An Analytical Study of Consumer Behavior Towards Instant Personal Loan Apps

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Abstract— India has seen a significant shift in consumer desires and purchasing patterns over the last few years. People used to have conservative financial outlooks in the past. They used to manage their finances and were very frugal with their money, setting aside money for emergencies as well as major purchases like a house or luxurious goods. However, people today are more casual with their money. When it comes to purchasing consumer durables, they have high expectations and prefer quality. They no longer want to accept less and are not scared to stretch their spending since they want to fit in with their peers. To fulfill their desire, they are applying for personal loans. But physically applying for the loan is not easier rather than applying online. With the growing FinTech industry, it provides a P2P lending platform to people in the form of unsecured Instant digital loan which is easily available on mobile with a moderate rate of interest. Because it makes it easy to get loans people may be putting themselves in danger of default if they repay too many of these types of loans at various points throughout the month. In addition, by paying interest on so many loans, they might be losing a lot of part of their earning. This paper is focused on consumer attitudes and preferences towards instant personal loan apps and analyzes the reach of these unsecured digital loan apps to a consumer. these are a trap of the debt cycle for borrowers or it makes easy their life. To know the facts the primary data has been gathered through a survey on Google form and the secondary data has been collected from journals, e-newspaper, and related research papers in the final part of this paper's findings, a conclusion has been drawn based on analyzed collected data.

Keywords- unsecured instant digital loan, debt cycle, debt strategy management, P2P lending apps, FinTech, consumer preferences.

I. INTRODUCTION

As a result of the pandemic, digital preference has become a top priority. Many banks and non-banking financial institutions have little choice but to move beyond traditional in-person interactions and provide a fully digital experience. Lenders have improved their user-friendly, rapid, and easy online loan application process. It's time for financial institutions to acknowledge that today's customers want mobile and online solutions and provide them.

Earlier, people used to go to indigenous bankers to get loan who charged high rate of interest, after the banking and non-banking financial system people prefer to go to bankers but getting a loan was challenging and the application procedure took a long time. They had to fill a lengthy form, submit hard copy of address proof, ID proof and other necessary documents. The extensive documentation and the loan companies' approval procedures took weeks. Remember that most people lacked the credit necessary to obtain the financial assistance they required. Digital lending is undergoing a revolution because of advancements in financial technology and with technology advancements consumer spending attitude has been enhanced in Jaipur city. In comparison to the traditional method of availing loan, now the process is easier, and also with few clicks anyone can get a loan with their mobile phone, or computer system.

The easy access to loans has caused India's personal loan market to expand significantly over time. Personal loans appear to have had the most rise across all sectors, according to data made public by the Reserve Bank of India. When compared to February 2017, there was an increase of 12.0 percent, and February 2018 had a rise of 20.4%.

Mobile loan applications have become an outstanding solution to supply safe and hardship-instant personal loans in India within a few hours in this entire financial framework. These applications were processed slowly by traditional banks, and borrowers had to pay exorbitant interest rates to money lenders. These personal loan applications are the category of P2P lending applications. with the growing FinTech industry number of P2P lending companies is increasing.

Most people are being assisted by the simplicity of obtaining a personal loan from online lenders nowadays, so they may satisfy their aspirations in addition to their wants. according to the most recent research from the Investment Information and Credit Rating Agency of India, thanks to quick and simple credit schemes provided to clients by online finance providers.

But there is a lack of awareness about these loan apps, some consumers have misconceptions about the authenticity of apps and they remain deprived of use and some are using them to fulfill their needs and desires.

II. OBJECTIVE OF THE STUDY

To analyze the factors that motivate the consumer to get an instant loan.
To know consumers' views about the instant loan mobile application.
To find out the reach and awareness of instant loan apps among consumers.

III. RESEARCH METHODOLOGY

A descriptive research methodology is used for this study. The purposive sampling method is used for the collection of data in the research. The primary data collection method is a survey of consumers in Jaipur City. The survey is supported by a questionnaire through Google Forms. Consumers are sampled on the basis of age, academic qualification, and income.

IV. LIMITATIONS

This paper contains with few limitations and constraints the area of the research is restricted to Jaipur city and the sample size is also restricted to 103 people most of them are who work in the corporate sector and some of them work in the education sector and remain unemployed.

V. LITERATURE REVIEW

Sangmin Lee, (2017) has discussed in his paper on acceptance of users for mobile loan applications. A way of lending or borrowing money to individuals using internet services without using a formal financial institution as a middleman is known as peer-to-peer (P2P) lending. The P2P lending firms do their whole business online or through mobile devices and these companies are growing in the FinTech sector. The demands of mobile users can be satisfied via native applications, hybrid apps, or web apps. There is no exclusive optimal option. The selection of one over the other relies on the particular requirements of each firm because each of these applications has pros and cons of its own.. Instead of borrowers, the new P2P mobile app is for investors. The P2P platform that borrowers utilize to apply for loans is most likely the reason for this. Payments are made by the bank instantly once a loan application is accepted. Therefore, according to P2P lending firms, there is no reason for designing mobile applications that are only accessed once for registration. Investors, on the other hand, can profit from having an app as they use it frequently.

minna autio, terhi-anna wilska, risto kaartinen, jaana lähteenmaa,(2009) have found in their study, consumers of all income levels and occupations—particularly young people—use consumer credit. Nonetheless, there is a clear connection between individual life stages (young, single parent), economic capabilities (low income), and employment status (marginal) and the tendency to use consumer credit and personal loans. Young adults who have previously taken out an immediate loan are likely to do so again. Regular uses included shopping wine, cigarettes, and going out to parties. Small loans are sometimes used by customers as part of a sensible and economic money management strategy. But so far, particularly for those who have fixed incomes

Angelica Fadya Noventi & Dwi Nastiti Danarsari(2017) researched on Financial Literacy and Consumer Debt: A Survey of Low-Income Households in Depok, West Java, Indonesia and they concluded in their study that The local government has to be concerned about the over-indebtedness situation among low-income households. Many households experience debt accumulation because their monthly spending exceed their capacity to pay them. By developing numeracy and money management abilities, one may raise one's degree of financial literacy and perhaps enable one to make future financial decisions.

Mr. Chaitanya Lalitbhai Jiwani (2021), paper title “A Study of Consumer Behavior and Preference for Unsecured Financial Lending of HDFC Bank in Pune City” he analyzed in his study that Consumer behavior for financial services in Pune City was shown to be extremely unstable. Although they contact their bank employees, families, and relatives for financial services, they prefer the organization that has a positive reputation in the market. It's possible that consumers of these companies rely on their friends and family to purchase their financial services because they don't know much about them or don't trust the financial services they offer. The possibility of having one's loan application considered and approved increases with higher CIBIL scores. According to research, unsecured loans are typically taken out for urgent expenses and personal reasons.

Divya Ramesh, Vaishnav kameshwaran, Ding wang, Nithya sambasivan (2022), revealed in their study that consumers felt incredibly obligated to lending platforms and suffered extreme outlook of debt for the "boon" of instant loans. By agreeing to strict terms and conditions, disclosing excessive amounts of private information, and paying substantial fees to unidentified and unreliable lenders, users fulfilled their commitments. The fact that users continued with these activities in the face of risks of damage, including abuse, reoccurring debts, discrimination, privacy harms, and self-harm, showed that they were dependent on lending platforms. The following codes are used to emphasize the alleged advantages of instant loan services.: 1) Being able to access anytime, anywhere, 2) Ensuring dignity and privacy, 3) Preserving social ties, and 4) Promising social mobility. The following codes serve to describe how participants understood and performed various duties toward the loan platforms. a) Accepting harsh terms and conditions, b) Over-sharing sensitive data, and c) Making high fee payments. Participants avoided obstacles to accessing loans, made cyclical loans using lending platforms, put up with predatory lenders' mistreatment, and took responsibility for their unpleasant experiences, which may have resulted in their technological and financial exclusion.

Collins W. Munyendo, Yasemin Acar, Adam J. Aviv (2022), wrote a paper with title “Desperate Times Call for Desperate Measures”: User Concerns with Mobile Loan Apps in Kenya” they found that many users in Kenya can get useful loans from mobile loan apps. It brings focus on the significant financial gap that mobile loan applications appear to close in developing world. Mobile loan applications provide these people' finest chance of getting credit, which they may use to cover their own financial needs or finance their businesses, as many of them are unbanked
and frequently lack conventional credit histories or collateral. Despite the fact that most participants expressed privacy issues with mobile loan applications, the majority of them ignore
these concerns in order to get loans. However, these applications collect a significant amount of personal data from users, including contacts and SMS via phone permissions, in order to verify clients and assess their credit worthiness.

VI. DATA INTERPRETATION

Table 1: Demographic Characteristics of Respondent

From the above given table it is interpreted that out of total respondents 53.3% are from 18-25 age group and they are highest number of respondents.19.4% of respondents are in age group of 25 to 32 years and 3.8% are in age group of 32 to 39 years whereas second highest number of respondents that is 23.3% came in the age group of above 39.

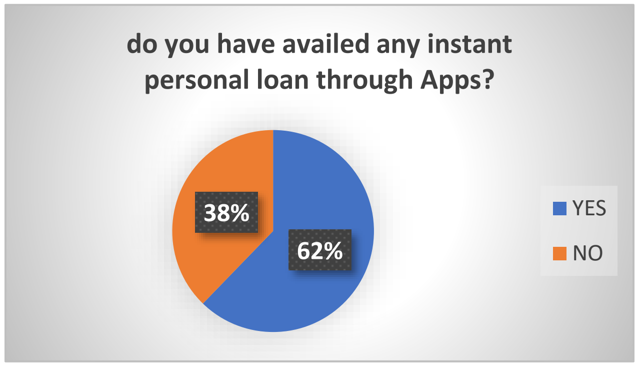
Academic qualification of respondents shows that 14.5% respondents are 10+2 qualified. 42.7% are graduate and same percentage of respondents are post graduate.

Demographic profile of respondents			
Characteristics of Respondents		**Number of respondents**	**Percentage of respondents**
Age	18-25	55	53.3
	25-32	20	19.4
	32-39	4	3.8
	Above 39	24	23.3
Qualification	10+2	15	14.5
	Graduate	44	42.7
	Post graduate	44	42.7
Occupation	Private employee	52	50.4
	Government employee	10	9.7
	Self employed	15	14.5
	NA	26	25.2
Annual income	180000-300000	29	28.1
	300000-420000	22	22.1
	420000-540000	8	7.7
	Above 540000	14	13.5
	NA	28	27.1

The information related to occupation revealed that 50.4% respondents are private employee.9.7% respondents are government employee. 14.5% are self-employed and 25.2% came under category of NA.

The analysis also indicates that 28.1% respondents have annual income from 180000 to 300000. 22.1% came in the income category of 300000-420000. 7.7% respondents came under 420000-540000. Whereas 13.5% have annual income above 540000.

Table 2: Distribution of Consumer as Per They Avail Loan or Not

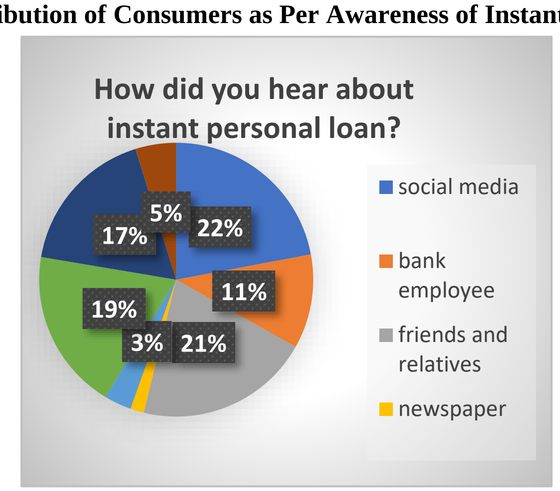


According above chart it was found that 38% of the respondents didn't avail instant loan and 62% of the respondents availed instant loan.

Table 3: Distribution of Consumer as Per reason behind not avail any instant loan.

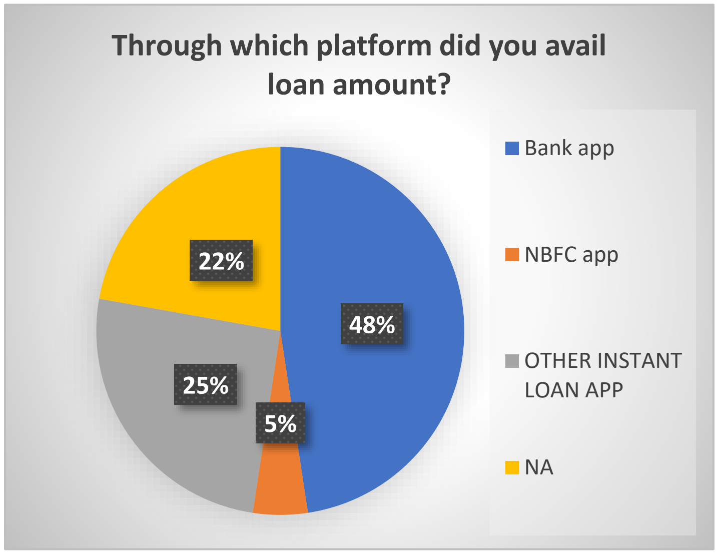
From the above chart, it is analyzed that a maximum number of respondents have fear of debt which is 32% of respondents who did not avail of any instant personal loan. 30% of respondents have a fear of fraud. According to 28% of respondents, an instant personal loan with a high-interest rate is availed and 7% of respondents did not avail of a loan because they were not aware of loan procedures, interest rates, platform, etc.

Table 4: Distribution of Consumers as Per Awareness of Instant Personal Loan



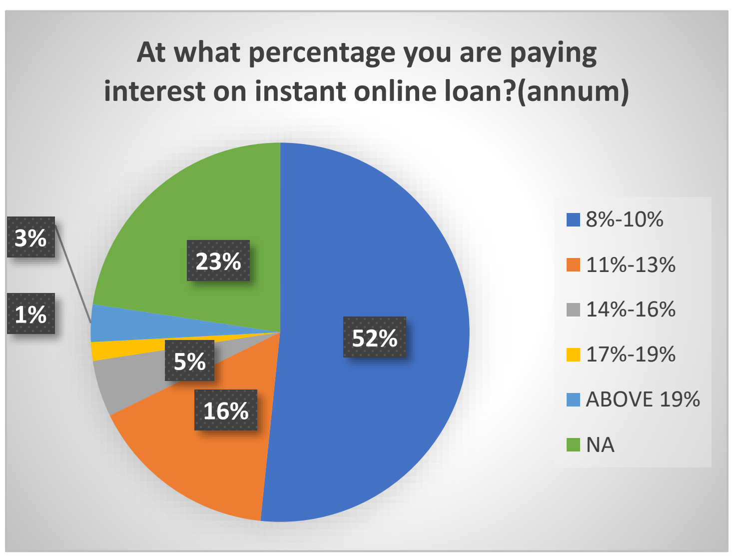
According above chart, it was found that 22% of the respondents came to know about instant loans from social media.21% of the respondents got information from friends and relatives. 19% gathered information from the internet.17% got information from SMS and phone calls.11% came to know through bank employees. 5% of the respondents come under NA category. 3% collected information through television and 2% got information through newspaper. Consumers are getting information through social media, friends and relatives, and the internet. Social media has been a big marketing platform nowadays and the user of social media is increasing with the upgradation of technology.

Table 5: Distribution of Consumers as Per Platform They Prefer to Get Instant Loan.



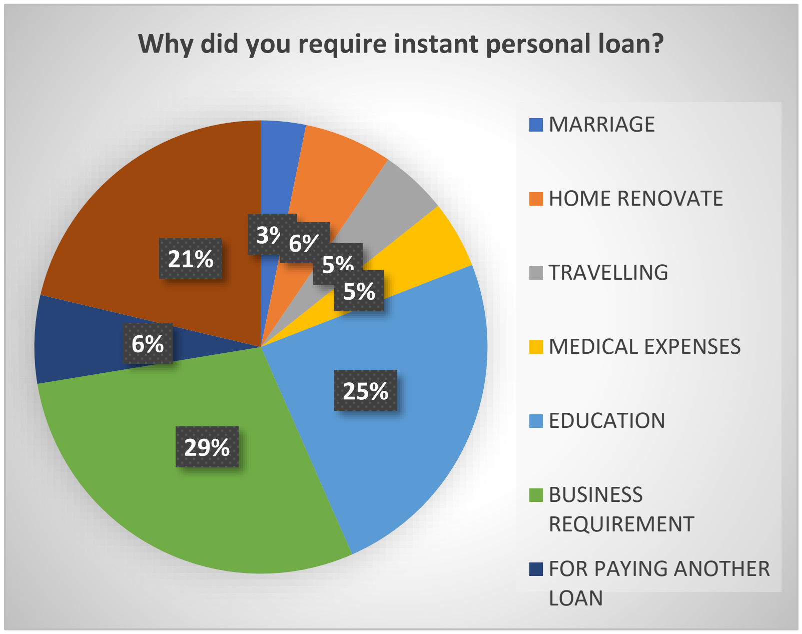
As per above data it was discovered that 48% of the respondents preferred to get instant loan through Bank app. 25% of the respondents got instant loan through other instant loan apps. 22% of the respondents fell under NA category. 5% preferred NBFC loan app. However, consumers have trust issues while applying loan somehow, lack of awareness about related app. therefore they mostly prefer authorized bank app comparatively others apps.

Table 6: Distribution of Consumers as Per Interest What They Paying on Instant Personal Loan



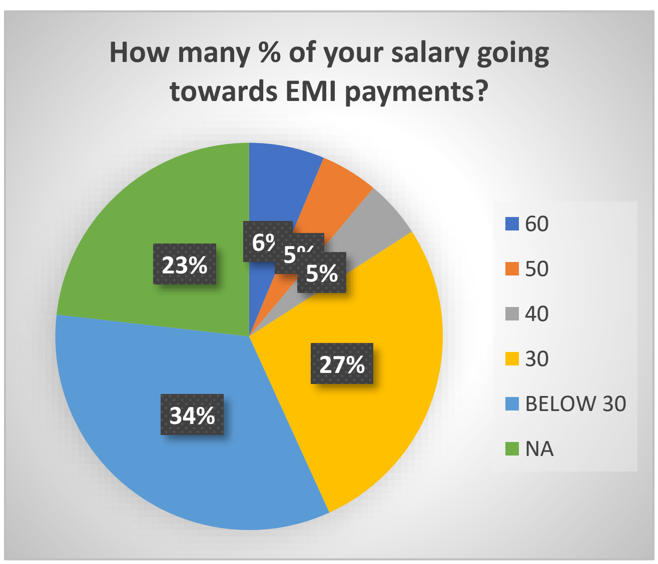
According above data it was discovered that 52 percent of the respondents were paying interest from 8% to 10% rate. 16 percent were paying interest from 11% to 13% rate. 5 percent were paying interest from 14% to 16% rate. 1 percent were paying interest from 17% to 19% rate. 3 percent were paying interest above the 19% rate. 23 percent of the respondents fell under NA category. According to this survey most of the respondents are paying interest from 8%-10% rate.

Table 7: Distribution of Consumer as Per Their Requirement to Get Instant Personal Loan



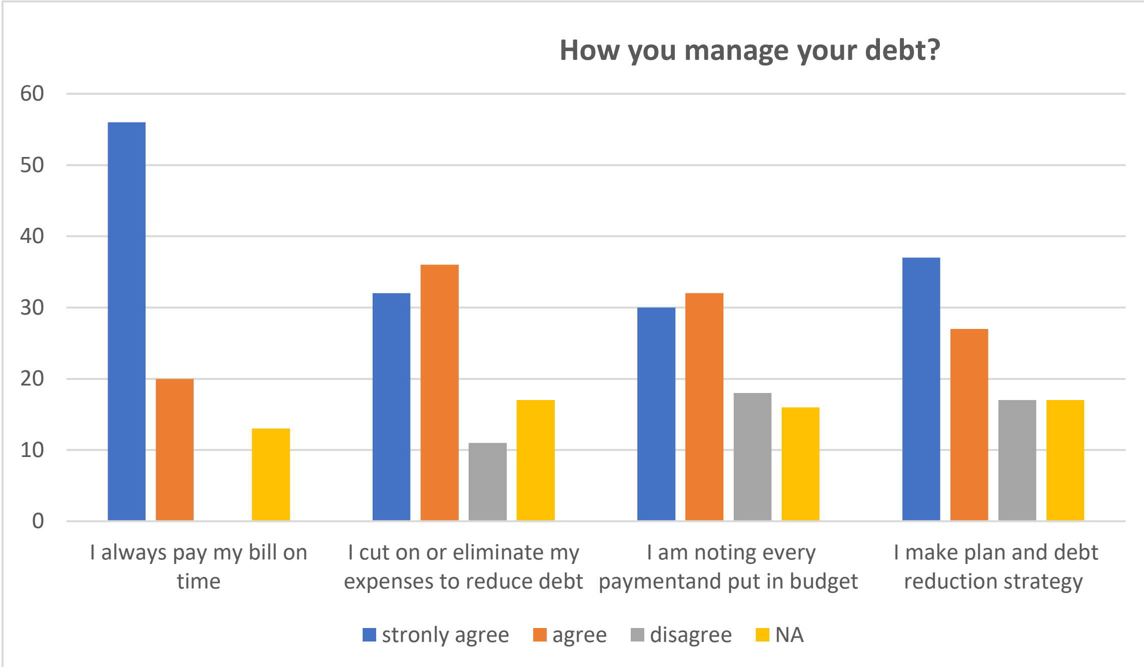
From above chart it was analyzed that there are many reasons behind getting instant personal loan like to marriage (3%), to home renovation (6%), for travelling (5%), for medical expenses (5%), for education (25%), for business (29%), for paying another loan (6%), remaining 21% of respondents fell under NA category. Business requirements and education are the main motivating factors to get loan according to this survey.

Table 8: Part of Salary of a Consumer Paying for EMIs



From the above data it was discovered that 34% of the respondents were paying less than 30 percent part of their salary for EMI. 27 percent were paying 30% part of their salary for EMI. 5 percent were giving 40% of salary for EMI. 5 percent were giving 50% of salary for EMI. 6 percent were paying 60% of salary for EMI and 23 percent fell under NA. respondents are paying EMIs subject to the below 30% part of their salary.

Table 9: Distribution of Consumer as Per Their Management of Debt



According to above chart, it was interpreted that most of the respondents strongly agree with that they always pay their bill on time. They agree with elimination of expenses for debt reduction and some of them disagree with this. Most of them agree with that they put their payment in budget and some of them disagree with this. Most of them strongly agree that they make plan and debt reduction strategies whereas some of them disagree with this.

VII. CONCLUSION

The FinTech sector is providing different-different financial services and one of them is peer to peer lending through mobile applications. A person can direct apply for loan from a lender without any mediator with the help of their mobile devices. But the people have a different views on these lending applications. From the analysis of above survey, it is analyzed that consumers who belongs to the age group of 18-25 years are mostly graduate and post graduate and they employed in private sector and their annual income comes under 180000-300000 and few of them do not come under any category of income and did not avail loan because they have fear of debt, and insufficient income . Consumers are aware about the instant loan and they get information from the social media and their friends and relatives, but they have some unawareness about instant loan app which is authorized by NBFC and others companies, and they prefer to avail loan from bank's authorized application due to some trust issues on mobile phone applications. With the few clicks in their mobile phone, they can get loan in few minutes. Consumers are getting loan to fulfill education requirement and to smooth functioning of their business or to start a new business. They do not have to pay much part of their income in the form of interest and installments because interest rate is not much high in comparison of interest on loan through credit card and others. If consumers are managing their debt through making plan and strategy properly and paying bills on time, and they aware about authenticity of applications, they do not fall into any debt trap. Consumer should avoid credit card with high interest rate, and should not purchase maximum allowed. if consumers are cautious, Instant personal loan are not debt trap, it helps to consumers to fulfill their desires and requirements without any delay and at lesser interest rate. Overall in comparison of traditional method of availing loan, instant loan through app is easier and convenient process.

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