This study is based on the data collected through direct interviews with respondents who have loan from different banks. Results obtained from respondents indicates them to think that it is reasonable that banks reduce/lower interest rates and offer loans with lower interest rates, while another interesting result shows that it is an opinion that banks have agreements among themselves in order to keep this high rate of interest. This study was quantitative in nature and secondary data was collected from internet based sources. The primary data was collected through a survey using an E form as the survey instrument. The sample comprised respondents from different age groups, gender, occupation, annual income, family type and investors in various Investment instruments. The total sample size was 345. The sampling technique used in this study was non-probabilistic Judgment type. The data collected during the primary survey was tested through statistical means such as Test of proportions, Test of mean, Chi-squared test. Banks have justified these high rates with the high risk of loan return, but few respondents do not share the same opinion as banks that the risk of return is the reason for high rates of interest, since banks stand much better than other in bad loan ranking.

INTRODUCTION

Interest rates today are expected to remain at a low which directly influences consumer’s ability to earn good returns on deposit accounts. Despite this reality not many truly comprehend how banks set interest rates and what factors play a role in how rates change. Bank interest rates aren’t simply determined at the whim of any given bank or credit union, with no direction or benchmark. On the contrary, there are a handful of key elements that sway interest rates today in consumers favor or against them. Interest rates are very low around the developed world, near zero in nominal terms and negative in real terms. This is part of a deliberate policy by central banks to discourage saving and encourage borrowing. It has also been seen as a way of boosting the stock market and thus as creating a wealth effect for individuals, and boosting confidence.
Benefits of low interest rates:
In an economy, the resources are not stable they tend to flow providing the higher returns for the risks the lender is bearing. Interest rates adjusted for expected inflation and other risks serve as market signals of these rates or return. The returns will differ from industries to industries and also the economy having a natural rate of interest depending on factors such as investment rates and also savings of nation. A second benefit of low interest rate is improving bank balance sheets and banks capacity to lend. During the financial crisis, many banks, particularly some of the largest banks like state bank of India, ICICI, Bank of Baroda, SDC bank and HDFC bank were found to have too little capital, which limited their ability to make loans during the initial stages of the recovery. By keeping short term interest rates low, it helps to recapitalize the banking system by helping to raise the industry’s net interest margin boosting its retained earnings and capital. A third benefit of low interest rate is that they can raise asset prices. When bank increases the money supply, public funds itself with more money balances than it wants to hold. People use these excess balances to increase their purchases of goods and services and of assets like houses or corporate equities.

Types of Loans:
Loan types vary because every individual loan has a specific use of it. It varies by length of time, by how interest rates are calculated, by when payments are due and by a number of other variables.

Home loans
Home loans are distributed by banks to allow individual to buy homes. A mortgage is tied to your home that is your risk foreclosure that is if you can’t payback your borrowed amount. Mortgages have among the lowest interest rates of all loans.

Car Loans
Like mortgages, auto loans are tied to your property. They can help you afford a vehicle, but you risk losing the car if you miss payments. This type of loan may be distributed by a bank or by the car dealership directly but you should understand that while loans from the dealership may be more convenient, they often carry higher interest rates and ultimately cost more overall.
**Education Loans**

Student loans are offered to college students and their families to help cover the cost of higher education. There are two main types: federal student loans and private student loans. Federally funded loans are better, as they typically come with lower interest rates and more borrower-friendly repayment terms.

**Personal Loans**

Personal loans can be used for any personal expenses and don’t have a designated purpose. This makes them an attractive option for people with outstanding debts, such as credit card debt, who want to reduce their interest rates by transferring balances. Like other loans, personal loan terms depend on your credit history.

**RESEARCH OBJECTIVE**

The primary objective of this study was to understand the impact of low interest rate on consumer behavior towards loans.

The proposed hypotheses were:

1. More than 60% of the respondents who are single have not availed education loan
2. Less than 70% of people have not availed credit card loans with income level of 8-10 lakhs
3. People availing personal loan is not independent of gender
4. Availing education loan is dependent of age group
5. Average age of respondents availing credit card loan is more than 30
6. Average age of respondents availing home loan is less than 40
LITERATURE REVIEW

As per Kumara Swami and Nayan J. (2014) the importance of the institutions providing housing finance and also on housing finance that is home loans by the different banks. He also has discussed on the marketing strategies adopted by various banks further he discussed in detail about the consideration of the loan criteria eligibility, the loan amount, the interest rate, the security, the loan tenure, its processing fee. His research paper highlights the performance of the housing sector and also its major findings and its suggestions resulting in the improvement of effective marketing of home loans for various banks both the private sector banks and the public sector banks.

As per Bruce John stone and Pamela Mariucci (2010), he loans for higher education throughout India have seen a dramatic and political changes in the last decade and in the current century that is our 21st century. This changes in financing are the responses to a phenomenon of higher educational cost which is tending to raise its rates considerably in excess of the corresponding rates of increase of available revenues, especially those which are dependent on taxation. This available revenue is in turn a function of two principals:

1. Rapid increase in cost per unit, per student
2. Increase in tertiary level participation by the forces of population growth, age of the university and increase in the higher educational participation rates, these forces varies from person to person but the result is especially for low and middle income people in both the universities and the other institutions of higher education and also in the national systems. This has affected to the following:
   a. To the national systems of higher education.
   b. To the students.
   c. To the universities of higher education.
   d. To other institutions of higher education.

In order to make this comparison practical for individuals or consumers, consumer voice conducted a comparative study of personal loan schemes which are offered by most popular banks like state bank
of India, HDFC bank, Bank of Baroda etc.; the comparison is based on the parameters influencing the common man’s decision while choosing the bank or the loan scheme. Credit Information Bureau of India Limited (CIBIL), shares their credit details that include information on all borrowers’ present/previous loan transactions even though they are closed and there is no outstanding with the bank. Banks forward their own internal credit report on a customer’s credit performance and CIBIL then awards marks based on that assessment anything between 300 and 900 marks. CIBIL uploads the same on their website. The information is required to be updated additions deletions at regular intervals by the banks who are admitted as members of CIBIL. Banks invariably call for CIBIL report as soon as you apply for a loan. If your past transactions with a particular bank FI either in loan repayment or credit card repayment were not up to the mark termed as poor CIBIL scores, less than 700, then there is every chance of your present request for personal loan getting rejected. Anyone can seek their CIBIL score by visiting the CIBIL website www.cibil.com, filling in the form and paying Rs 470 online for one report. The CIBIL score is delivered at the given email ID. It is to the credit of this institution that 80 per cent of approved loans and sanctioned by banks are of individuals with a CIBIL score of more than 750.

**RESEARCH METHODOLOGY**

This study was quantitative in nature and secondary data was collected from internet based sources. The primary data was collected through a survey using an E form as the survey instrument. The sample comprised respondents from different age groups, gender, occupation, annual income, family type and investors in various Investment instruments. The total sample size was 345. The sampling technique used in this study was non-probabilistic Judgment type.

The data collected during the primary survey was tested through statistical means such as Test of proportions, Test of mean, Chi-squared test

The sample profile is presented in the following charts.
### Qualification
- Undergraduate: 18%
- Professionals: 15%
- Master: 20%
- Engineer: 14%
- Commerce: 33%

### Annual Income
- More than 10 Lacs: 10%
- 3-5 Lacs: 33%
- Less than 3 Lacs: 33%
- 5-8 Lacs: 18%
- 8-10 Lacs: 6%

### Years of work experience
- More than 15 Years: 23%
- 10-15 Years: 9%
- 5-10 Years: 20%
- 0-5 Years: 48%

### Occupation
- Salaried: 71%
- Professionals: 7%
- Retired: 3%
- Housewife: 4%
- Business: 15%
DATA ANALYSIS

TESTING OF HYPOTHESIS

Hypothesis 1: Test for Proportions

Ho: Less than 60% of the respondents who are single have availed education loan
Ha: More than 60% of the respondents who are single have not availed education loan

Ho: P<60%
Ha: P>60%
Test of Proportion
Right-tailed test
Alpha = 0.1
Probability = 0.9
Critical-value = 1.28
Calculating observed value
x=134
n=199
P'=67%
P=60%
q=40%
p'-p=7%
sqrt(p*q)/n=0.03
p'-p = 2.11
sqrt(p*q)/n
observed value =2.11
P-value=0.02
Alpha=0.1
P-value<Alpha

Observations: we reject the NULL, Less than 60% of the respondents who are single have availed education loan.

Insights: Education loan is offered to Indian national between 16 to 35, interest rate depends on tenure of loan, course and college, gender, credit risk, collateral, loan amount. Simple interest is charged by banks.
Hypothesis 2: Test for Proportions

Ho: More than 70% of people have availed credit card loans with a income level of 8-10lacs
Ha: Less than 70% of people have not availed credit card loans with a income level of 8-10lacs

Ho: P> 70%
Ha: P<70%
Test of Proportion
Left-tailed test
Alpha = 0.1
Probability = 0.1
Critical-value = (1.28)
Calculating observed value
x=14
n=24
P'=58%
P=70%
q=30%
p'-p= -12%
sqrt(p*q)/n=0.03
p'-p = (6.11)
sqrt(p*q)/n
observed value =(6.11)
P-value=0.00
Alpha=0.1
P-value<Alpha

Observation: More than 70% of people have availed credit card loans with a income level of 8-10 lacs.

Insights: Credit limit unaffected, treated like a personal loan, no Service Tax on EMI. Spend on shopping/entertainment/travel websites.
Hypothesis 3: Test of Independence

Ho: People availing personal loan is independent of gender  
Ha: People availing personal loan is not independent of gender

**Personal loan**

<table>
<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>75</td>
<td>186</td>
<td>261</td>
<td>77%</td>
</tr>
<tr>
<td>Yes</td>
<td>24</td>
<td>53</td>
<td>77</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>239</td>
<td>338</td>
<td></td>
</tr>
</tbody>
</table>

**Chi square test**

Right test

Alpha = 0.1  
Probability = 0.1

Critical-value = 2.71

Observed-value = 0.17

P-value = 0.68

Alpha = 0.1

P-value is greater than Alpha  
We fail to reject the Null

**Observation**: people availing personal loan is independent of gender, we fail to reject the null.

**Insights**: high interest rates. Personal loan taken for personal purposes like marriages, expansion of business etc.
Hypothesis 4: Test of Independence

Ho: Availing education loan is not dependent of age group
Ha: Availing education loan is dependent of age group

<table>
<thead>
<tr>
<th>Observed</th>
<th>No</th>
<th>Yes</th>
<th>Total</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-30</td>
<td>143</td>
<td>29</td>
<td>172</td>
<td>52%</td>
</tr>
<tr>
<td>30-40</td>
<td>53</td>
<td>2</td>
<td>55</td>
<td>17%</td>
</tr>
<tr>
<td>40-50</td>
<td>51</td>
<td>7</td>
<td>58</td>
<td>18%</td>
</tr>
<tr>
<td>50-60</td>
<td>31</td>
<td>4</td>
<td>35</td>
<td>11%</td>
</tr>
<tr>
<td>Above 60</td>
<td>9</td>
<td></td>
<td>9</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td>287</td>
<td>42</td>
<td>329</td>
<td></td>
</tr>
</tbody>
</table>

Chi square test

Right test
Alpha = 0.1
Probability = 0.1

Critical-value=8
Observed-value=8.10
P-value=0.14
Alpha=0.1
0.14>0.1
Since, p-value is greater than Alpha
We fail to reject the null

<table>
<thead>
<tr>
<th>Expected</th>
<th>No</th>
<th>Yes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-30</td>
<td>150</td>
<td>22</td>
<td>172</td>
</tr>
<tr>
<td>30-40</td>
<td>48</td>
<td>7</td>
<td>55</td>
</tr>
<tr>
<td>40-50</td>
<td>51</td>
<td>7</td>
<td>58</td>
</tr>
<tr>
<td>50-60</td>
<td>31</td>
<td>4</td>
<td>35</td>
</tr>
<tr>
<td>Above 60</td>
<td>8</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>287</td>
<td>42</td>
<td>329</td>
</tr>
</tbody>
</table>

\[(fo-fe)^2/fe\]

<table>
<thead>
<tr>
<th>(fo-fe)^2/fe</th>
<th>No</th>
<th>Yes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-30</td>
<td>0.33</td>
<td>2.26</td>
<td>2.59</td>
</tr>
<tr>
<td>30-40</td>
<td>0.53</td>
<td>3.59</td>
<td>4.12</td>
</tr>
<tr>
<td>40-50</td>
<td>0.00</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>50-60</td>
<td>0.01</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>Above 60</td>
<td>0.17</td>
<td>1.15</td>
<td>1.32</td>
</tr>
<tr>
<td>Total</td>
<td>1.03</td>
<td>7.07</td>
<td>8.10</td>
</tr>
</tbody>
</table>

Observation: availing education loan is dependent of age group; we fail to reject the null.

Insights: Education loan is offered to Indian national between 16 to 35, interest rate depends on tenure of loan, course and college, gender, credit risk, collateral, loan amount. Simple interest is charged by banks.
Hypothesis 5: Test of Means

Ho: Average age of respondents availing credit card loan is less than 30
Ha: Average age of respondents availing credit card loan is more than 30

Ho: \( \mu < 30 \)
Ha: \( \mu > 30 \)
T-Test
Right-tailed test
Alpha=0.1
Probability=0.1
Critical-value=1.31
\( x' = 30 \)
\( \mu = 33.75 \)
\( x' - \mu = -3.75 \)
s=10.27
N=5.00
sqrt(n)= 2.24
s/sqrt(n) = 4.59
Observed-value=(0.82)
P-value= 33.75
Critical value> observed value

Observation: Average age of respondents availing credit card loan is more than 30; we fail to reject the null.

Insights: Credit limit unaffected, treated like a personal loan, no Service Tax on EMI. Spend on shopping/entertainment/travel websites.
Hypothesis 6: Test of Means

Ho: Average age of respondents availing home loan is more than 40
Ha: Average age of respondents availing home loan is less than 40

Ho: $\mu > 40$
Ha: $\mu < 40$
T-Test
Left-tailed test
Alpha=0.1
Probability=0.1
Critical-value=(1.53)
$x' = 23.60$
$\mu = 40.00$
$x' - \mu = 16.40$
s=16.49
N=5.00
$sqrt(n)=2.24$
s/sqrt(n)=7.37
Observed-value=(2.22)
P-value=0.05
Critical value> observed value

Observations: Average age of respondents availing home loan is less than 40, we fail to reject the null.

Insights: Lenders usually finance upto 85% of the value of the house. Interest rates are provide either on fixed interest rate or floating interest rate or as hybrid loans.
CONCLUSION

The fundamental transformation in the economy and financial markets has important implications for academic as well as industry research in finance in India. Indian markets can now no longer be studied in isolation without properly factoring the global market forces to which they have become far more vulnerable than before. The study concluded that the average age of respondents availing credit card loans is more than 30. Lenders use individual’s credit report for tracking the record of past or present borrowings. The age of loan taker is not only the aspect. But the study says that more than 30 is that age where individual is settled with a good job and has the perspectives to buy things and hence they opt for credit card loans.

Further the study also stated that for housing finance the age of individual depends on individual’s willingness to purchase the property. Any salaried individuals, professionals, self-employed, non-individual entities can opt for home loans, one can borrow home loan up to 80-85% of the market value of the property considering individuals income eligibility. The rate of interest varies depending on individual’s loan amount, property type, income. The money one borrows comes from the other peoples savings if individuals are not getting good compensation people will not be motivated to loan their savings. There are factors leading to a raise in interest rate while others lead to fall. The reserve bank of India stabilizes interest rates for smooth functioning of economy and also businesses. When supply for credit is more than demand for credit reserve bank of India lowers the repo rate only when inflation is stable, if the borrower has a good credit score than interest rate falls.

LIMITATIONS OF RESEARCH

Financial services are growing sector and it is difficult to understand the growth and development in this sector with its full capacity. This study is a small step in this path and should be treated as a small contribution to the world. Most of the interpretative material used as plausible reasons for research findings of the present study consisted of opinions of executives and general masses from a number of banks of different nature, different age group, different occupations, different income, different qualifications etc. This study must be viewed with circumspection and appropriate regard for human frailties.
REFERENCES

1. http://www.rbi.org.in