FACTORS AFFECTING LOAN PURCHASING DECISION OF CUSTOMERS IN KATHMANDU VALLEY

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial fulfillment of requirements for the Master's Degree

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 Loan Purchasing Decision of Customers 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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Kusum Dhakal
February, 2024

REPORT OF RESEARCH COMMITTEE

Mr. Kusum Dhakal has defended research proposal entitled **"Factors Affecting Loan Purchasing Decision of Customers 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 guidelines of supervisor Mr. Madhusudan Gautam and submit the thesis for evaluation and vice-voce examination.

Dissertation Proposal Defended Date:
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Madhusudan Gautam

(Supervisor)

Dissertation Submitted Date:
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Chairperson, Research Committee

Dissertation Viva-voce Date:
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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Factors Affecting Loan Purchasing Decision of Customers in Kathmandu Valley"** presented by Mr. Kusum Dhakal a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva Voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Kusum Dhakal

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ABBREVIATION

ATM	Automated Teller Machine
BFIs	Bank and Financial Institutions
NRB	Nepal Rastra Bank
ANOVA	Analysis of Variance
SPSS	Statistical Package for the Social Sciences
et al.	And others
i.e.	That is
TU	Tribhuvan University
Sig	Significance
VIF	Variance Inflationary Factor
AD	Anno Domini
BS	Bikram Samvat
SD	Standard Deviation
R	Regression Coefficient
GRP	Graduate Research Project
N	No of Respondents

ABSTRACT

When it comes to lending requirements, banks and other financial institutions have traditionally placed a high priority on the needs of their clients. The goal of the current study, "Factors Affecting Loan Purchasing Decision of Customers in Kathmandu Valley," was to pinpoint the important variables that consumers take into account when applying for loans from banks and other financial organizations. A thorough review of the literature was done, during which the ideas behind different loan kinds, the motivations behind loan requests, and the connection between independent variables that is, factors influencing consumer’s decisions to purchase loans were examined and discussed.

A survey was conducted for this research in order to ascertain out the connection between the independent and dependent variables. The quality of service rendered by BFIs (SQ), customer satisfaction with BFIs' services (SA), various loan covenants (LC), the loan's installment structure (LI), the requirement for an insurance coverage (IG), and the interest rate on the loan (IR) are among the independent variables that were taken into consideration. The client’s choice to purchase a loan was the dependent variable. The outcomes of the study demonstrated a substantial relationship between a numbers of variables, including service quality, loan interest rates, and loan installments. However, no significant connection was discovered between customer satisfaction, loan covenants, or the loan's insurance and guarantee conditions. Thus, research indicates that all of these acknowledged criteria have a reciprocal impact on loan purchase selections. The domains encompass product development that truly fulfills customer needs and demands, customer behavioral changes brought about by increased competition in the financial sector, and a primary focus on service quality and customer-centric business practices.

Keywords: *Service Quality, Satisfaction, Loan Covenant, Insurance/ Guarantee, Loan Installment, and Interest Rate.*

CHAPTER I

INTRODUCTION

1.1 Background of the study

Financial institutions are the kind of entities that every individual, be it a person or an organization, needs money from. These entities might be natural or manufactured. History indicates that humans once engaged in barter trading as a way to exchange things with one another to satisfy unfulfilled wants (Weatherford, 2009). A system of barter trading was gradually abandoned during the course of civilization, and monetary transactions in which participants exchanged things for one another using money emerged. Money is currently the most popular and commonly recognized form of payment for both business-related and other transactions. This research offers valuable insights for banks and other financial institutions in terms of product design, pricing, and other associated costs for loan products. This study aims to provide more detail on what banks can do to draw in new consumers and what they can manage to keep their current clientele.

The fierce competition among the financial organizations to grow their business is a result of the rapid development of the global financial system. On the other hand, while choosing a bank for their financial needs, customers look at a variety of factors. New techniques, conclusions, and suggestions for both clients and banks have therefore enhanced the selecting process. Some financial institutions have lost their credibility, trust, and reputation as a result of their practice of immoral and irrational financial practices. Numerous institutions have collapsed and had financial crises as a result of this, including Lehmann Brothers and subprime lending in the United States (McDonald and Robinson, 2010). Therefore, it is necessary to evaluate what keeps the current banking sectors operating, as well as critical elements that support them in holding onto current clients and finding new ones. In this context, total client satisfaction with respect to loans by banking management is critical, Rao and Sharma (2010) and Yavas et al. (2005). Furthermore, as loans have the potential to either maintain or cause banks to fail, the question of "how customers select banks" with regard to the loans they purchase has been frequently discussed in the research (Anderson et al. 1976; Evans, 1979; Kaynack and Yavas 1985).

Likewise, in terms of circumstances, it might be beneficial or an inconvenience for the clients.

When it comes to problems with loan purchases, Nepal is not an exception. Regarding requirements and funding, banks and other financial institutions have long been quite concerned about consumer loan purchases. This is due to the fact that a loan's true need is always supported by the intention to pay it back later. Competence is fierce as there are 20 commercial banks, 17 development banks, over 15 financial companies, and numerous additional cooperatives. Banks and other financial establishments today understand how crucial it is to cater to the demands and preferences of their clients in order to manage their assets and offer solutions to a wider range of clients. They have a need to understand the variables that impact and determine the loan buying decision of the clients as well as their preferences in order to offer the financial solutions. Consequently, the goal of the research was to produce relevant data and insights that banks and other financial organizations can use to better sell their goods and to advise consumers on what to look for when applying for loans.

1.2 Problem Statement

The primary issue faced by the Nepalese loan business is that, due to a high loan default rate, lenders often make loans to clients without first determining their true needs. This leads to a rise in investment and a fall in the cost of idle funds. Many banks and other financial institutions, despite their best efforts, are unable to meet the financing needs of their clients or to customize products that satisfy the needs of both the client and the organization.

Rivaldo et al. (2022) examined on the impacts of goods, services, and promotions on customers' decisions to seek service products at the bank BSI Tiban-Batam Branch. The study came to the conclusion that factors such as consumers' perceived value, switching obstacles, service quality, and company image all had a big impact on client happiness. Nonetheless, there is a lack of direct connection between customer pleasure and client retention. The findings also demonstrated that a customer's contentment with the company's goods and services does not ensure that they will request for further loans from the same provider.

Rivaldo et al. (2022) conducted research which showed that there is an indirect link between trust among client and the company's ability to deliver quality credit and services. Trust in these areas encourages consumers to use the company's goods or services when applying for new credit products. Furthermore, the outcome clarified that switching obstacles directly impact client retention.

Athar (2021) investigated on the impact of marketing mix on the purchse decision when borrowint consumer loans. The marketing mix, which includes items, pricing, locations, promotions, visual indicators, and procedures was further discussed in the research. The study's findings showed that the primary determinants of consumer loan decision-making are the marketing mix of services, which includes goods, pricing, promotions, locations, people, procedures, and tangible proof. Tecoalu et al. (2021) stated that the credit purchase decisions are positively and significantly impacted by price perception. The impression of pricing and brand awareness both positively and significantly impact the quality of the services. However, judgments on what to buy on Maybank Finance are not significantly and favorably impacted by service quality.

Hieu and Thanh (2020) researched that loan policies positively impact individual customer's decisions regarding their bank of choice when they purchase loans at Agribank – Tanphu, while marketing communication and promotion policies have no apparent impact. Frangos et al. (2012) found out that interest rates and consumers' loan-purchasing behavior are positively correlated. However, the survey found that, in addition to interest rate, other factors such as bank convenience, efficiency, and service quality are equally significant when making a loan purchase choice.

Kamakodi and Khan (2018) identified safety of funds was the most important parameter to influence bank selection process with secured ATM with its availability, reputation, pleasing manners of staff. Thapa (2018) investigated that the customers' satisfaction is more significant when deciding whether to take out a loan; nevertheless, the need for insurance or guarantees is not significant. Fixed interest rate is the most preferred option by the customers as researched by Gupta (2015). The study examined that loan tenure and easy document formalities had most influence over the customers to buy home loan from SBI.

Aksoy et al. (2016) conducted research on elements impacting the customer's choice to choose a bank while borrowing. In addition to determining the relative relevance of various qualities to borrowers in their decision-making process when choosing a lender from among competitors, the study intended to provide marketing academics and professionals with a better understanding of the elements that impact loan choice. Customers abandoning banks due to staff incompetence and rudeness has been researched by Maddern et al. (2007) and Brkic et al. (2004). The research showed clients value employees who are polite and kind but also extremely informed and skilled. The study determined loan quality and service quality.

This study analyzes the link between a variety of independent variables and the dependent variable. This study concluded that there is a substantial connection between various variables such as quality of service, interest rates on the loan, loan installments whereas no any substantial relationship was found between satisfaction level of the customer, loan covenants and insurance and guarantee condition of the loan. So, study reveals that loan purchasing decisions are influenced mutually by all these accepted factors. The main goal of problem statement was to describe the existing condition of loan purchasing behavior among the different populations in the Kathmandu Valley. Following the COVID-19 pandemic, there was a reduction in the demand for loans, demanding a detailed analysis of the customer's loan purchasing behavior by financial institutions.

This research mainly tries to incorporate following three major research questions that were the key concern of the research:

- What are the factors that influence customer's decisions to purchase loans in the Kathmandu Valley?
- What is the relationship between those variables and the customer's choice to purchase a loan?
- What is the impact of variables on the customer's choice to purchase a loan?

In order to make loans more marketable to consumers and better suit their needs, this study assists in analyzing the demand for loans and developing the strategies and policies that banks and other financial institutions need to implement. Additionally, as consumers are the foundation of every organization, whether it be in the manufacturing, trade, or even service-oriented industries, this research will be conducted from their viewpoints.

1.3 Objectives of the Study

The availability of several sorts of loans to fund consumers' needs, ranging from personal loans to company loans, has made loan purchasing behavior an important concern in the worldwide environment. The aim of this study was to further our understanding of the elements that influence consumers' decisions to purchase loans and to experimentally investigate and analyze loan purchasing behavior. The principal aims of this research are to ascertain the level of loan demand and variables that affect or inspire loan purchase decision and customer behavior. This information will aid in the development of understanding for both the bank and other financial institutions, as well as the customers.

In addition, the following is a list of the study's objectives:

- To identify the factors affecting loan purchasing behavior of the customers.
- To examine the relationship between the service quality, satisfaction, installments, loan covenants, interest rates and insurance/guarantees and the loan purchasing decision of the customers.
- To analyze the impact of service quality, satisfaction, installments, loan covenants, interest rates and insurance/guarantees on customer’s choice of purchasing loan.

1.4 Research Hypothesis

Testing of hypotheses is done throughout research completion. Hypothesis testing is done on the following ways:

Hypothesis 1
H_1: There is significant impact of satisfaction from the bank's service on the loan purchasing decision of the customers.

Hypothesis 2
H_2: There is significant impact of service quality on the loan purchasing decision of the customers.

Hypothesis 3

H_3: There is significant impact of loan covenants on the loan purchasing decision of the customers.

Hypothesis 4

H_4: There is significant impact of loan installment structure on the loan purchasing decision of the customers.

Hypothesis 5

H_5: There is significant impact of insurance/guarantee requirement on the loan purchasing decision of the customers.

Hypothesis 6

H_6: There is significant impact of interest rates on loan on the loan purchasing decision of the customers.

1.5 Rationale of the Study

This research will assist in identifying the variables that impact and influence consumer's decisions to purchase loans. This information will be useful to banks and other financial institutions as they gather it and can then customize loan products and other offerings to provide them a competitive edge over rivals. It is crucial for banks and other financial institutions to provide solutions that cater to clients' demands because the Nepalese market is small nevertheless overcrowded by financial organizations. Customers will also benefit from this research as they will get knowledge about the factors that need to be taken into account before making any loan purchases and will be able to choose the best kind of loan and bank. Thus, the value of study resides in its findings, which will assist banks, financial institutions, and clients in making informed decisions about the purchase and sale of the loans.

Numerous prior research on the variables influencing consumers' preference for taking out loans have demonstrated that a variety of factors, including interest rates and transaction fees, have an impact on consumers' decisions to take out loans. Multiple additional research revealed that consumers also take into account the goods and services provided by financial institutions, and that these elements significantly influence the customer's decision-making process when they choose the bank of their choice. The technologies utilized by banks and other financial organizations, as well as societal demographics, have a significant influence on how clients make decisions. Furthermore, it was shown that consumers changed banks and other financial institutions only based on the features and costs offered by the loan product as well as other goods.

This study examines the variables that are crucial when affecting consumers' decisions to accept loans for the range of loan options provided by different commercial banks and other financial organizations. The main goal of this study was to identify the key variables that consumers take into account when selecting which financial organizations to borrow money from. The research also examines the relative relevance or degree of effect of several factors that are taken into consideration when deciding whether to take out a loan from a financial institution. In Nepal, where there are comparatively many financial organizations offering various monetary services in a comparatively small market, this study is quite significant.

1.6 Limitations of the Study

This study will be conducted in a short amount of time with a small sample size that is limited to the Kathmandu valley. Although the study's results may be compelling, they may not be representative of all of Nepal's population. The study is being conducted to fulfill an academic requirement of MBS Program of Tribhuvan University. Furthermore, the study's validity and reliability are somewhat diminished by the following limitations.

- It is not possible to project the components of the loan purchase behavior from this study to the entire population.
- The research will only be conducted for a restricted and brief amount of time.
- The considered size of the sample is comparatively small.
- Only consumers from inside the Kathmandu Valley will be included in the sample, while efforts will be made to include customers from beyond the valley through electronic media.
- Because of its concentration on the service industry, the study is exclusively pertinent to the industry.

CHAPTER - II

LITERATURE REVIEW

The choice of borrowers to take out a loan is mostly influenced by their financial status, academic background, loan interest rate, and total loan cost transaction, is elaborated by literature review studies conducted throughout the globe. This chapter makes an effort to examine the key variables that affect the judgment when selecting a bank or other financial organization for their funding and lending needs. Some of the most significant articles on the study to conduct the full research is held by the researchers Thapa (2018) and Frangos, C. C., Fragkos, K. C., Sotiropoulos, I., Manolopoulos, G., and Valvi, A. C. (2012).

2.1 Review of Theories

2.1.1 Rational Choice Theory

Rational choice theory states that individuals are seen to be driven by the desires or objectives that reflect their preferences. They take action based on the knowledge they have about the circumstances they are acting in as well as within the predetermined boundaries. The link between desires and restrictions may be understood in parameters of the relationship between a means and an end, which is the most basic form of this interaction. Since people can't have everything they desire, they also have to make decisions about their objectives and the methods by which they will pursue these objectives (Scott, 2000).

Within the frame work of rational choice theory, people should weigh the pros and cons of several options and decide which would suit them the best. Rational people select the course of action that will most likely satisfy them (Scott, 2000).

It is simple to understand the applicability of rational choice, in which individuals weigh the advantages and disadvantages of many options, in relation to consumers' choice of banks. People compare a bank's offerings, such as usefulness or attractiveness to those of other banks with an aim to determine the value and significance of the former. This is because they want to get the most effective services and products at the most affordable price without sacrificing ease. They will next evaluate costs and benefits, or pricing. People will typically select the bank that, given their option they have, which offers the highest return or advantages at the lowest cost (Lelissa, 2017).

2.1.2 Competition Theory

Competition theory elaborates organization strive to gain client's business and loyalty by offering cutting-edge products, satisfying client wants, and delivering excellent customer service. When two or more businesses operate independently to provide the same products to an identical customer base, competition arises. Direct competitors operate independently to provide their goods to the same customer base. Commercial enterprises create new goods, services, and technology in response to their direct as well as indirect competition, offering customers more options and products of superior quality (Lelissa, 2017). When businesses create comparable goods that appeal to the same customer base, direct competition ends. When many businesses produce or market goods that, although not being in direct competition, strategic fight for the identical amount in money from customers, this is known as indirect competition. For an organization to create a competitive marketing plan that works, a business has to think about both its current and future clients. It needs to constantly assess its rivals and create competitive marketing plans that set it apart from them and provide it with the greatest edge over them. (Lelissa, 2017).

2.1.3 The Consumer Behavior Theory

The purchasing habits of ultimate clients are referred to as consumer behavior. It is the actions that customers do to find, buy, use, assess, and discard a product or concept, as well as to determine whether or not it will meet their needs. Therefore, the goal of studying consumer behavior is to comprehend how customers decide how to allocate their available funds for purchases Kotler and Keller (2006). Consumer behavior is crucial for marketers because it gives them insight into how and why people make decisions, which helps companies make better marketing decisions and gain a significant competitive edge in the marketplace. Buying decisions are made by consumers on a daily basis. In order to discover answers to issues like what customers buy, how much they buy, when they buy, why they buy, where they buy, and how they dispose of items they have purchased but don't need, the majority of significant corporations do extensive research on consumer purchasing choices. This model demonstrates how marketing and other incitements may penetrate a consumer's head and cause certain reactions. As a result, marketers need to discover what's inside the buyer's black box (mind). The black box theory defines, psychological concepts are enclosed in an impenetrable box that should not be opened, and observed behavior is the sole legitimate subject of research. Price, location, promotion, and product are examples of marketing stimuli. Major events and forces in the buyer's surroundings, for instance those related to politics, technology, the economy, and society and culture, are examples of additional stimuli. Every one of these inputs makes its way into the buyer's black box, where it is transformed into a series of visible buyer reactions like product selection, purchase quantity, etc. Kotler and Keller (2006)

2.1.4 The Theory of Planned Behavior

The goal of the Theory of Reasoned Action, which evolved into the Theory of Planned Behavior in 1980, was to forecast a person's intention to act in a certain way at a certain time and location. The goal of the idea was to account for every action that a person is capable of controlling. The essential element of this model is behavioral intent, which is determined by an individual's subjective assessment of the risks and rewards of an action as well as their attitude toward the likelihood that the activity will produce the desired result (LaMorte, 2019).

Theory of Planned Behavior elaborates, behavioral success is dependent on both aptitude (behavioral control) and motivation (intention). It makes a distinction between three categories of beliefs: control, normative, and behavioral. The Theory consists of six components that together show how much control an individual actually has over their conduct (LaMorte, 2019).

Attitudes - This is a measure of how positively or negatively an individual perceives the conduct of interest. It involves taking into account the results of carrying out the conduct.

Behavioral intention - This is a reference to the elements of motivation that impact a certain activity, wherein the likelihood of performing the behavior increases with the strength of the intention to do so.

Subjective norms - This relates to the perception of whether the majority of people find this behavior acceptable or unacceptable. It has to do with a person's ideas regarding whether or not important individuals and peers believe that he or she should engage in the conduct.

Social norms - This is related to the accepted standards of behavior within a community, a people group, or a broader cultural environment. Within a group of individuals, social ethics are regarded as normative, or standard.

Perceived power - This speaks to the imagined existence of elements that might help or hinder carrying out an action. An individual's perceived behavioral control over each of those elements is influenced by their perceived power.

Perceived behavioral control - This is a person's assessment of how simple or complex it is to carry out the desired conduct. Different acts and conditions lead to different views of behavioral control, hence a person's impression of behavioral control will change depending on the circumstances. The addition of this theoretical concept resulted in the evolution from the Theory of Reasoned Action to the Theory of Planned Behavior.

2.2 Empirical Review

Rivaldo, Kamanda, and Yusman (2022) examined on the effects of products, services and promotions on decision of customer request for service products at bank BSI Tiban Batam Branch. The study found that customer happiness is significantly impacted by the company's image, service quality, switching obstacles, and customers' perceived value. But there is not much of a direct relationship between client retention and satisfaction. The results also showed that customer's contentment with the company's goods and services does not ensure that they will request for further loans from the same provider. Using a quantitative approach and survey methodology, the study involved 325 participants over the course of six months. Customer’s trust in the company's credit procedure and service will encourage them to utilize its goods or services when applying for new credit products resulting indirect relationship between customer’s trust and credit process. Additionally, the outcome clarified how switching obstacles impact customer retention directly. The study provided a summary of the devoted clients who will reapply for additional loans using the same credit agencies.

Athar (2021) studied on how the marketing mix affected consumers' decisions to buy when they took out consumer loans. The marketing mix—which includes items, pricing, locations, promotions, physical cues, and procedures—was further discussed in the research. The study's findings showed that the primary determinants of consumer loan decision-making are the marketing mix of services, which includes goods, pricing, promotions, locations, people, procedures, and tangible proof. Furthermore, the most important element influencing PT. Bank NTB Syariah customers' decisions to acquire credit is a process variable. The study used a population sample of fifty individuals who were selected by targeted sampling, as well as a population for the descriptive analysis. The study analyzed the significance of the association between the seven independent factors and the dependent variable using multiple regression analysis and the F-test. It also employed primary and secondary data. The research found that PT. Bank NTB Syariah must take into account the many components that go into credit processes, such as the loan disbursement criteria, the approval process, and the easy-to-understand terms and conditions of the loan.

Hartono (2021) examined on the impact of marketing, product quality, and brand image on borrowing choices, with consumer interest acting as the intermediary. Partail Least Square was used in the data analysis process to choose a group of 130 participants selected using basic random sampling. The study showed consumer interest and financing decisions were positively and significantly impacted by brand image, product quality, and advertising. The findings indicated that the impact of advertising, product quality, and brand image on consumer financing decisions can be mitigated by customer interest.

Tecoalu et al. (2021) researched on the impact of brand awareness and pricing perception on the quality of service, as mediated via client purchase decisions. Nonprobability sampling was used in the study, coupled with a survey of 100 Maybank Finance customers in Indonesia. The analysis's findings indicated that credit purchase decisions are positively and significantly impacted by pricing perception. The impression of pricing and brand awareness both positively and significantly impact the quality of the services. However, judgments on what to buy are not significantly and favorably impacted by service quality.

Sughana and Sheela (2021) carried out study on factors influencing customer’s choice while choosing an institution for housing loans. The results of the study showed that three main criteria serve as the foundation for client’s decisions about lending institutions. The main consideration for customers when selecting banks or home financing businesses was the financial benefits, including interest rates and processing costs. The prompt flow of information about pre-closure costs, income tax-enabled services, and loan sanctioning time was another crucial factor that influenced customer's choice of banks or housing finance companies. The quality of services provided by the individual banks or housing finance companies was another crucial determinants that influenced customer's choice of banks or housing finance companies. The primary aim of the research was to examine the variables that influence consumers' decisions when choosing between financial institutions or housing financing firms in Visakhapatnam City, as well as the socio-economic characteristics of the participants.

Sughana and Sheela (2021) analyzed the socio-economic elements influencing the customer's decisions using factor analysis and frequency analysis. Kaiser-Meyer-Oklin (KMO) and Bartlett's test were used to assess the strength of factors based on the Reliability and Correlation values. The study's conclusions indicated that the two main variables influencing a customer's decision are the processing costs and interest rate. The second set of issues include pre closure costs, tax enabling services, and loan sanction time. The third determining aspect is the caliber of services that organizations or housing firms offer to their clients.

Nguyen (2021) investigated the elements that touch a consumer's choice of a bank for a loan at the Samcombank branch in Vung Tau. The study's findings indicate that the following factors are important to consider when selecting a bank for a loan: financial benefits, bank reputation, customer service, and referrals from family members. A study was done to evaluate a theoretical model that explains the variables that influence a customer's decision to pick a bank for a loan and what kind of service the bank should provide to retain current clients and draw in new ones? The group interviews approach was employed in both qualitative and quantitative research. Additionally, the convergent and discriminant values of the scale were assessed using the Cronbach's alpha coefficient and EFA analysis. Based on research, the main elements affecting a client's decision to pick a long-term bank include financial rewards, the bank's reputation, customer service, and recommendations from family members. 70% of the variation in the choice to select a lending bank may be explained by these four criteria.

Fatah (2018) conducted research on elements influencing consumers' decisions to take out bank loans in Sulaymaniyah City of Iraq. The findings and comments of research showed that multiple factors determines a customer's choice to take out a bank loan. To determine if the study instrument was stable, analytical descriptive methods and the Alpha

Cronbach coefficient were employed. The outcomes may differ based on the type of bank, neighborhood culture, social circumstances, and economic conditions. The result of the study was that customer's decisions to borrow money from commercial banks are directly and favorably influenced by elements including security, bank lending policies, and service quality. Customers generally make their selections based on what best suits their wants and requirements, thus when a bank offers good, easily accessible services, that influences the customer's decision to use it.

Saleh (2018) investigated on the determinants impacting customers' choice to choose a bank in Kingdom of Saudi Arabia. The study came to the conclusion that the primary factors determining a customer's initial bank choice were the bank's location and proximity to its clients, which makes it easier for customers to access the bank and is one of the most significant ways to provide convenience to customers. These factors were followed by bank size and its reputation. In addition to this, the bank has a significant influence on client choice, which is followed by a variety of services and its capacity to offer the highest level of customer satisfaction. The conclusion was that Saudi banks must establish explicit guidelines to segment the customers they serve based on the basic demographics of family accounts. Besides to the convenience of processes, the client's top need from the bank with whom he transacts is that the workers be treated with respect.

Aksoy et al. (2016) conducted research on elements impacting the customer's choice to choose a bank while borrowing. In addition to determining the relative relevance of various qualities to borrowers in their decision-making process when choosing a lender from among competitors, the study intended to provide marketing academics and professionals with a better understanding of the elements that impact loan choice. The survey stated that when choosing which bank to lend money to, people assign varying values to different aspects.

Akterujjaman (2016) sought out in his study on the variables influencing borrowers' satisfaction in the banking industry of Bangladesh. The banking industry is responsible for measuring borrower satisfaction, however it's a complicated undertaking. Customer views have gained traction in the banking industry when considering competitive banking and its effects on the economy Akterujjaman (2016). The descriptive and empirical study reveals that certain private commercial banks have some success in providing services, but they also lack certain supplies and services.

Gupta (2015) examined on determinants of consumer's buying behavior towards Home Loans at State Bank of India and Life Insurance Corporation, Allahabad. It was determined that the respondents primarily considered the factors of prompt service when choosing LIC as an institution for taking out home loans, while the low interest rate, ease of accessibility, goodwill and reputation of the institution, and the various products offered by company were the main aspects considered as the reason for choosing SBI as an intermediary for taking out home loans. To compare the reasons that led respondents to take out house loans from SBI and LIC, frequency percentage and t-test were used. The largest percentage of respondents, 42% of LIC respondents and 48% of SBI respondents had chosen the Home Loan category for home purchases. The study found out that the best option for a home loan purchase is a fixed rate of interest.

Karthikeyan (2015) conducted a research on customer choice for loans at Lakshmi Vilas Bank in Tamil Nadu and came to the conclusion that the loans offered by the bank were satisfactory when compared to other branches located in nearby places and then other close competitor financial organizations. The study employed a descriptive research approach with a sample of 150 current consumers. When compared to other branches located in close vicinity, the loan products provided by Laxmi Vilas Bank are deemed suitable. The pricing on the loan and any advances made by the bank, as well as transaction costs, the study revealed that customers preferred the bank's newer products and services over its older offerings. These were the primary factors that customers took into consideration when indicating their preferences for the bank's offerings in the given context. When choosing loan products, the interest rate, ease of use, security, and simpler payback were essential factors to consider.

Al Nabulsi and Al Shaar (2015) studied that the confidence of consumers has a favorable impact on the conduct of bank workers. From a perspective of the consumers, the bank has been viewed positively. They make it simple to supply services quickly, transparently, and with secrecy in all dealings.

Moradzadeh et al. (2014) examined the primary variables affecting the bank's client selection process. The study identified the aggravating aspects and reasons influencing the customer's orientation to the depository. The goal of the study was to determine what variables influenced customers' desire to make bank deposits. Total of 121 observations were gathered as a sample from the study's original data. The Friedman Test has been employed to ascertain the correlation between variables and consumer preference. The findings indicate that a number of factors, including interest rates, the standard of banking services, the variety of services offered, facilities, personnel attitudes, electronic banking services, branch and location locations, and the pleasing appearance of banks, have a substantial influence on how customers approach the depository in banks.

Kumaraswami and Nayan (2014) examined on the significance of home financing and the organizations that offer the credit services. There has been a thorough examination of the marketing tactics used by financial institutions, taking into consideration the eligibility requirements, loan limit, pricing, security, loan term, margin, and processing charge. Lastly, the study summarizes the housing sector's performance and offers key conclusions as well as recommendations for enhancing ability of public and private sector banks to effectively market home finance.

Inganga, Njeru, and Tirimba (2014) jointly studied the variables that impact the demand from customers for the financial services provided by commercial banks in Nairobi, Kenya. The goal of the study was to identify the variables that influence demand of consumers for the financial services provided by commercial banks as well as to ascertain which variable has the greatest impact on such demand. The results suggested that the primary factors affecting the demand for the services provided by commercial banks were a range of criteria, including income bracket, academic achievement, savings, and transaction expenses. However, the study also discovered that the most popular financial products provided by commercial banks were current accounts and savings accounts. The income level of clients and the transaction cost were the main factors influencing the demand for the services provided.

Gudhadhe (2013) conducted research on how State Bank of India customers felt about its offerings. The author has concentrated on Yavatmal district branches for the study. The perception and degree of customer satisfaction within the SBI Bank Group, as well as the accessibility and use of the bank’s goods and services, were all covered in the article. The author stated in her conclusion that customers expect banks to provide higher-quality services, and that if banks meet these expectations, customer satisfaction levels might rise dramatically. Out of total surveyed, 99.27% of the customers voiced their contentment with the offerings.

Rao (2013) conducted research on the issues and perspectives of Andhra Pradesh housing loan recipients. The author centered on research when considering SBI Bank and HDFC Bank. The investigator employed a suitable sampling technique to examine the data collected from a survey of home loan recipients. The study covered a number of topics, including the framework for housing policy, developments in the field, the operational performance of SBI and HDFC in terms of lending money to individuals, and the attitudes and issues faced by house loan applicants in Andhra Pradesh. The author ended by saying that although India's house finance sector had seen several setbacks over the years, a lot of improvements had been made thanks to the creation of a shelter policy, the structuring of the housing finance market, and the implementation of tax incentives.

Rao (2013) researched that the main instruments for success are the advancements in services and products. The report highlights the challenges that housing finance in India has encountered, but the creation of a policy on shelter and the introduction of tax breaks have changed the sector significantly. In order to play a supporting role between the government and commercial banks, the Indian housing finance industry has ignored concerns pertaining to rural regions.

Dhakal (2013) examined on customer satisfaction at Nepal SBI Bank Ltd. The goal of this study was to examine how satisfied customers are with the financial services that bank offers. The investigation employed a quantitative research technique that included experiments and questionnaires. The findings of the research showed that, a sizable portion of respondents had no opinion regarding the loan offerings or the online banking platform of Nepal SBI Bank. Some consumers, however, are largely happy with loan product line of Nepal SBI.

Frangos, Fragkos, and Sotiropoulos (2012) conducted a survey with the aim to find the elements influencing Greek customer to purchase loan from commercial banks. The case study employed a questionnaire to collect respondents' data, factor analysis to analyze the fundamental components of the questionnaire, and chi-square and T-tests to identify single-variate differences. Additionally, binary logistic regression was employed to determine the predictors of obtaining bank loans. The survey reveals that the most important factors influencing the decision to take out a loan are interest rates, customer service, shop design, and marital status. Bank managers should prioritize lending to single individuals and adjust their interest rate policies by lowering rates for all loans, particularly home loans in line with number of managerial implications.

Bhatta (2011) examined how consumers behaved and what kinds of banks and loans they preferred. The study analyzed elements impacting the choice of financial institutions and discover the factors affecting the choice of the type of services offered by the financial institutions. The other goal was to comprehend the loan purchasing behavior of the consumers. The research has focused towards the rising propensity of people to retain a considerable quantity of cash at hand. The scarcity of financial resources during that time may have worried individuals, especially when it was most needed, for example during the festivals. Cash on hand is around one-and half times the monthly revenue, and compared to bank balance, it is almost one-fourth of the total, suggesting that a substantial amount of cash is missing from the financial institutions. A portion of the clientele engages in financial dealings with alternative financial intermediaries. When asked why they preferred their banks, the majority of clients cited effectiveness and level of service provided by the respective organization. Technology follows second, maybe as a result of the large number of banks offering less distinctive technology goods and services that are more or less comparable.

Saiz and Pilorge (2010) conducted a study aimed at knowing customer habit in retail banking in the European market. The study's objectives were to identify and comment on the key actions that banks should take to continue growing their customer base in a competitive market. The research highlight the opportunities and challenges that the retail banking industry in Europe faces when it comes to customer relationship management nowadays. The study examined the elements of a prosperous banking partnership that are necessary to attain and sustain client satisfaction in the present environment. The study's conclusions showed that Europeans' faith in their banking partner was negatively impacted by the economic downturn, with over 74% of customers with numerous banking relationships having just one product with their non-main banks. At some time in their lives, 24% of the clients switched to other banks. The three primary factors that influence clients' decisions to transfer banks are price, service, and product offerings.

Kamakodi and Khan (2008) investigated that the banking sector in India is changing rapidly in terms of automation and technology usage. They carried out a study to gain better understanding of the variables impacting Indian consumer’s decisions while choosing banks. The study's goal was to determine the selection criteria and elements that go into choosing an Indian bank, as well as the connection between those factors and the choice of bank. The report studied that banks whose majority shares are owned by government are dropping market share to a new generation of private sector banks that have emerged in the last ten years. These banks now hold a considerable portion of the market. Understanding customer preferences is crucial for banks to provide the services needed to draw in new business and keep their current customer base from switching to rival financial institutions. To find out what influences the reasons behind bank choosing, a survey was done and the responses from 292 clients were examined. The study determined that the top 10 factors, in order of significance, were: safety of funds, availability of ATMs, security, reputation, personal attention, courteous behavior, secrecy and accessibility to the workplace, prompt service, and willing and helpful personnel.

Maddern et al. (2007) and Cicic et al. (2004) researched that customers departing banks are mostly caused by staff ineptitude and rudeness. The research found out that customer value highly skilled and informed employees who are also polite and kind.

Mylonakis et al. (1998) investigated on marketing driven elements influencing savers in the Hellenic bank market. It studied on 811 group of people who who facilitated from banking services in Greece and asked them to list the crucial factors that urban consumers of saving accounts use when choosing a bank. Once more, the goal of research was to determine the variables that influence consumer’s bank selection decisions as well as the relationships between the variables and those decisions. The interesting discovery was that Greek consumers make decisions in a manner identical to that of bank customers in developed banking markets which is, they look for excellent service in secure, quick, and technologically sophisticated environments. Greek clients stated that location convenience and service quality (customer attention, personalized treatment, and no lines) were the most important considerations. The effectiveness of the services of bank, its reputation, fees, accessible location and the interest rates on loans and savings accounts are additional possible elements that might impact on customer’s verdict to choose a certain bank.

Jantan, R., & Ong (1998) researched on analytical hierarchy method for predicting client preference in retail banking using bank attributes and demographic factors. The survey revealed that the bank considers banking services and opinion of customers on the bank's direction when choosing candidates. In order to prevent making clients feel deceived or depressed, we must instead concentrate on how they perceive banks and their rivals in relation to many aspects and behaviors like happiness, joy, and pleasure that come from utilizing financial services. With the introduction of technologies like ATMs and mobile banking, competition in the banking industry has expanded.

Kennington, Hill, and Rakowska (1996) conducted a study on Polish banks to examine the selection criteria used by Polish consumers. The study's findings suggested that important factors like a bank's reputation, prices, and services should be taken into account when developing strategies to draw in more business in the new free economy. The research examined Polish consumers' banking behaviors as well as their bank selection factors. Chi-Square tests, probability, and hypothesis testing were employed as research methodologies. Additionally, this research suggests that Polish banks were prudent while implementing new financial products, which led to gradual beneficial changes. The report found that just 25% of the respondents did not utilize the banking system.

Kennington, Hill, and Rakowska (1996) analyzed their findings with research done in other nations with the purpose of ascertaining if bankers in Poland's relatively new free market economy need to adhere to new practices for recruiting consumers. They came to the conclusion that reputation, pricing (lower interest rates on loans and higher interest rates on savings), and services provided were the most crucial selection criteria for Polish clients when choosing a bank. Customers of Polish banks are similar to those of other nations' banking systems in this regard.

2.3 Research Gap

Previous other studies on the factors affecting willingness of consumer to take out loans have shown that a number of factors, such as transaction fees and interest rates on loans, influence customer's choice to take out loans. Several other studies show that people consider the loan covenants and services offered by financial organizations while selecting a bank. These factors have a big impact on how customers make decisions. The technology that banks and other financial institutions use, together with societal demographics, have a big role in influencing the choices that customers make. It was also demonstrated that customers switched banks and other financial institutions only because of the pricing and features of the loan product. The evaluations of the literature also showed that the customer’s income level and educational background were important determinants that affected and influenced their decision to select a bank or other financial institution for their loan and money requirements. A study of the literature revealed research conducted throughout the globe found that consumer’s decisions to purchase loans are mostly influenced by their financial aspect, educational attainment, the pricing on loan, and the overall cost of the transaction.

This research examines the factors that matter when it comes to customer's decisions to take loans for a range of loan products and services provided by a range of financial organizations, including commercial banks. This primary objective was to pinpoint the crucial elements and standards that customers take into account when deciding which financial institutions to borrow money from. The study then looks at how much various factors influence people's decisions on whether or not to take out a loan from a financial institution. This study is highly relevant in Nepal, where there are proportionally numerous banks and other financial institutions serving a relatively small market with a wide range of financial services. The conclusion of the research can be used by various financial establishments to innovate new products, calculate loan fees, covenants, and other associated costs.

CHAPTER - III

RESEARCH DESIGN AND METHODOLOGY

Research methodology relates to the systematic process and scientific methods used to conduct a study. It is a way of solving research problems in a structured manner (Kothari, 1990). The methodology outlines the methods and processes used throughout the study. It explains the steps that a researcher typically takes when investigating a research problem, and the reasoning behind each step.

3.1 Research Design

The plan, framework, and approach for gathering information and analyzing it to draw conclusions relates to the research design. Research design is the strategy for presenting and analyzing data in order to find the answer to the research question.

For this study, a descriptive research and casual research design are employed. Descriptive research aims to provide a true picture of individuals, events, or circumstances. Conditions, practices, structures, existing distinctions or linkages, held attitudes, ongoing processes, or obvious trends are all covered in descriptive research. Descriptive research seeks to accurately profile the subjects, activities, or circumstances. The versatility of the descriptive method, which may employ both qualitative and quantitative data that makes it beneficial for researchers.

To determine if an independent variable and a dependent variable have a correlation is the goal of causal-comparative research. Since the independent variable is not entirely under the researchers' control, the connection between the independent and dependent variables is typically suggested rather than established (Maheshwari, 2018).

The initial survey served as the foundation for the conclusions of the study. A series of questions had been created in order to gather the data, and these were given to the respondents through online platform or hard copy. The self-administered questionnaire was used. The information supplied by the sampled respondents served as the basis for all of the conclusions. The results of the investigation are thoroughly discussed to provide a clear image of the study, and they are ultimately utilized to suggest concentrating on the particular elements required for the consumer’s loan purchasing decision.

3.2 Population and Sample Size

The whole set of individuals, occasions, or items that a researcher wants to look at for the study is referred as population. A sample is limited to a percentage of the universe, or population. Sampling can be defined as choosing a certain share of the population to build a deduction or judgment about the universe on.

The demographic for this study includes all investors in the Kathmandu Valley who are employed in various fields, as it is focused on the factors that influence consumers' decisions to take out loans. For a study of this kind, a population census is not desirable. Consequently, a representative sample of the population has been chosen of 262 responders for sample size. Individuals who answered come from a variety of backgrounds, including retirees, working adults, and company owners. To choose the research participants, convenience and random selection are used.

3.3 Nature, Sources of data and the instrument of data collection

The primary sources of the data were used by the researcher to gather information, which was then analyzed to determine the conclusions. Therefore, survey questionnaires were the main instrument utilized to collect data.

A structured collection of questions intended to elicit answers from respondents on a certain subject is called a questionnaire. The purpose of this questionnaire was to gather respondents' thoughts, actions, and behaviors. The survey is closed ended, meaning that respondents are limited to the options provided.

The self-administered questionnaire employed the following techniques, depending on the circumstances:

- Digitally through email and the Internet: Form questionnaires for online surveys are created similarly to traditional surveys, with several questions displayed on a single page. After answering all of the questions, the respondent scrolls to the bottom of the page. This approach was utilized when the respondent could not be reached.

- Distributing by hand to every respondent and retrieving up afterwards: With this kind of questionnaire, the respondents were given the questionnaire by the researcher in person, who then collected it after a while. This approach was utilized when the respondent was reachable.

Secondary sources were first used in the development of the study's conceptual framework. Journals, papers, and other students' work on related subjects were a few of the secondary sources. Additionally, whenever necessary, secondary data will be used to supplement primary data.

In this study, the research instrument to collect data is the questionnaire. It composes of two parts:

Part 1: General background information sampling consisted of question about gender, age, education background, occupation, income.

Part 2: Constructs and questions included in the questionnaire.

3.4 Pilot Test

A small pilot research was carried out with the survey questionnaire over a sample of 37 respondents who were selected using an electronic process based on several demographic criteria.

The purpose of the study was to determine whether or not the respondents comprehended the questionnaire and, when so, to make any required adjustments. The intended respondents were then given the questionnaire at random. The responders provided a variety of comments and recommendations about the study and the questionnaire. After the pilot study, some were changed using clearer, simpler language to prevent misunderstandings in preparation for additional research.

3.5 Validity and Reliability of Data

The concept of validity and reliability are employed to assess the research quality. They show the accuracy with which a test or method measures a certain thing. Validity concerns a precision of measure, whereas reliability concerns a consistency of measure.

When a technique measures anything in a series, its reliability is defined as its consistency. The questionnaire was thoughtfully developed with accurate wording and meanings in mind to ensure the study's dependability. Reliability can be guaranteed by reducing sources of measurement error, such as data collector bias. This was reduced by administering the questionnaires alone and standardizing conditions, such as demonstrating cooperativeness and friendliness to all responding respondents. The accuracy with which a technique evaluates what it is intended to evaluate is referred to as validity. Questionnaires were designed such that content validity was achieved without being perceived as unclear. It addressed a range of questions about the respondent's understanding of loans for purchases and the factors that affect them.

The question consistency and stability of each variable will be tested using the Cronbach's Alpha test. The most often used indicator of internal consistency (also known as "reliability") is Cronbach's alpha. It is most frequently used when a survey or questionnaire has several Likert questions that add up to a scale and you want to find out if the scale is trustworthy. In general, a score of more than 0.7 is considered acceptable and below 0.7 is considered questionable and unacceptable.

Table 1

Reliability Test

Variables	Pilot Test		Full Scale data	
	Cronbach's Alpha	**No of items**	**Cronbach's Alpha**	**No of items**
Satisfaction	0.903	5	0.887	5
Service Quality	0.796	6	0.784	6
Loan Covenants	0.916	5	0.890	5
Loan Installment	0.871	5	0.881	5
Insurance/Guarantees	0.833	5	0.809	5
Interest Rate	0.806	4	0.776	4
Loan Purchasing Decisions	0.889	6	0.895	6

3.6 Method of Data Analysis

The procedure of cleaning, evaluating, interpreting, and displaying data in order to get insightful knowledge is known as data analysis. Interpreting the outcomes and drawing the conclusions from data analysis requires adhering to specific protocols. The information gathered via surveys and document evaluations will be categorized and entered into a database. MS Word, SPSS, and MS Excel will be utilized for the data analysis.

In order to evaluate the findings, the obtained data are first properly formatted, arranged in different tables, and then compared with one another. Statistical tools will be employed for this research. Surveys were utilized to collect primary data, which was analyzed using SPSS. The statistical techniques needed to assess the data and draw a conclusion from the study will be covered in the thesis.

3.6.1 Descriptive Statistics

A given data collection, which may be a sample of the population or a representation of the complete population, is summarized by descriptive statistics, which are quick informative coefficients (Hayes, 2023). Measurements of central tendency, measurements of variability, and frequency distribution are the three categories of descriptive statistics. The standard deviation, minimum and maximum values of each variable are measurements of variability, whereas the mean, median, and mode are indicators of central tendency.

The mean also called as the average value, is a single value that is used to represent every value in the series within the data range. It depicts the whole set of data that is situated roughly halfway between the two extremes. The mean of the research variables consisting of service quality, interest rate, satisfaction, installments, loan covenants, and insurance/guarantees is computed in this study. It is calculated as below:

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

The average amount by which an observation deviates from the mean on each side is roughly measured by the standard deviation. It is computed for the designated independent and dependent variables. The standard deviation increases with data dispersion. The standard deviation computed of the variables utilized in the research are service quality, interest rate, satisfaction, installments, loan covenants, and insurance/guarantees in this study. The standard deviation is expressed as follows:

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

Where,

SD = Standard Deviation

$\sum(x-\bar{x})^2$ = Sum of square of the standard deviation measured from arithmetic average

n = Total number of observations

3.6.2 Correlation Analysis

A statistical method for determining the degree of relationship between two or more variables is correlation. In simpler terms, when two variables are used to quantify their link, it is referred to as simple correlation. If changes in one variable have an impact on changes in another, the variables are said to be co-related. The degree of connection between two sets of figures is measured by the coefficient of correlation. Karl Pearson's approach is used in the study among the several techniques for determining the coefficient of correlation. For each sample, correlation is computed for the observation to determine the strength of the relationship between the independent and dependent variables.

3.6.3 Regression Analysis

A statistical tool called regression is used to assess how strongly one dependent variable is correlated with one or more other variables. It contains a variety of methods for modeling and examining several variables in order to determine how they relate to one another. In this study, the direction of the relationship between the variables that are independent and dependent for each sample is ascertained using regression analysis.

This section ascertains which independent variable effectively defines variability of the result as well as the relative significance of variability of dependent variable in relation to other factors. The relationship between the dependent variable, Loan Purchasing Decisions, and the variables which are dependent one refers to satisfaction, service quality, loan covenants, loan installment, insurance/guarantees, and interest rate, was determined using linear regression analysis. One of the benefit using linear regression analysis was being able to assess several independent factors that influence the dependent variables at the same time. It gives us further insight about the slope of relationship.

Multiple regression model for the relationship is formulated in the equation below:

$$Y= a+\beta_1 X_1+\beta_2 X_2+\beta_3 X_3+\beta_4 X_4+\beta_5 X_5+\beta_6 X_6+e_i$$

Where,

Y = Loan Purchasing Decisions

a = intercept

X_1 = Satisfaction

X_2 = Service Quality

X_3 = Loan Covenants

X_4 = Loan Installment

X_5 = Insurance/Guarantees

X_6 = Interest Rate

β_i = Coefficient of slope of regression model

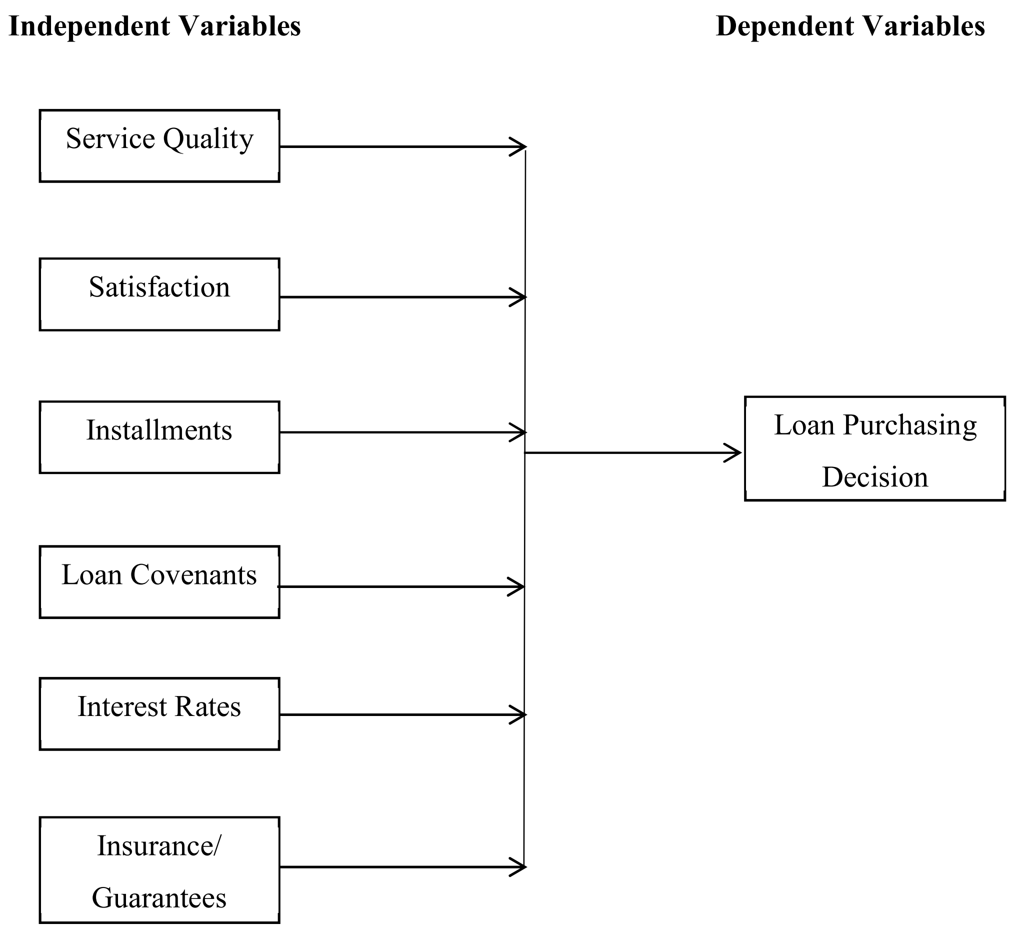
e_i = error terms

3.7 Research framework and definition of variables

The following conceptual framework has been built based on the spirit of the paper:

Figure 1

Schematic Diagram of Conceptual Framework



Source*: Frangos, Fragkos, & Sotiropoulos (2012)*

Independent Variables

Independent variables are those in a model that have an influence on other variables but are not impacted by any other variables; rather, they remain unaffected. The independent variables identified in the aforementioned theoretical framework are as follows: -

Service Quality

The ratio of the quality of the services rendered by financial establishments to the prices they charge is termed as service quality (Khadka, 2022).

Satisfaction

Subjectively measured, satisfaction is the sense of improved service from banks and other financial organizations.

Installments

The amount owed to the bank on a monthly basis to clear the loan is referred to as an installment. Installments may be made in bulk or in an equal amount.

Loan Covenants

Loan covenants are the terms and conditions of the borrowing agreement between the client and the lending institution.

Interest Rate

The interest rate is what the lender is willing to provide, and the borrower or buyer accepts, in exchange for a loan for a specific amount of time Maharjan (2022).

Insurance/Guarantees

To safeguard the bank against future losses, insurance or guarantees must be arranged for the collateral that the bank will hold.

Dependent Variables

Dependent variables in a model are those whose values or outcomes rely on other independent variables. The type and strength of the association between independent and dependent variables might vary, but independent factors have a significant impact on the dependent variables.

Figure 1 shows that the choice to purchase a loan is a dependent variable on which the independent factors may have both a positive and negative impact.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter deals with the examination and understanding of the main data obtained via questionnaires. The primary data used in the study were obtained from the completed questionnaires submitted by the participants. Data analysis is done in light of the goals of the study, which were previously discussed in this chapter. SPSS is used for the data analysis. To make it easier to comprehend, the data are provided using tables and a graphic. The meaningful association between various variables has also been examined using the mean, standard deviation, and frequencies. Tables and figures are widely used to evaluate the data.

There are five divisions that make up this section. The profile of the responders is covered in the first section. It provides comprehensive details about the respondents' income, marital status, occupation, age, and gender. Descriptive analysis is used in the second section to examine and evaluate the data that was gathered. The third section uses correlation analysis to look at the connection between the variables under examination. Regression analysis is used in the fourth section to examine the complete hypothesis that was developed for this study. The discussion that are taken in light of the findings are included in the latter section of this chapter.

4.1 Respondents' Profile

In this section, the descriptive analysis of the study's sample of respondents is explained. This section addresses primary data obtained through surveys, including demographic analysis and interpretation. The survey was conducted with reaching out to 262 respondents and had their responses captured. Thus from the response of questionnaire we are able to get various insights. The details of the demographic profile of the respondents in this study include gender, age, occupation, education, marital status and income.

Table 2

Distribution of Respondents' Profile

	Frequency	Percentage (%)
Gender		
Male	157	60
Female	105	40
Others	0	0
Age		
Below 25 years	27	10.31
25 - 35 years	186	70.99
36 - 45 years	29	11.07
Above 45 years	20	7.63
Occupation		
Student	57	21.76
Self-employed	54	20.61
Employee	125	47.71
Government Job	26	9.92
Marital Status		
Married	86	32.82
Unmarried	176	67.18
Others	0	0
Income		
Below 25,000	59	22.52
25,000 - 40,000	90	34.35
40,001 - 60,000	70	26.42
Above 60,000	43	16.73

The proportion of respondents' distribution by gender was the targeted result. Table 2 displays the frequency distribution and percentage of the respondents' gender. 157 of the 262 responders were men and 105 were women. This demonstrates that there were more male responses than female responders.

The current age distribution of responders is displayed in Table 2. The respondents' ages were divided into four categories: under 25 years, 25–35, 36–45, and above 45 years. The age group of 25 to 35 years old accounted for 70.99 percent of the 262 respondents that were included in the survey. Ages 36 to 45 make up the second largest age group of respondents, accounting for 11.07 percent of the sample. With 27 responders, the third largest group belongs to the 10.3 percent age group of those under 25. In a similar vein, the age group over 45, which included 20 responders, had the lowest proportion at only 7.63. Of all the responders, the majority are between the ages of 25 and 35.

In the study, occupation is one of the demographic traits that influence borrower's decisions to take out loans. The respondents' occupations were categorized into four groups: government jobs, employees, self-employed individuals, and students. Table 2 shows that, of all respondents, the greatest occupation was employee, with 125 respondents falling into this category. Following this, 57 responders, or a significant portion of the sample, were students. Of the total responders, only 26 had a government position, and 54 were self-employed. The majority of respondents are employees, and the least number of respondents hold jobs with the government, according to the statistics.

The respondents' marital status was examined by dividing them into three categories: married, single, and other. Table 2 displays the respondents' marital status distribution. Of the 262 participants in the research, 176 were single with 67.18%, 86 were married with 32.82%, and none of the participants had been divorced or had another type of relationship. The proportion of single respondents is larger than that of the married group.

One other demographic factor to take into account when deciding for a loan purchase is the monthly income. Four levels were used to categorize the respondents' income: below 25,000, 25000-40,000, 40001-60,000, and over 60,000. Table 2 displays the respondents' monthly income distribution. The majority of the 262 respondents have monthly incomes between Rs. 25,000 and Rs. 40,000. There were 90 responders in this category, or 34.35 percent of the total. In a comparable manner, 70 respondents reported earning between Rs. 40,001 and Rs. 60,000. This group made up 26.42 percent of the population. The group with less than 25,000 responders, 59 in all, came next. There were just 43 responses that met the minimal requirement of having an income range exceeding 60,000. Table 2 indicates that the majority of respondents earn between Rs. 25,000 and Rs. 40,000, with the lowest group earning more than Rs. 60,000.

4.2 Descriptive Analysis

The information gathered from the study process through the questionnaires for descriptive analysis is covered in this part. The frequency, standard deviation, mean, minimum, and maximum of each question posed to the respondents make up the descriptive analysis. To determine the correlation between the dependent and independent variables, Likert scale questions were used.

The respondents were asked to rate all the research factors on a five-point Likert scale, ranging from 1 (Strongly Disagree), 2 (Disagree), 3 (Neutral), 4 (Agree), and 5 (Strongly Agree). In order to make it easier for readers to understand the variables, the descriptive analysis is displayed in a table.

4.2.1 Satisfaction

One of the independent variables of the research is satisfaction. For the research, five questions were created under this independent variable. Based on five distinct topics, the respondents' degree of agreement with brand loyalty is examined. Table 3 displays the descriptive statistics of satisfaction together with the mean and standard deviation for each item. Table 3 displays the items have mean ranging from 4.09-4.38. Customer most agrees on the fact that a bank has to manage effectiveness of customer’s complaints with mean of 4.38. Customers have agreed to most of the statements but the lowest mean is on Professionalism of staff helps me to purchase loan with ease with mean of 4.09.

Table 3 displays the descriptive analysis of every question that was developed:

Table 3

Descriptive Statistics of Satisfaction

Statements	Mean	Standard Deviation
Staff of bank should maintain confidentiality and trust.	4.27	1.074
Staff of bank should be polite, knowledgeable and skilled.	4.36	1.025
Professionalism of staff helps me to purchase loan with ease.	4.09	1.057
I should be provided with best possible solution.	4.16	0.947
A bank has to manage effectiveness of customer's complaints.	4.38	1.053
Satisfaction	4.25	1.031

The statement with the least divergence, after looking at the response, is that I should be provided with best possible solution with deviation of only 0.947 and most deviation is seen on response that Staff of bank should maintain confidentiality and trust with deviation of 1.074. On an average, average mean of satisfaction is 4.25, which indicates that customers have are influenced by satisfaction while carrying out loan purchasing decisions for them, as it lies more toward agree in the response set. The deviation of the average satisfaction response is 1.031.

It can be concluded that with highest mean of 4.00, most respondents agreed on a bank has to manage effectiveness of customer's complaints with mean of 4.38.

4.2.2 Service Quality

When consumers are purchasing loans, the caliber of the services they receive is essential. Customers like banks that offer superior customer service compared to others. Six distinct questions are used to analyze the respondent's degree of agreement with the service quality. Table 4 displays the descriptive analysis of every question that is developed on quality services.

Table 4

Descriptive Statistics of Service Quality

Statements	Mean	Standard Deviation
Bank should have many branches across the country for the service.	4.05	0.969
Bank should maintain sufficient number of well-functioning ATM.	4.34	0.881
I feel satisfaction with the layout and atmosphere of the bank.	3.51	1.053
There should be sufficient number of bank personnel.	3.94	0.949
Reputation of Bank is important to me for purchase of loan.	3.72	1.130
Bank’s staff give me prompt service.	3.66	1.033
Service Quality	3.87	1.002

The replies are favorable, as shown by Table 4, where the mean values of the items range from 3.51 to 4.34. The statement that the bank should maintain an adequate number of functional ATMs is the one that is most widely agreed with, as indicated by the highest mean of 4.34. The lowest mean of 3.51 indicates that respondents are less likely to agree with the statement, "I'm satisfied with the bank's layout and atmosphere".

The statement with the least variation when looking at the answer, “Bank should maintain sufficient number of well-functioning ATM” with deviation of only 0.881 and most deviation is seen on response that says “Reputation of Bank is important to me for purchase of loan”. On an average, service quality mean is 3.87 as it lies more toward agree in the response set. The deviation of the average service quality is 1.002.

It can be concluded that with highest mean of 4.34, most respondents agreed that Bank should maintain sufficient number of well-functioning ATM.

4.2.3 Loan Covenants

Loan covenants are a crucial consideration when a customer purchases a loan. It is an additional independent variable employed in the study. Based on five distinct factors, the respondents' degree of agreement with the loan covenants dimension is examined.

Table 5

Descriptive Statistics of Loan Covenants

Statements	Mean	Standard Deviation
I should be charged with less cost in loan processing.	4.08	0.956
Flexibility in approval and disbursement of loan is essential.	4.01	0.963
The loan provider should provide clear communication regarding terms and conditions of loan.	4.35	0.966
Loan agreements should be clearly understandable.	4.44	0.911
Financial performance of bank must be good.	4.05	0.969
Loan Covenants	4.18	0.953

The outcome in Table 5 displays the loan covenants' descriptive statistics. It is determined using five statements. Data in Table 5 elaborates the mean of the items ranges between 4.01-4.44.

Customer most agrees on the fact that Loan agreements should be clearly understandable with mean of 4.44.

Customers have agreed to most of the statements but the lowest mean is on Flexibility in approval and disbursement of loan is essential with mean of 4.01.

The statement that loan agreements should be easily understood has the least deviation of 0.911 when looking at the respondents' responses, and the statement that a bank's financial performance must be strong has the largest deviation i.e. 0.969, indicating that the respondents have a greater degree of disagreement with the statement.

It can be concluded that with highest mean of 4.44, most respondents think that Loan agreements should be clearly understandable.

4.2.4 Loan Installment

When a customer is considering purchasing a loan, loan installments are a crucial factor to consider. It is another independent variable used for research. Five distinct items are used to analyze the respondents' degree of agreement with the loan installment dimension

The descriptive data for loan installment are displayed in Table 6. The loan installment was determined using five statements. Table 6 data indicates that the mean of the categories vary from 3.89 to 4.17. With a mean score of 4.17, the majority of customers concur that banks should offer installment deferrals in the event of natural disasters as COVID, earthquakes, floods, etc. Most of the assertions have received agreement from customers; nevertheless, the statement that the bank should be able to finance up to the property's maximum worth has the lowest mean of 3.89.

When analyzing the response's deviation, the statement that states that banks should offer installment deferrals during emergencies such as COVID, earthquakes, floods, etc. has the least deviation—only 0.877—while the response that states that "there should be ability to design the amount and frequency of installments based on my own capabilities" has the most deviation of 1.024 indicating that the respondents have more divergent views with that statement, which indicates that the values in the data set are, on average, farther away from the mean.

Table 6

Descriptive Statistics of Loan Installment

Statements	Mean	Standard Deviation
Bank should have ability to finance up to maximum value of property.	3.89	0.953
I can choose tenure and installments of a loan.	3.91	0.986
Bank should provide with deferral of installments during calamities i.e. COVID, earthquake, flood etc.	4.17	0.877
Bank should provide facility of partial or total early repayment anytime I want.	4.03	0.934
There should be ability to design the amount and frequency of installments based on my own capabilities.	3.91	1.024
Loan Installment	3.98	0.955

With regard to the response's deviation, the statement that states that banks should offer installment deferrals during emergencies such as COVID, earthquakes, floods, etc. has the least deviation (0.977), while the response that states that "it should be possible to design the amount and frequency of installments based on my own capabilities" has the highest deviation (1.024). This indicates that the respondents have more disagreement with that statement, which indicates that the data set's average values are farther from the mean.

With the mean score of 4.17, it can be inferred that the majority of respondents believed that banks should offer payment deferrals during emergencies such as COVID, earthquakes, floods, etc.

4.2.5 Insurance/Guarantees

A factor influencing respondent's decision to take out a loan from a financial institution is flexibility in guarantees and insurance. It is another independent variable that is used for the study. Five distinct questions are used to analyze the respondent's degree of agreement with the insurance and assurances.

Table 7

Descriptive Statistics of Insurance/Guarantees

Statements	Mean	Standard Deviation
Guarantee of one close family member is enough.	3.53	1.023
I feel that there is no need of underwriting property (housing).	3.20	1.024
Bank offers insurance program to protect the payment of installment.	3.55	1.007
Compulsory insurance of the borrower is required.	3.59	1.134
Requirement of insurance of the property and premium amount is not required.	3.16	1.099
Insurance/Guarantees	3.40	1.057

The descriptive data for insurance/guarantees are displayed in Table 7. To evaluate insurance and guarantees, five assertions are employed. Table 7 reveals that the items' means range from 3.16-3.59. With a mean score of 3.59, customers are mostly in agreement that the borrower's insurance is mandatory. Customers have agreed with the majority of the assertions, but the least number, 3.16, indicates that they require both the property insurance and the premium amount. This statement relates to the necessity of customers for property insurance.

With respect to the response's deviation, the statement indicating that the bank offers an insurance program to safeguard installment payments has the least deviation—just 1.007, while the response stating that the borrower's insurance is mandatory has the highest deviation of 1.134, indicating that the respondents have more disagreement with that statement, which indicates that the data set's average values are further from the mean. With a tendency toward agreement in the response set, the average mean for insurance/guarantees is 3.40. The average response's deviation for guarantees and insurance is just 1.057.

With the highest mean of 3.59, it can be inferred that the majority of respondents felt that the borrower's insurance should be mandatory.

4.2.6 Interest Rate

The interest rates that customers are offered have an impact on their decision to purchase a loan. Lenders prefer to offer loans with the lowest feasible interest rates. It is an additional independent variable employed in the study. Four distinct items are used to examine the respondents' degree of agreement with the interest rate factor.

Table 8

Descriptive Statistics of Interest Rate

Statements	Mean	Standard Deviation
Comparatively low interest rate on loan attracts me to purchase loan.	4.19	0.976
Stable interest rate till the repayment period motivates me for purchasing loan.	4.18	0.955
Bank should consider the penalty charges during calamities i.e. COVID, Earthquake, flood etc.	3.67	1.347
Bank shall reduce interest rate in case of good repayment of obligations.	3.76	1.101
Interest Rate	3.95	1.095

The interest rate's descriptive data are displayed in Table 8. The interest rate is calculated using five assertions. Table 8 data indicates that the mean of the components ranges from 3.67 to 4.19. The majority of customers concur that a loan's relatively cheap interest rate is what draws them to apply for one, with an average score of 4.19. Most of the statements have received approval from customers; nevertheless, the lowest mean of

3.67 is on the bank's consideration of penalty costs during disasters, such as COVID, earthquakes, floods, etc.

The statement, stable interest rate till the repayment period motivates me to purchase loan has the least deviation of 0.955 when looking at the responses, and the response, bank should consider the penalty charges during calamities i.e. COVID, earthquake, flood, etc. has the most deviation of 1.347, meaning the respondents have more deviation with that statement, meaning the values in the data set are, on average, farther away from the mean. Since it leans more toward agree in the answer set, the average is 3.95. The average response to interest rate deviates by only 1.095.

It can be seen that with highest mean of 4.19, most respondents agreed that comparatively low interest rate on loan attracts me to purchase loan.

4.2.7 Loan Purchasing Decisions

The dependent variable is the choice to purchase a loan in this research. Customers' decisions to purchase loans are examined using six distinct criteria. Table 9 displays the customer satisfaction mean and standard deviation.

The loan purchase choices' descriptive data are displayed in Table 9. The decision-making process for loan purchases is measured using six parameters. Table 9 indicates that the mean of the parameters ranges from 3.61-4.24. Customer most agrees on the fact that says I choose bank where interest rate is low with mean of 4.24. Customers have agreed to most of the statements but the lowest mean is on statement that say I choose bank where insurance/guarantee of borrower or property is not compulsorily required with mean of 3.61.

With regard to the response's deviation, the statement that states, I choose bank where installment can be determined based on my own capabilities, has the least deviation of 0.986, while the response that states, I choose bank where insurance/guarantee of borrower or property is not compulsorily required, has the highest deviation of 1.223. This indicates that the respondents have more deviation with that statement, meaning that, on average, the values in the data set are farther away from the mean.

On an average, Loan Purchasing Decisions is 3.99 as it lies more toward agree in the response set. The deviation of the average response toward loan purchasing decisions is just 1.048.

Table 9

Descriptive Statistics of Loan Purchasing Decisions

Statements	Mean	Standard Deviation
I choose bank whose staffs are credible and responsive towards customers.	4.08	1.043
I am influenced by different services available at Banks.	3.95	1.027
I choose bank where installment can be determined based on my own capabilities.	3.98	0.986
I purchase loan from banks where loan terms and conditions are flexible.	4.05	0.997
I choose bank where interest rate is low.	4.24	1.014
I choose bank where insurance/guarantee of borrower or property is not compulsorily required.	3.61	1.223
Loan Purchasing Decisions	3.99	1.048

It can be concluded that with highest mean of 4.24, most respondents agreed that they will purchase loans when interest rate of bank is very low.

4.3 Inferential Analysis

This part of the research aims to evaluate the hypothesis put forward in the previous chapter and present the methodology for assessing the data. The techniques known as inferential statistics enable researchers to forecast findings from samples to the entire population from which they were drawn. It makes it feasible to derive population values from one or more observational samples. Inferential analysis tests hypotheses to ascertain whether observed variations between variables are genuine or the result of random variation. To ascertain whether variation witnessed between groups or elements are true or the result of random variation, inferential analysis evaluates hypotheses. It generates new data by extrapolating generalizations and predictions from samples. The two analysis tools in this section are regression analysis and correlation analysis.

4.3.1 Correlation Analysis

The purpose of correlation is to examine the strength of the link between the two elements under examination. When there is a positive correlation, the connection is positive in direction, with one rising in response to the other's increase. A rise in one while the other falls is revealed by a negative correlation, which is the opposite of the above.

Perceived value and customer contentment, as well as service quality and customer satisfaction, are correlated.

Table 10

Correlation Analysis

Variables	Loan Purchasing Decisions	Sig. (2-tailed)
Satisfaction	.550**	.000
Service Quality	.575**	.000
Loan Covenants	.652**	.000
Loan Installment	.678**	.000
Insurance/Guarantees	.510**	.000
Interest Rate	.692**	.000

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

Table 10 indicates, Loan Purchasing Decisions and Satisfaction is moderately positively correlated with the correlation coefficient 0.550. The P-value was found to be 0.000, or less than 0.01, or 0.000<0.01. Thus, it can be said that loan purchase decisions and satisfaction have a positive and substantial relationship (r= 0.550, P= 0.000<0.01)

There is a relatively favorable relation (r = 0.575) between Loan Purchasing Decisions and Service quality as elaborated in Table 10. The P-value was found to be 0.000, or less than 0.01, or 0.000<0.01. Thus, it can be said that loan purchase decisions and service quality have a positive and significant relationship (r=0.575, P=0.000<0.01).

Table 10 shows correlation coefficient between Loan Purchasing Decisions and Loan covenants is 0.652 which is moderately positively correlated. The P-value was found to be 0.000, or less than 0.01, or 0.000<0.01. Thus, it can be said that loan covenants and loan purchasing decisions have a positive and significant relationship (r=0.652, P=0.000<0.01).

Loan Purchasing Decisions and Loan installment has correlation coefficient of 0.678 which means they have somewhat favorable correlation as shown in Table 10. The P-value was revealed to be 0.000, or less than 0.01, or 0.000<0.01. Consequently, it can be said that loan installment decisions and r=0.678, P=0.000<0.01, indicate a positive and significant link.

Table 10 illustrates the correlation coefficient between Loan Purchasing Decisions and Insurance/guarantees of 0.510 which means they are moderately positively correlated. The P-value was also noted to be 0.000 which is less than 0.01 i.e. 0.000<0.01. Thus, it can be said that loan purchasing decisions and insurance/guarantees have a positive and significant link (r=0.510, P=0.000<0.01).

There is a moderately favorable connection (r = 0.692) between Loan Purchasing Decisions and Interest Rate. Additionally, the P-value was noted as 0.000, as or less than 0.01, or 0.000<0.01. Thus, it can be said that loan purchasing decisions and interest rates have a positive and significant relationship (r=0.692, P=0.000<0.01).

4.3.2 Regression Analysis

A correlation analysis has restricted ability to determine whether or not two variables have a strong link. By using correlation analysis, one cannot determine the exact nature of the link between the variables. In this instance, regression analysis gives further details regarding the slope of the relationship. It is employed for forecasting and characterizing the nature of the partnership. The independent variable that most significantly contributes to the outcome variability is identified in this section, along with the extent to which dependent variable variability contributes to the outcome variability relative to other factors.

4.3.3 Factors influencing Loan Purchasing Decisions

Table 11

Regression Coefficient

Model		Coefficients	Std. Error	Beta	t	Sig	VIF
1	(Constant)	.173	.222		.776	.438	
	SA	.001	.063	.001	.015	.988	2.443
	SQ	.192	.067	.157	2.856	.005	1.833
	LC	.155	.081	.145	1.907	.058	3.485
	LI	.254	.076	.235	3.338	.001	3.002
	IG	.101	.055	.095	1.832	.068	1.628
	IR	.269	.069	.270	3.910	.000	2.889
	F			58.560	$.000^{b}$ (Sig)		
	R^2			.579			
Adjusted R^2				.570			

a. Dependent variable: Loan purchasing decisions

Table 11 shows, the R-square score is 0.579, indicating that independent factors such as interest rate, satisfaction, loan covenants, service quality, loan installments, insurance/guarantees, and loan covenants account for 57.9% of the variance in the dependent variable, or loan purchasing decisions. Table 11 indicates, the p-value is smaller than α, or 0.000<0.01. Thus, at the 1% significance level, the model is significant. For this reason, the data may be analyzed using multiple linear models. Given that all of the independent variables' VIF values are larger than 1 and less than 5, it is possible to deduce from Table 11's regression coefficient that there is considerable multicollinearity between the independent and dependent variables. There is not enough multicollinearity between the independent and dependent variables to raise concern.

Greater dominating impact of independent factors on the dependent variable is indicated by higher beta values. It can give concrete evidence that interest rate has the highest dominant influence with a beta of 0.269 which has the highest influence on customer choice decision followed by loan installment, service quality, loan covenants, insurance/guarantees and finally satisfaction with beta value of .254, .192, .155, .101 and .001 respectively. A significance score of less than 0.05 suggests that the independent factors have a substantial effect on the dependent variable. It can be inferred that service quality, loan installments and interest rate have a significant relationship with choice decision as they have significance value less than 0.05. Whereas, satisfaction, loan covenants and insurance/guarantees has significance value of .988, .058 and .068 respectively which is greater than 0.05. This means they don't have significant relationship with loan purchasing decisions as its value is more than 0.05.

The following can be deduced from the regression equation based on the coefficients of variables:

Loan purchasing decisions (est.)
= 0.173 + 0.001 SA + 0.192 SQ + 0.155 LC + 0.254 LI + 0.101 IG + 0.269 IR

Where,
SA = Satisfaction

SQ = Service Quality

LC = Loan Covenants

LI = Loan Installment

IG = Insurance/Guarantees

IR = Interest Rate

4.4 Hypothesis Testing

This section is about the testing of the hypothesis developed for the research. Hypothesis evaluates two mutually exclusive statements to determine which statement is most supported by available data.

Individual tests and analyses of each hypothesis were conducted, and statistical analysis software (SPSS) was used for the analysis. The objective of the study was to produce six different hypotheses for each independent variable in order to ascertain the link between the independent and dependent variables. Each hypothesis was tested using the Coefficients Table derived from the regression analysis.

Test of the hypothesis using independent and dependent variables:

H1: There is significant impact of satisfaction from the bank's service on the loan purchasing decision of the customers.

Table 11 shows the multiple regression analysis. Satisfaction from the bank's service has no significant impact on loan purchasing decisions (β=0.001, t= 0.015, P= 0.988>0.05). Therefore, it can be decided that there is no significant impact of satisfaction from bank's services on loan purchasing decision of customers. Thus, hypothesis (H_1) is rejected.

H2: There is significant impact of service quality on the loan purchasing decision of the customers.

Table 11 shows the multiple regression analysis. Service quality has significantly influenced loan purchasing decisions (β=0.192, t= 2.856, P= 0.005<0.05). Therefore, it can be decided that there is a significant impact of service quality on loan purchasing decision of customers. Thus, hypothesis (H_2) is accepted.

H3: There is significant impact of loan covenants on the loan purchasing decision of the customers.

Table 11 shows the multiple regression analysis. Loan Covenants has no significant impact on loan purchasing decisions (β=0.155, t= 1.907, P= 0.058>0.05). Therefore, it can be decided that there is no significant impact of loan covenants on loan purchasing decision of customers. Thus, hypothesis (H_3) is rejected.

H4: There is significant impact of loan installment structure on the loan purchasing decision of the customers.

Table 11 shows the multiple regression analysis. Loan installment structure has significantly influenced loan purchasing decisions (β=0.254, t= 3.338, P= 0.001<0.05). Therefore, it can be decided that there is a significant impact of loan installment on loan purchasing decision of customers. Thus, hypothesis (H_4) is accepted.

H5: There is significant impact of insurance/guarantee requirement on the loan purchasing decision of the customers.

Table 11 shows the multiple regression analysis. Insurance/Guarantee has no significant impact on loan purchasing decisions (β=0.101, t= 1.832, P= 0.068>0.05). Therefore, it can be decided that there is no significant impact of loan covenants on loan purchasing decision of customers. Thus, hypothesis (H_5) is rejected.

H6: There is significant impact of interest rates on loan on the loan purchasing decision of the customers.

Table 11 shows the multiple regression analysis. Interest rates on loan has significantly influenced loan purchasing decisions (β=0.269, t= 3.910, P= 0.000<0.05). Therefore, it can be decided that there is a significant impact of interest rates on loan purchasing decision of customers. Thus, hypothesis (H_6) is accepted.

Table 12

Summary of Hypothesis Test

Hypothesis	Conclusion
H_1: Satisfaction- Loan purchasing decisions of customers	Rejected
H_2: Service Quality- Loan purchasing decisions of customers	Accepted
H_3: Loan Covenants- Loan purchasing decisions of customers	Rejected
H_4: Loan Installment- Loan purchasing decisions of customers	Accepted
H_5: Insurance/Guarantee- Loan purchasing decisions of customers	Rejected
H_6: Interest Rate- Loan purchasing decisions of customers	Accepted

4.5 Discussion

The primary objective of this study was to find out the variables that affected the choices of consumers to take out loans from several banks in Kathmandu Valley. The various factors were intended to affect borrowers' decisions to acquire loans: interest rate, insurance/guarantee, loan covenants, satisfaction, loan installment, and service quality. The purpose of the study was to quantify how these dependent and independent variables relate to one another. Customer's decisions to purchase loans are largely influenced by the interest rate, service quality, and loan installment; however, loan covenants, satisfaction, and insurance/guarantee have little bearing on the choice.

The findings of this study are consistent to the results of Frangos et al. (2012) and Kamakodi and Khan (2008). The study conducted by Frangos et al. (2012) discovered that of all the aspects that might influence a customer's choice to take out a loan, three stand out: service quality, competitive interest rate, and satisfaction factor. Therefore, it is possible to conclude from the research that customers' decisions to purchase loans are greatly influenced by characteristics such as contentment, competitive interest rates, and service quality. A research by Kamakodi and Khan (2008) examined the factors influencing Indian customers' decisions while selecting banks. The study has concluded that a customer's decision to take out a loan is more heavily influenced by the competitive interest rate, payment, and quality of service.

Determining the association between loan purchasing decisions and other factors, such as loan covenants, insurance/guarantees, service quality, loan installments, and interest rate, was the study's second goal. This study of Kathmandu Valley customers is comparable to that of Thapa (2018), who found that customers prefer banks and other financial organizations that offer competitive interest rates, stable interest rates for an extended period of time, and no penalties for unforeseen events. The influence of various elements on the choice to purchase a loan was examined in this study. The customer's loan purchase behavior is positively correlated with interest rates, more so than with any other criteria such as loan covenant, insurance or satisfaction.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The research was carried out to determine the elements impacting on loan purchasing behavior of the customer. The goal of the study was to ascertain whether the six independent variables consisting interest rate, satisfaction, loan covenants, service quality, insurance/guarantees, and loan installment were important in influencing consumer's decisions to purchase loans over other options. The literature review assisted in identifying six distinct characteristics, among many others, that are accountable for influencing client's decisions to get loans to a certain extent. To put it briefly, the aim was to ascertain whether or not the independent variables significantly affect the dependent one. For each respondent's profile, descriptive statistics were computed to determine the frequency and proportion of the statements provided in the section. Similarly, to determine the means and standard deviation for the questions, dimensions, and dimension scores, descriptive statistics were computed for both independent and dependent variables. Subsequently, tests were conducted on the hypotheses and correlations between the independent and dependent variables were discovered using regression analysis and correlation. In comparison to the number of female respondents, there were more male respondents.

A variety of age groups of respondents completed the questionnaire. The age range of 25 to 35 years old comprised the bulk of the responders. The respondents' occupations were categorized into four groups: government jobs, employees, self-employed individuals, and students. The majority of responders are single, while none of them have ever divorced/others. The responders with the greatest monthly salary ranged from Rs. 25,000 to Rs. 40,000. With the use of SPSS software, the data from 262 respondents were examined. The most significant and influential aspect explaining why customers with the highest mean choose to purchase loans is their level of satisfaction. The standard deviation is 1.048 and the mean score for loan purchase choices is 3.99. Customers were influenced by all of these criteria when deciding to purchase a loan, as seen by their 3.99 score. Greater beta values signify an increased level of dominance from independent factors on the dependent variable. A significance value of less than 0.05 indicates a substantial connection between the independent and dependent variables. Quality services provided by BFIs, installment amount and cost on the loan (pricing) have substantial impact on purchasing behavior of the consumer with significance value less than 0.05. Customer loan purchasing decisions are not significantly influenced by satisfaction, loan covenants, insurance, or guarantees since their significance values are greater than 0.05.

5.2 Conclusion

The aim of the research was to determine the fundamental factors and relevant information that affect consumers' decisions to purchase loans. The study looked at how six distinct factors affected the decision of the clients to purchase a loan. During the literature review, the researcher read a variety of books, journals, articles, and other materials in order to fulfill the research's objective. The results showed that customer’s decisions to purchase loans are significantly influenced positively by factors such as interest rates, loan installments, and service quality.

A survey research was carried out to determine the influence of the different independent variables on the customer's choice to purchase a loan as well as the link between the independent and dependent variables. The quality of service rendered by BFIs, customer satisfaction with BFIs' services, various loan covenants, loan's installment structure, the need for an insurance and guarantee, and the interest rate on the loan are among the independent variables that were taken into consideration. The client’s choice to purchase a loan was the dependent variable.

The study demonstrated a significant correlation between a numbers of variables, including service quality, loan interest rates, and loan installments; however, no significant correlation was discovered between customer satisfaction, loan covenants, and the loans insurance & guarantee conditions. This indicates that customers select banks that offer better service, more affordable interest rates, and manageable loan payments. The research revealed that all of these recognized factors have an impact on loan purchase decisions. The areas include developing products that customers want and that truly meet their needs, concentrating on customer behavioral changes brought on by the emergence of competitiveness in the banking sector and prioritizing customer-focused company operations with service excellence.

5.3 Implications

This study investigated the impact of several factors on the loan purchase decisions made by Kathmandu Valley clients. The discovery of the elements influencing the customer's preference while making loan purchase selections was made possible by the findings. The six factors that comprised this study were interest rate, insurance and guarantee condition, loan installment, satisfaction, service quality and loan covenants. These variables were derived from the literature review.

Meanwhile, some of the recommendations to the bank are as follows:

- Employees should respond to customers more quickly and deliver exceptional instant of truth in addition to rapid service, resulting better customer experience.
- Feasible loan installment based on the repayment tenure and income source shall attract the customers to purchase the loan.
- Offering consumers more affordable rates on loans and other products in an effort to grow their clientele.
- Retention of customer can be achieved through satisfaction among the existing customer base perceived from their quality service.
- Customer should be made aware about advantages of insurance/guarantee condition in order to avoid losses from unprecedented events unfolded after purchasing loan.
- Simple terms and conditions of the loan products makes easy to the customer for making decision to choose the loan products.

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APPENDIX

Research Questionnaire

"Factors Affecting Loan Purchasing Decision of Customers in Kathmandu Valley"

Dear Respondents,

This research "Factors Affecting Loan Purchasing Decision of Customers in Kathmandu Valley" is being conducted as a part of partial fulfillment of my MBS course, Tribhuvan University (Shanker Dev Campus). Customers' loan purchasing decisions are influenced by a number of elements, and this study's findings will be helpful in determining these aspects while making different loan purchases. Given that, I cordially ask for your cooperation in conducting this study by completing the questionnaire accurately, since this will enable me to successfully finish my research.

I want to reassure you that all of the information will be kept completely secret and used only for academic purposes.

Sincerely,
Kusum Dhakal

Section A: Demographic Profile

1. Gender

   Male ☐ Female ☐ Other ☐

2. Age

   Below 25 ☐ 25 – 35 ☐ 36 – 45 ☐

   Above 45 ☐

3. Education

   SEE/SLC ☐ Intermediate ☐ Bachelor's Degree ☐

   Master's Degree and above ☐

4. Occupation

   Student ☐ Self-Employed ☐ Employee ☐

   Government Job ☐

5. Marital Status

   Married ☐ Unmarried ☐ Other ☐

6. Monthly Income

   Below 30,000 ☐ 30,000-45,000 ☐

   45001-60,000 ☐ Above 60,000 ☐

Section B: Factors Affecting Loan Purchasing Decision of Customers in Kathmandu Valley

This section contains questionnaire for the purpose of testing factors that affects customer decision for loan purchase.

Please indicate from 1-5 the level of agreement with the following statement where;
1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree

S. No.	**Factors**	**1**	**2**	**3**	**4**	**5**
	Satisfaction					
1	Staff of bank should maintain confidentiality and trust					
2	Staff of bank should be polite, knowledgeable and skilled.					
3	Professionalism of staff helps me to purchase loan with ease.					
4	I should be provided with best possible solution.					
5	A bank has to manage effectiveness of customer's complaints					

	Service Quality					
1	Bank should have many branches across the country for the service.					
2	Bank should maintain sufficient number of well-functioning ATM.					
3	I feel satisfaction with the layout and atmosphere of the bank.					
4	There should be sufficient number of bank personnel.					
5	Reputation of Bank is important to me for purchase of loan.					
6	Bank's staff gives me prompt service.					
	Loan Covenants					
1	I should be charged with less cost in loan processing.					
2	Flexibility in approval and disbursement of loan is essential.					
3	The loan provider should provide clear communication regarding terms and conditions of loan.					
4	Loan agreements should be clearly understandable.					
5	Financial performance of bank must be good.					
	Loan Installment					
1	Bank should have ability to finance up to maximum value of property.					
2	I can choose tenure and installments of a loan.					

3	Bank should provide with deferral of installments during calamities i.e. COVID, earthquake, flood etc.					
4	Bank should provide facility of partial or total early repayment anytime I want.					
5	There should be ability to design the amount and frequency of installments based on my own capabilities.					
	Insurance/Guarantees					
1	Guarantee of one close family member is enough.					
2	I feel that there is no need of underwriting property (housing).					
3	Bank offers insurance program to protect the payment of installment.					
4	Compulsory insurance of the borrower is required.					
5	Requirement of insurance of the property and premium amount is not required.					
	Interest Rate					
1	Comparatively low interest rate on loan attracts me to purchase loan.					
2	Stable interest rate till the repayment period motivates me for purchasing loan.					
3	Bank should consider the penalty charges during calamities i.e. COVID, Earthquake, flood etc.					
4	Bank shall reduce interest rate in case of good repayment of obligations.					

If the following criteria are met, would you consider taking out a loan from a bank or other financial institution?

Please indicate from 1-5 the level of agreement with the following statement where;
1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree

S. No.	**Loan Purchasing Decisions**	**1**	**2**	**3**	**4**	**5**
1	I choose bank whose staffs are credible and responsive towards customers.					
2	I am influenced by different services available at Banks.					
3	I choose bank where installment can be determined based on my own capabilities.					
4	I purchase loan from banks where loan terms and conditions are flexible.					
5	I choose bank where interest rate is low.					
6	I choose bank where insurance/guarantee of borrower or property is not compulsorily required.					