

## A STUDY ON CUSTOMER'S AWARENESS ON CHANGING HOME LOAN INTEREST RATE: SBI

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### ABSTRACT

Home loans have become an essential financial product that enables individuals to fulfill their dream of home ownership. In India, the housing finance sector has witnessed significant growth due to urbanization, rising income levels, and supportive government policies. However, fluctuations in home loan interest rates significantly influence borrowers' repayment capacity, loan tenure, and overall financial planning. Therefore, awareness regarding changing home loan interest rates is crucial for customers to make informed borrowing decisions. This study examines the level of customer awareness regarding changing home loan interest rates offered by State Bank of India (SBI) and Housing Development Finance Corporation (HDFC). The study also investigates customer understanding of floating and fixed interest rates, benchmark rate revisions, prepayment regulations, loan conversion facilities, and the role of the Reserve Bank of India in determining lending rates. The research adopts a descriptive research design and utilizes primary data collected through a structured questionnaire from 140 home loan customers. Secondary data were collected from journals, books, reports, and banking publications. Statistical tools such as percentage analysis, correlation, chi-square, and ANOVA were employed to analyze the collected data. The findings reveal that most respondents possess moderate awareness of home loan interest rate changes and understand the impact of benchmark rates on loan repayments. Customers primarily obtain information through friends, family members, bankers, and digital media platforms. The study further indicates that awareness levels vary according to educational qualification, occupation, income, and loan tenure. While SBI and HDFC provide transparent information regarding home loan products, a considerable proportion of borrowers remain unaware of interest rate revision mechanisms and loan conversion options. The study concludes that enhancing customer education, strengthening communication channels, and promoting financial literacy initiatives can improve customer awareness and facilitate better financial decision-making regarding home loan management.

**Keywords:** Home Loan, Interest Rate Awareness, SBI, HDFC, Housing Finance, Financial Literacy, Customer Satisfaction, Floating Interest Rate, Fixed Interest Rate, RBI Guidelines.

### I. INTRODUCTION

The housing finance sector plays a vital role in the economic development of a country by facilitating home ownership and promoting investment in real estate. Home loans have become one of the most widely utilized financial products among middle-income and salaried individuals seeking residential property. Financial institutions such as State Bank of India (SBI) and Housing Development Finance Corporation (HDFC) offer a

variety of home loan products with competitive interest rates, flexible repayment schedules, and customized borrowing options. Interest rates significantly affect the affordability of housing loans because changes in lending rates influence Equated Monthly Installments (EMIs), loan tenure, and total repayment obligations. Consequently, customer awareness regarding changing home loan interest rates has become increasingly important in ensuring sound financial decision-making and effective debt management. The liberalization of the Indian economy and reforms introduced by the Reserve Bank of India have transformed housing finance practices and encouraged greater transparency in lending operations [1]. Customer awareness has emerged as a critical factor in evaluating banking services and improving borrowing experiences [2]. Interest rate fluctuations influence borrowing behavior and customer satisfaction [3]. Financial literacy enhances customers' understanding of loan products [4]. Home loan decisions are affected by economic conditions and lending policies [5]. Borrowers increasingly rely on digital channels for financial information [6]. Transparency in loan documentation contributes to trust and confidence [7]. Floating-rate loans have gained popularity due to market-linked pricing mechanisms [8]. Fixed-rate loans offer stability and predictability in repayment [9]. Benchmark-linked lending rates have improved interest rate transmission [10]. Effective communication from banks improves customer understanding [11]. Customer education initiatives contribute to informed borrowing decisions [12]. Housing finance institutions play a major role in financial inclusion [13]. RBI regulations influence lending practices across the banking sector [14]. Awareness of prepayment and conversion facilities remains limited among borrowers [15].

The rapid expansion of digital banking services has further transformed the manner in which customers access and interpret information related to home loans. Financial institutions now provide online calculators, interest rate alerts, mobile banking applications, and personalized advisory services to enhance customer engagement and awareness. Despite these developments, many borrowers remain uncertain about the implications of interest rate revisions and benchmark changes on their loan obligations. Understanding customer awareness is therefore essential for banks to design effective communication strategies and improve service quality. Previous studies have highlighted the importance of customer satisfaction in housing finance services [16]. Demographic characteristics significantly influence borrowing behavior [17]. Education levels contribute positively to financial awareness [18]. Income and occupation affect loan preferences [19]. Service quality remains a key determinant of customer satisfaction [20]. Digital banking platforms improve access to financial information [21]. Financial literacy reduces information asymmetry [22]. Interest rate transparency enhances customer trust [23]. Customer awareness supports efficient loan management [24]. Regulatory reforms have increased competition in the housing finance market [25]. Housing finance contributes to economic growth and urban development [26]. Effective dissemination of information improves customer confidence [27]. Loan conversion facilities help borrowers manage changing interest rates [28]. Borrowers increasingly compare products across financial institutions [29]. Awareness initiatives contribute to sustainable banking relationships and improved customer outcomes [30].

## II. LITERATURE REVIEW

Several researchers have examined customer awareness, satisfaction, and behavioral responses toward home loan products and interest rate variations. Aarti Varma reported that customers evaluate home loan providers based on

service quality, transparency, and interest rate competitiveness [1]. Arunodayam and Thangavel found that borrowers often face challenges in understanding interest rate fluctuations and repayment obligations [2]. Bandyopadhyay emphasized the significance of borrower characteristics in determining housing finance demand [3]. Devlin identified demographic variables as major determinants of financial institution selection [4]. Kaur highlighted customer satisfaction differences between public and private housing finance institutions [5]. Rani stressed the importance of transparency and customer communication in housing finance services [6]. Sharma observed that financial literacy significantly influences loan decision-making [7]. Gupta reported that customer awareness improves loan management efficiency [8]. Singh found that educational attainment positively affects financial knowledge [9]. Kumar identified interest rate transparency as a critical factor influencing customer trust [10]. Patel emphasized the role of digital banking in disseminating financial information [11]. Verma observed that borrowers increasingly prefer online loan management tools [12]. Rao highlighted the importance of RBI guidelines in protecting borrower interests [13]. Mishra reported that benchmark-linked rates improved transparency in lending [14]. Joseph found that awareness of loan conversion facilities remains relatively low among customers [15].

Recent studies have focused on the relationship between financial literacy, technological advancements, and customer awareness in the housing finance sector. Agarwal observed that digital transformation has improved accessibility to banking information [16]. Das reported that social media platforms have become important sources of financial awareness [17]. Mehta found that customer education programs enhance understanding of lending products [18]. Nair emphasized the importance of transparent communication regarding interest rate revisions [19]. Kulkarni identified customer engagement as a predictor of satisfaction levels [20]. Bhatia reported that floating-rate borrowers are more attentive to market developments [21]. Chandra found that awareness levels differ across age groups and income categories [22]. Saxena observed that banking technology improves service delivery and information dissemination [23]. Jain highlighted the significance of customer-centric communication strategies [24]. Thomas reported a positive association between awareness and repayment discipline [25]. Reddy found that informed customers exhibit higher confidence in financial planning [26]. Narayan emphasized the role of regulatory bodies in promoting transparency [27]. Suresh reported that borrowers frequently depend on informal information sources [28]. Prasad observed that loan awareness programs reduce customer grievances [29]. Lakshmi concluded that continuous financial education is necessary to improve customer understanding of home loan interest rate mechanisms and related banking services [30].

### III. RESEARCH METHODOLOGY

The study adopted a descriptive research design to examine customer awareness regarding changing home loan interest rates offered by SBI and HDFC. The research focused on identifying customer knowledge concerning fixed and floating interest rates, benchmark-linked lending rates, RBI regulations, loan conversion facilities, and prepayment provisions. Both primary and secondary data sources were utilized. Primary data were collected through a structured questionnaire administered to home loan customers, while secondary data were gathered from academic journals, books, reports, banking publications, and official websites. A total sample of 140

respondents was selected using simple random sampling. The respondents represented diverse demographic categories, including different age groups, occupations, educational backgrounds, income levels, and loan tenures.

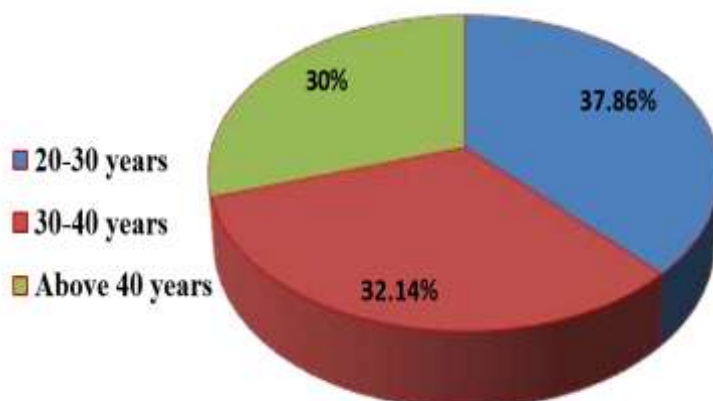
The collected data were coded, classified, and analyzed using statistical software. Percentage analysis was employed to understand respondent profiles and awareness levels. Inferential statistical techniques such as Chi-square tests, ANOVA, and correlation analysis were utilized to examine relationships between demographic variables and customer awareness regarding home loan interest rates. Reliability and validity considerations were maintained throughout the research process. The findings were interpreted to assess the effectiveness of communication practices adopted by SBI and HDFC and to identify gaps in customer understanding. The study provides recommendations for improving customer awareness through financial literacy initiatives, transparent communication mechanisms, and enhanced customer engagement strategies.

## IV. RESULTS & DISCUSSION

The analysis revealed that the majority of respondents belonged to the age group of 20–30 years and were predominantly private-sector employees. Most respondents had obtained home loans ranging from ₹10 lakh to ₹20 lakh and preferred floating interest rate options over fixed interest rates. A significant proportion of customers demonstrated awareness of the role played by the Reserve Bank of India in influencing home loan interest rates. The findings further indicated that customers were generally aware of benchmark-linked lending practices and the impact of interest rate changes on loan repayment obligations. Friends and family members emerged as the most influential source of information regarding home loan interest rates, followed by social media platforms and bankers. The study also found that awareness levels were higher among respondents possessing graduate and postgraduate qualifications.

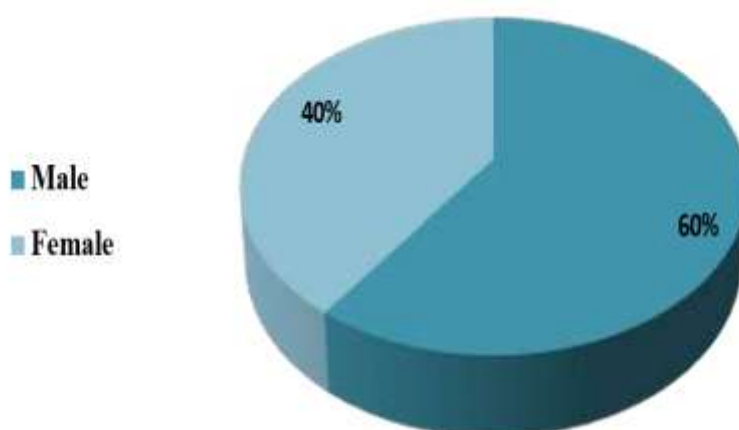
AGE	NO OF RESPONDENTS	PERCENTAGE %
20-30 years	53	37.86%
30-40 years	45	32.14%
Above 40 years	42	30%
<b>TOTAL</b>	<b>140</b>	<b>100</b>

Source: Primary Data



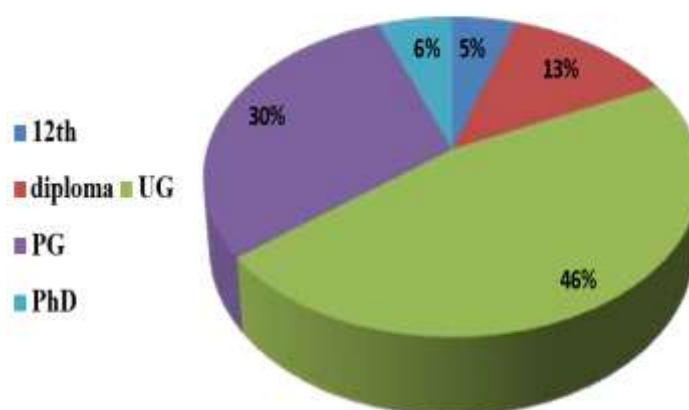
GENDER	NO OF RESPONDENTS	PERCENTAGE
Male	84	60%
Female	56	40%
<b>TOTAL</b>	<b>140</b>	<b>100</b>

Source: Primary Data



QUALIFICATION	NO OF RESPONDENTS	PERCENTAGE %
12th	7	5%
diploma	18	13%
UG	65	46%
PG	42	30%
PhD	8	6%
<b>TOTAL</b>	<b>140</b>	<b>100</b>

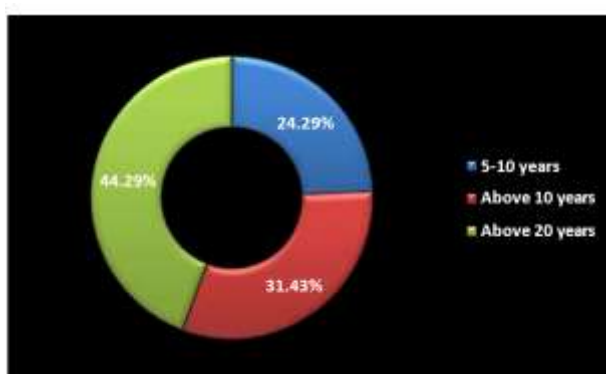
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The results indicate that although customers possess a moderate understanding of interest rate fluctuations, considerable knowledge gaps continue to exist regarding loan conversion facilities, prepayment regulations, and the implications of benchmark revisions. Many respondents believed that conversion forms are the only mechanism for reducing interest rates, reflecting limited awareness of alternative options available through banking institutions. Customers with higher income levels and longer loan tenures demonstrated greater awareness compared to other groups. Statistical analysis suggested a significant relationship between educational qualification and awareness level. The findings support previous research emphasizing the importance of financial literacy and transparent communication in improving customer understanding. Banks such as SBI and HDFC can further enhance customer awareness by conducting regular educational campaigns, providing timely interest rate updates, and leveraging digital platforms to disseminate accurate and accessible information.

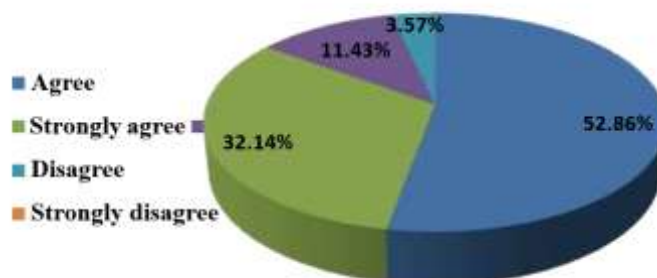
TENURE	NO OF RESPONDENTS	PERCENTAGE
5-10 years	34	24.29%
Above 10 years	44	31.43%
Above 20 years	62	44.29%
<b>TOTAL</b>	<b>140</b>	<b>100</b>

Source: Primary Data



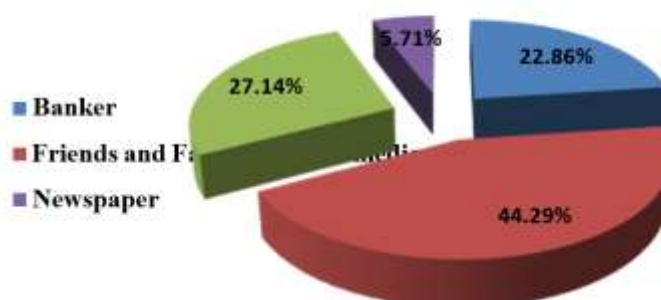
BI INVOLVED IN DETERMINING HOME LOAN INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE
Agree	74	52.86%
Strongly agree	45	32.14%
Neutral	16	11.43%
Disagree	5	3.57%
Strongly disagree	-	-
<b>TOTAL</b>	<b>140</b>	<b>100</b>

Source: Primary Data



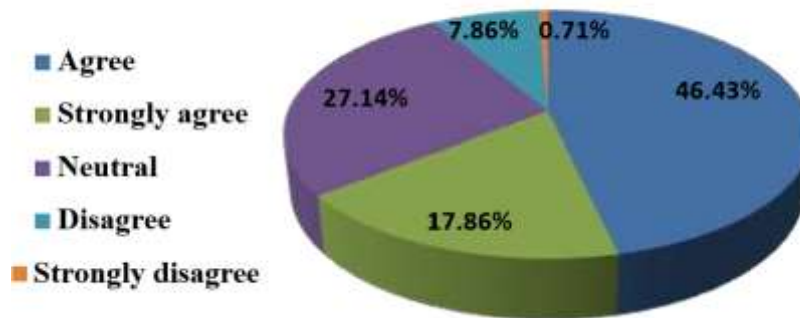
DO NOT CHARGE FOR PREPAYMENT PROCESS	NO OF RESPONDENTS	PERCENTAGE
Yes	80	57.1%
No	60	42.9%
<b>TOTAL</b>	<b>140</b>	<b>100</b>

Source: Primary Data



CHANGES IN BENCHMARK RATE, CHANGE IN INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE
Agree	65	46.43%
Strongly agree	25	17.86%
Neutral	38	27.14%
Disagree	11	7.86%
Strongly disagree	1	0.71%
<b>TOTAL</b>	<b>140</b>	<b>100</b>

Source: Primary Data



## V. CONCLUSION

The study concludes that customer awareness regarding changing home loan interest rates is an essential factor influencing borrowing decisions, repayment behavior, and overall customer satisfaction. The findings indicate that while a majority of borrowers possess a basic understanding of home loan interest rates, substantial gaps remain in their knowledge of benchmark-linked lending mechanisms, loan conversion options, prepayment regulations, and the long-term implications of interest rate fluctuations. Educational qualification, income level, occupation, and loan tenure were found to significantly influence awareness levels among respondents. The study highlights the importance of transparent communication and customer education initiatives in promoting informed financial decision-making. SBI and HDFC have made significant efforts to provide customers with information through digital banking platforms and customer service channels; however, further improvements are necessary to ensure comprehensive understanding among borrowers. Financial literacy programs, periodic awareness campaigns, personalized advisory services, and proactive communication regarding interest rate revisions can help bridge existing knowledge gaps. Enhanced customer awareness not only benefits borrowers through improved financial planning but also contributes to stronger customer-bank relationships and greater confidence in the housing finance system. Therefore, banking institutions should continue investing in educational and technological initiatives that empower customers to effectively manage their home loan obligations in a dynamic interest rate environment.

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