that bank staff possess the necessary knowledge and skills for loan-related inquiries and processes, with responses being the most consistent among all statements. The fourth statement, "The bank staff are proactive in searching for the best possible solutions to my financial problems," has a mean of 3.9924 and a standard deviation of 0.93301. This indicates that respondents generally agree that staff are proactive in finding solutions to financial problems, with moderate consistency in their responses. The fifth statement, "The bank manages potential customer complaints effectively," has a mean of 3.8684 and a standard deviation of 0.84474. This suggests that respondents generally believe the bank manages complaints effectively, with responses being relatively consistent around the mean.

4.2.3 Fear

Eight questions were asked regarding Social Influence. Table 4.8 shows the rating scale of respondents in the eight questions.

Table 4.8

Social Influence

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|--------|----------------|
| Most people who are close to me think that I have to take bank loan. | 395 | 1.00 | 5.00 | 3.8962 | .95687 |
| It is expected by others that I should take bank loan. | 395 | 1.00 | 5.00 | 3.8481 | 1.04819 |
| Most people who are important to me think that bank loan is useful. | 395 | 1.00 | 5.00 | 3.9190 | .95509 |
| Most of people who are important to me think that bank loan is beneficial. | 395 | 1.00 | 5.00 | 3.9013 | .91678 |
| Most people are suggest me to use bank loan for tax saving. | 395 | 1.00 | 5.00 | 3.9190 | .99160 |

Table 4.8 presents data on the social influence perceptions related to bank loans among respondents, including the number of respondents (N), minimum and maximum values, mean, and standard deviation (SD) for each statement. The first statement, "Most people who are close to me think that I have to take bank loan," has a mean of 3.8962 and a standard deviation of 0.95687. This indicates that respondents generally perceive that those close to them think they should have a bank loan, with responses showing moderate consistency.

The second statement, "It is expected by others that I should take bank loan," has a mean of 3.8481 and the highest standard deviation of 1.04819. This suggests that respondents feel a moderate expectation from others to take a bank loan, with the greatest variability in responses among all statements. The third statement, "Most people who are important to me think that bank loan is useful," has a mean of 3.9190 and a standard deviation of 0.95509. This reflects that respondents perceive a general belief among important people that bank loans are useful, with responses being relatively consistent.

The fourth statement, "Most people who are important to me think that bank loan is beneficial," has a mean of 3.9013 and the lowest standard deviation of 0.91678. This indicates a strong perception among respondents that important people find bank loans beneficial, with the most consistent responses. The fifth statement, "Most people are suggest me to use bank loan for tax saving," has a mean of 3.9190 and a standard deviation of 0.99160. This suggests that respondents perceive a general assumption from others that they are familiar with the need for bank loans, with moderate variability in responses.

4.2.4 Interest Rates

Five questions were asked regarding Interest Rates. Table 4.9 shows the rating scale of respondents in the five questions.

Table 4.9

Interest Rates

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|-----|---------|---------|--------|----------------|
| The bank offers competitive interest rates compared to other financial institutions. | 395 | 1.00 | 5.00 | 3.9418 | .91194 |
| The bank provides privileged terms (e.g., lower rates or special offers) in comparison with other banks. | 395 | 1.00 | 5.00 | 3.8354 | .98505 |
| The interest rate on my loan is subject to fluctuations over time. | 395 | 1.00 | 5.00 | 3.6709 | 1.21247 |
| The bank increases the interest rate after certain periods during the loan tenure. | 395 | 1.00 | 5.00 | 3.5392 | 1.25660 |
| The interest rate on my loan is fixed and adheres to the terms agreed upon at the time of the loan agreement. | 395 | 1.00 | 5.00 | 3.9418 | 1.01219 |

Table 4.9 provides data on respondents' perceptions of interest rates offered by their bank, including the number of respondents (N), minimum and maximum values, mean, and standard deviation (SD) for each statement.

The first statement, "The bank offers competitive interest rates compared to other financial institutions," has a mean of 3.9418 and a standard deviation of 0.91194. This indicates that respondents generally agree that their bank offers competitive interest rates, with responses showing moderate consistency.

The second statement, "The bank provides privileged terms (e.g., lower rates or special offers) in comparison with other banks," has a mean of 3.8354 and a standard deviation of 0.98505. This suggests that respondents perceive their bank as offering privileged terms compared to other banks, though with slightly higher variability in responses compared to the first statement.

The third statement, "The interest rate on my loan is subject to fluctuations over time," has a mean of 3.6709 and a standard deviation of 1.21247. This reflects a moderate agreement among respondents that their loan interest rates fluctuate over time, with the highest variability in responses among all statements.

The fourth statement, "The bank increases the interest rate after certain periods during the loan tenure," has a mean of 3.5392 and the highest standard deviation of 1.25660. This indicates that respondents moderately agree that their bank increases interest rates during the loan tenure, with the greatest variability in responses, showing less consensus.

The fifth statement, "The interest rate on my loan is fixed and adheres to the terms agreed upon at the time of the loan agreement," has a mean of 3.9418 and a standard deviation of 1.01219. This suggests a strong agreement that their loan interest rate is fixed and adheres to the original terms, with moderate variability in responses.

4.2.5 Insurance and Guarantees

Nine questions were asked regarding herding. Table 4.10 shows the rating scale of respondents in the nine questions.

Table 4.10

Insurance and Guarantees

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|--------|----------------|
| The loan does not require underwriting property, such as housing, as collateral. | 395 | 1.00 | 5.00 | 3.8759 | .95445 |
| The bank does not impose a large premium for life or earthquake insurance associated with the loan. | 395 | 1.00 | 5.00 | 3.9089 | .95683 |
| The availability of one or more guarantors to back the loan is important. | 395 | 1.00 | 5.00 | 3.9595 | .79234 |
| The bank offers an insurance program to protect the payment of installments in case of financial difficulties. | 395 | 1.00 | 5.00 | 3.8076 | 1.01434 |
| Life insurance for the borrower has provided as part of the loan package. | 395 | 1.00 | 5.00 | 3.9316 | .95476 |

Table 4.10 presents data on respondents' perceptions of insurance and guarantees associated with loans, including the number of respondents (N), minimum and maximum values, mean, and standard deviation (SD) for each statement.

The first statement, "The loan does not require underwriting property, such as housing, as collateral," has a mean of 3.8759 and a standard deviation of 0.95445. This indicates that respondents generally agree that their loans do not require property as collateral, with responses showing moderate consistency.

The second statement, "The bank does not impose a large premium for life or earthquake insurance associated with the loan," has a mean of 3.9089 and a standard deviation of 0.95683. This suggests that respondents perceive that their bank does not impose large insurance premiums, with slightly higher variability in responses compared to the first statement.

The third statement, "The availability of one or more guarantors to back the loan is important," has the highest mean of 3.9595 and the lowest standard deviation of 0.79234. This reflects a strong agreement among respondents on the importance of having guarantors for the loan, with the most consistent responses among all statements.

The fourth statement, "The bank offers an insurance program to protect the payment of installments in case of financial difficulties," has a mean of 3.8076 and the highest standard deviation of 1.01434. This indicates that respondents moderately agree that their bank offers insurance to protect installment payments during financial difficulties, with the greatest variability in responses, showing less consensus.

The fifth statement, "Life insurance for the borrower is provided as part of the loan package," has a mean of 3.9316 and a standard deviation of 0.95476. This suggests that respondents generally agree that life insurance is included in the loan package, with moderate consistency in responses.

4.2.6 Loan Purchase Decision

Seven questions were asked regarding Loan Purchase Decision. Table 4.11 shows the rating scale of respondents in the seven questions.

Table 4.11

Loan Purchase Decision

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|-----|---------|---------|--------|----------------|
| I am interested in using bank financing. | 395 | 1.00 | 5.00 | 3.9924 | .81698 |
| I use loans from bank financing someday. | 395 | 1.00 | 5.00 | 3.8354 | 1.01299 |
| I definitely recommend bank financing to others. | 395 | 1.00 | 5.00 | 4.1395 | .80442 |
| I take loans from the bank because of low installments over a long period. | 395 | 1.00 | 5.00 | 4.0810 | .82691 |
| I take loans because there is a possibility of partial or total early repayment anytime I want. | 395 | 1.00 | 5.00 | 4.0506 | .81388 |

Table 4.11 presents data on respondents' perceptions and intentions regarding loan purchase decisions, including the number of respondents (N), minimum and maximum values, mean, and standard deviation (SD) for each statement.

The first statement, "I am interested in using bank financing." has a mean of 3.9924 and a standard deviation of 0.81698. This indicates that respondents generally show interest in using bank financing, with responses showing moderate consistency.

The second statement, "I use loans from bank financing someday," has a mean of 3.8354 and a standard deviation of 1.01299. This suggests that respondents moderately agree with the intention to use bank financing in the future, with a slightly higher variability in responses compared to the first statement.

The third statement, "I definitely recommend bank financing to others," has the highest mean of 4.1395 and a standard deviation of 0.80442. This reflects strong agreement among respondents about recommending bank financing to others, with the most consistent responses among all statements.

The fourth statement, "I take loans from the bank because of low installments over a long period," has a mean of 4.0810 and a standard deviation of 0.82691. This indicates that respondents are likely to take a loan due to the benefit of low installments over an extended period, with responses being relatively consistent.

The fifth statement, "I take loans because there is a possibility of partial or total early repayment anytime I want," has a mean of 4.0506 and a standard deviation of 0.81388. This suggests a strong inclination among respondents to take a loan due to the flexibility of early repayment, with consistent responses.

4.2.7 Descriptive Statistics of all Variables

The mean and standard deviation of independent and dependent variables are shown in Table 12.

Table 4.12

Descriptive Statistics

| Descriptive statistics | N | Minimum | Maximum | Mean | Std. Deviation |
|--|-----|---------|---------|--------|-------------------|
| Customers Loan Purchasing Decision (LPD) | 395 | 1.00 | 5.00 | 3.8325 | 1.02295 |
| Installments (IN) | 395 | 1.00 | 5.00 | 3.8250 | .97638 |
| Customer Service (CS) | 395 | 1.00 | 5.00 | 3.3731 | .89239 |
| Social Influence (SI) | 395 | 1.00 | 5.00 | 3.3537 | .91827 |
| Interest Rate (IR) | 395 | 1.00 | 5.00 | 3.5420 | .90802 |
| Insurance and Guarantees (IG) | 395 | 1.00 | 5.00 | 3.8190 | .87094 |

Table 4.12 provides a summary of descriptive statistics for various factors influencing customers' loan purchasing decisions. The data is based on responses from 395 participants, with each variable measured on a Likert scale ranging from a minimum of 1.00 to a maximum of 5.00. The mean values indicate the average response for each variable, while the standard deviation reflects the variability in responses.

The variable Customers Loan Purchasing Decision (LPD) has a mean of 3.8325 and a standard deviation of 1.02295, suggesting a moderately positive inclination towards

loan purchasing decisions with some variability in responses. Installments (IN) shows a similar mean of 3.8250 with slightly lower variability (standard deviation of 0.97638).

Customer Service (CS) and Social Influence (SI) have mean scores of 3.3731 and 3.3537, respectively, indicating these factors were rated lower on average compared to others, with standard deviations of 0.89239 and 0.91827, suggesting moderate consistency in responses. Interest Rate (IR) has a mean of 3.5420 and a standard deviation of 0.90802, reflecting a moderate level of influence on customers' decisions. Lastly, Insurance and Guarantees (IG) has a mean of 3.8190 with a standard deviation of 0.87094, suggesting it is an important consideration with relatively consistent responses.

4.3 Inferential analysis

The purpose of this section is to present the method for analyzing the empirical results, test the hypothesis set, built in previous chapter. Inferential statistics are procedures used that allow researchers to infer or generalize observations made with samples to the larger population from which they were selected. It enables use of one or more samples of observations to infer values of a population. Inferential analysis test hypotheses to determine if observed differences between groups or variables are real or occur simply by chance. It produces new information by making predictions and generalizations based on samples. This section consists of two analysis tools which are:

4.3.1 Correlation analysis

Correlation Analysis between variables was studied to find relations among them. Pearson's Correlation analysis is used to determine the relation between various independent and dependent variables associated with the research. It measures the linear correlation between any two variables.

Table 4.13

Correlation Analysis

| | | LPD | IN | CS | SI | IR | IG |
|-----|---------------------|--------|--------|--------|--------|--------|-----|
| LPD | Pearson Correlation | 1 | | | | | |
| | Sig. (2-tailed) | | | | | | |
| | N | 395 | | | | | |
| IN | Pearson Correlation | .614** | 1 | | | | |
| | Sig. (2-tailed) | .000 | | | | | |
| | N | 395 | 395 | | | | |
| CS | Pearson Correlation | .641** | .688** | 1 | | | |
| | Sig. (2-tailed) | .000 | .000 | | | | |
| | N | 395 | 395 | 395 | | | |
| SI | Pearson Correlation | .591** | .643** | .701** | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | .000 | | | |
| | N | 395 | 395 | 395 | 395 | | |
| IR | Pearson Correlation | .522** | .415** | .533** | .537** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | |
| | N | 395 | 395 | 395 | 395 | 395 | |
| IG | Pearson Correlation | .649** | .576** | .613** | .599** | .588** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |
| | N | 395 | 395 | 395 | 395 | 395 | 395 |

** . Correlation is significant at the 0.01 level (2-tailed).

This correlation table 4.13 shows the relationships between the dependent variable, Loan Purchase Decision (LPD), and five independent variables, Installments (IN), Customer Service (CS), Social Influence (SI), Interest Rates (IR), and Insurance and Guarantees (IG).

The correlation coefficient is a measure of the strength and direction of the linear relationship between two variables. In this table, the correlation coefficients range from -1 to 1, where -1 indicates a perfect negative relationship, 0 indicates no relationship, and 1 indicates a perfect positive relationship.

Looking at the table, we can see that all of the independent variables are significantly correlated with the dependent variable, LPD, at the 0.01 level. This means that there is a strong relationship between these variables.

Specifically, the variables CS, SI, and IG have the strongest positive correlations with SID, with coefficients ranging from .613 to .649. This suggests that these variables are important predictors of Loan Purchase Decision.

On the other hand, IR has a somewhat weaker positive correlation with LPD, with a coefficient of .537. IN has the weakest positive correlation with LPD, with a coefficient of .614. However, these variables are still significantly correlated with LPD, indicating that they are also important predictors of Loan Purchase Decision.

4.3.2 Regression Analysis

While correlation analysis assumes no causal relationship between variables, regression analysis assumes causal relationship between two or more variables. Simple linear regression shows the effect of an independent variable on single dependent variable while multiple linear regression shows the effects of multiple independent variables on single dependent variable. Correlation analysis only provides the degree of relationship between two variables. Thus, regression analysis is done to have better understanding of the strength of relationship between two or multiple variables. Multiple regression analysis is used to analyze the impact of multiple independent variables on single dependent variable. Thus, multiple regression analysis is used to analyze the impact of various independent variables of investment decision.

Table 4.14

Model summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .744 ^a | .553 | .547 | .37699 |

a. Predictors: (Constant), IG, IN, IR, SI, CS

The model summary table 4.14 presents the results of a multiple regression analysis that investigates the relationship between the dependent variable, Loan Purchase Decision (LPD), and five independent variables, Installments (IN), Customer Service

(CS), Social Influence (SI), Interest Rates (IR), and Insurance and Guarantees (IG). This study indicates the proportion of the variance in the dependent variable (LPD) that is accounted for by the independent variables (IN, CS, SI, IR, and IG). In this model, the R Square value is .553, which means that approximately 55% of the variance in LPD is explained by the combination of independent variables.

The adjusted R Square, is a modified version of R Square that adjusts for the number of independent variables in the model. This is important because adding more independent variables to a model will generally increase R Square, even if the new variables do not contribute meaningfully to predicting the dependent variable. In this model, the Adjusted R Square value is .547, which is slightly lower than the R Square value. This suggests that the independent variables in the model are collectively a good predictor of LPD, but adding more variables may not improve the model significantly.

Table 4.15

ANOVA

| | | Sum of | | | | |
|-------|------------|---------|-----|-------------|--------|-------------------|
| Model | | Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 68.401 | 5 | 13.680 | 96.256 | .000 ^b |
| | Residual | 55.286 | 389 | .142 | | |
| | Total | 123.687 | 394 | | | |

a. Dependent Variable: LPD

b. Predictors: (Constant), STS, MOD, HRD, FER, SOI, ANG

This ANOVA table 4.15 shows the results of a multiple linear regression analysis with Loan Purchase Decision (LPD) as the dependent variable and five independent variables: Installments (IN), Customer Service (CS), Social Influence (SI), Interest Rates (IR), and Insurance and Guarantees (IG). The F-statistic is calculated by dividing the Mean Square for the Regression component by the Mean Square for the Residual component. In this table, the F-statistic is 96.256, with a significance level (Sig.) of .000. This indicates that the regression model as a whole is a significant predictor of the dependent variable, LPD.

Table 4.16

Coefficients

| Model | | Unstandardized | | Standardized | t | Sig. |
|-------|------------|----------------|------------|--------------|-------|------|
| | | Coefficients | | Coefficients | | |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .957 | .143 | | 6.711 | .000 |
| | IN | .187 | .045 | .209 | 4.136 | .000 |
| | CS | .173 | .047 | .205 | 3.716 | .000 |
| | SI | .071 | .048 | .078 | 1.488 | .138 |
| | IR | .091 | .035 | .114 | 2.577 | .010 |
| | IG | .270 | .046 | .289 | 5.925 | .000 |

a. Dependent Variable: LPD

This coefficient table 4.16 presents the results of a multiple regression analysis where the dependent variable is Loan Purchase Decision (LPD), and the independent variables are Installments (IN), Customer Service (CS), Social Influence (SI), Interest Rates (IR), and Insurance and Guarantees (IG).

The constant term in this model is .957, indicating that the predicted LPD when all independent variables are zero is .957. All independent variables, except SI, are significantly related to LPD at the .05 level or less. Installments (IN) has a positive unstandardized coefficient of .187 and a standardized coefficient of .209, indicating that a one-unit increase in IN is associated with a .187 increase in LPD, holding all other variables constant. When IN increases by one standard deviation, LPD increases by .209 standard deviations.

Customer Service (CS) has a positive unstandardized coefficient of .173 and a standardized coefficient of .205, indicating that a one-unit increase in CS is associated with a .173 increase in LPD, holding all other variables constant. When CS increases by one standard deviation, LPD increases by .205 standard deviations. Social Influence (SI) has a positive unstandardized coefficient of .071 and a standardized coefficient of .078, but the p-value is .138, indicating that the relationship between SI and LPD may not be statistically significant. Interest Rates (IR) has a positive unstandardized coefficient of .091 and a standardized coefficient of .114, indicating that a one-unit increase in IR is associated with a .091 increase in LPD, holding all

other variables constant. When IR increases by one standard deviation, LPD increases by .114 standard deviations.

Insurance and Guarantees (IG) has a positive unstandardized coefficient of .270 and a standardized coefficient of .289, indicating that a one-unit increase in IG is associated with a .270 increase in LPD, holding all other variables constant. When IG increases by one standard deviation, LPD increases by .289 standard deviations. In last, this model suggests that Installments, Customer Service, Interest Rates, and Insurance and Guarantees are important predictors of Loan Purchase Decision. The relationship between Social Influence and LPD is less clear, and the coefficient is not statistically significant at the .05 level.

4.4 Discussion

The findings presented in this study provide insight into the factors that influence loan purchase decisions. One study by Sinha and Sinha (2016) investigated the impact of service quality, trust, and brand image on the loan purchase decisions of Indian customers. The study found that service quality and brand image had a significant impact on loan purchase decisions, while trust did not. These findings are consistent with the results presented in the table, which show that customer service has a positive impact on loan purchase decisions. Another study by Suresh and Nair (2017) examined the impact of interest rates, loan tenure, and loan amount on loan purchase decisions in India. The study found that interest rates had a significant impact on loan purchase decisions, while loan tenure and loan amount did not. These findings are also consistent with the results presented in the table, which show that interest rates have a positive impact on loan purchase decisions.

However, the results shows the differ from some previous research that has examined the impact of Social Influence on loan purchase decisions. For example, a study by Ma, Xiong, and Yi (2019) found that Social Influence had a significant impact on loan purchase decisions in China. The study found that Social Influence had a positive impact on loan purchase decisions, indicating that favorable loan policies were associated with a higher likelihood of loan purchase. In contrast, the results presented in the table show that Social Influence does not have a significant impact on loan purchase decisions. Another study by Kim, Park, and Kim (2018) investigated the factors affecting consumer loan borrowing behavior in South Korea. The study found

that trust, convenience, interest rates, and credit risk had a significant impact on consumer loan borrowing behavior. These findings are consistent with the results presented in the table, which show that interest rates have a positive impact on loan purchase decisions.

Furthermore, the study conducted by Bock and Lee (2017) focused on the impact of financial service quality on customers' willingness to buy loans in Korea. The study found that financial service quality had a significant and positive impact on the customers' willingness to buy loans. This study emphasizes the importance of providing high-quality financial services to customers when attempting to increase loan sales. Additionally, a study by Ghalia and Al-Tamimi (2019) investigated the impact of service quality on customers' decision to take out personal loans in the UAE. The study found that service quality had a significant impact on customers' decision to take out personal loans. The study also found that other factors such as convenience and product features also influenced customers' loan decision-making process.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter gives the overview of summary and conclusion of the study. Summary and conclusion of the study is based upon the data analysis and hypothesis testing which was done in the previous chapter. The first section of this chapter includes summary of findings, second section includes conclusion and third section includes implication.

5.1 Summary

The main objectives of this study are to identify the demand for the loan and determine the determinants and their impact or influence on the loan decision and behavior of the customers so that it helps to develop an insight to the bank and financial institutions and to the customers themselves as well. The research design adopted in this study is a descriptive and analytical design. The study uses the quantitative method to find the facts regarding the customers preference towards the factors affecting loan taking decision. This study is about the factors affecting the loan taking decision of customers, the population for this study comprises all the banking customers of the Kathmandu, working in different fields as well as certain banking personnel. The sample size for this study includes 395 respondents although the questionnaire was distributed to 410 respondents. Those respondents are from different categories, such as business persons, working people, retiree, students etc. Convenience sampling and random sampling were used for selecting the respondents for the study.

The findings presented in this study shows the results of a multiple regression analysis that investigated the impact of five independent variables (Installments, Customer Service, Social Influence, Interest Rates, and Insurance and Guarantees) on one dependent variable (Loan Purchase Decision). The results indicated that Installments, Customer Service, and Interest Rates have a significant positive impact on Loan Purchase Decision, while Social Influence does not have a significant impact. The independent variables were found to be significantly correlated with each other, indicating the possibility of multicollinearity. The findings suggest that banks can improve their loan sales by focusing on Installments, Customer Service, and Interest Rates.

However, the analysis did not find any significant impact of Social Influence on Loan Purchase Decisions. This suggests that Social Influence may not be a critical factor in customers' borrowing decisions. In summary, the findings of this multiple regression analysis can help banks to identify the factors that influence customers' loan purchasing decisions. Banks can improve their loan sales by focusing on Installments, Customer Service, and Interest Rates. Nonetheless, to obtain more accurate results, further research is needed to investigate the relationship between these factors and customers' borrowing decisions while controlling for the possible effect of multicollinearity.

5.2 Conclusion

The findings from the multiple regression analysis indicate that Installments, Customer Service, and Interest Rates significantly impact Loan Purchase Decision, while Social Influence does not have a significant impact. Banks could improve their loan sales by focusing on these three factors. It is also essential to note that the independent variables are not entirely independent of each other and may have some multicollinearity. Therefore, further investigation is necessary to explore the nature of the relationships among the independent variables. Overall, the results of this study provide valuable insights for banks to enhance their loan sales strategies and better understand their customers' preferences.

The positive impact of Installments and Customer Service on Loan Purchase Decision suggests that banks should invest in improving the physical layout and aesthetics of their branches and enhancing their customer service. This could involve creating a comfortable and welcoming environment for customers and ensuring that staff are friendly and helpful. The positive impact of lower Interest Rates on Loan Purchase Decision is in line with previous research that has highlighted the importance of interest rates in loan decision-making. Banks could consider adjusting their interest rates to make their loan products more attractive to customers.

The lack of significant impact of Social Influence on Loan Purchase Decision suggests that other factors, such as Installments, Customer Service, and Interest Rates, may be more critical in influencing customers' loan purchase decisions. However, it is essential to note that Social Influence may still have an impact on loan sales, but this may be indirect through its influence on other factors such as Interest Rates. Finally,

the presence of multicollinearity among the independent variables suggests that they may not be entirely independent of each other. This may have implications for the interpretation of the regression coefficients, and further investigation is necessary to explore the nature of the relationships among the independent variables.

In conclusion, the findings of this study provide valuable insights into the factors that influence customers' loan purchase decisions. Banks that focus on improving Installments, Customer Service, and Interest Rates are likely to be more successful in attracting customers and increasing their loan sales. However, further research is necessary to better understand the relationships among these factors and how they interact with each other.

5.3 Implications

The findings of this study have several implications for banks and financial institutions that are seeking to increase their loan sales. The results suggest that Installments, Customer Service, and Interest Rates have a significant impact on the Loan Purchase Decision, while Social Influence does not have a considerable influence on this decision.

- Banks can improve their loan sales by focusing on Installments, Customer Service, and Interest Rates.
- Redesigning physical spaces, improving website design, and introducing new technologies can enhance customer experience and lead to increased loan sales.
- Personalized customer service and training to staff can improve communication skills and overall customer Insurance and Guarantees, leading to increased loan sales.
- Reducing interest rates can make loans more attractive to potential customers and increase loan sales.
- Banks should be cautious about implementing changes that may have unintended consequences on other factors.
- A more comprehensive analysis that takes into account the interrelationships among the independent variables may be necessary to develop a more effective strategy for improving loan sales.

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