

A Study of Consumer Behaviour and Preferences for Unsecured Financial Lending at HDFC Bank

Atira Bansal and Dr. Ashish Pathak

Research Scholar, PMCoE - Shri Atal Bihari Vajpayee Government Arts and Commerce College, Indore
Professor of Commerce, PMCoE - Shri Atal Bihari Vajpayee Government Arts and Commerce College, Indore

Abstract: *This study examines consumer behaviour and preferences in unsecured financial lending at HDFC Bank's South Tukoganj branch, Indore. Using a quantitative descriptive-diagnostic design with stratified random sampling, primary data were collected from 98 respondents across three occupational groups (January–March 2025). A structured questionnaire with verified internal consistency (Cronbach's $\alpha = 0.81$) served as the research instrument. Descriptive statistics, weighted ranking, and Chi-square testing ($\chi^2 = 6.42$, $df = 2$, $p = 0.040$) were applied. Key findings: young adults aged 18–28 (72.4%) from middle- to high-income groups constitute the dominant borrower segment; bank image (19.21%) is the statistically confirmed primary provider-selection factor; low interest rates (22.71%) and fast disbursement (22.29%) are the top service expectations; and higher education financing (42.5%) is the leading loan purpose. The study fills a geographic gap by focusing on a Tier-2 city and provides actionable recommendations for banking strategy, product design, and customer retention*

Keywords: Unsecured Loans, Consumer Behaviour, HDFC Bank, Borrowing Preferences, Loan Motivation, Banking Services.

I. INTRODUCTION

Unsecured financial lending — personal loans, business loans, and consumer durable loans disbursed without collateral — is among the fastest-growing segments of retail banking in India. The Reserve Bank of India (RBI, 2023) reported double-digit year-on-year growth in unsecured retail credit over three consecutive fiscal years, driven by rising income levels, financial literacy, and formal credit infrastructure expanding into Tier-2 and Tier-3 cities. Unlike secured lending, unsecured loans are sanctioned on the basis of creditworthiness and CIBIL scores, democratizing credit access for salaried professionals and small business owners lacking tangible assets.

Despite this growth, existing research has focused disproportionately on metropolitan contexts — primarily Mumbai and Pune — leaving a significant knowledge gap regarding consumer preferences in India's Tier-2 cities. Indore, the commercial capital of Madhya Pradesh and one of India's fastest-growing urban economies, presents a distinct socio-economic context that may yield meaningfully different borrower behaviour compared to metropolitan studies such as Jiwani (2021). Moreover, most prior work relies exclusively on descriptive analysis without inferential hypothesis testing, limiting academic rigor and generalizability. The present study addresses both gaps by focusing on Indore and applying Chi-square analysis to statistically validate whether bank image — consistently cited anecdotally as a dominant factor — genuinely and significantly influences consumer selection of lending institutions.

II. LITERATURE REVIEW

Prior literature spans foundational descriptive work and more recent inferential studies. Vinayagamorthy and Somasundaram (2013) established the foundational importance of creditworthiness and employer reputation in credit pricing. Jadhav and Sadija (2018), studying five HDFC Bank branches ($n = 100$), identified interest rate as the most significant driver of personal loan demand, though without city-level disaggregation or inferential testing. Mina and Campos (2018) documented unstable income, unmet needs, and consumer durable aspirations as primary motivators, alongside barriers of hidden charges and poor service quality.

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Bhardwaj et al. (2021) used ANOVA to demonstrate that borrower attitude (willingness to repay) is the strongest loan uptake predictor, validating the application of hypothesis testing. Jiwani (2021) — the most directly comparable prior study, conducted at HDFC's Kothrud branch, Pune — identified bank image, location, and transparency as primary selection factors but employed no inferential statistics and operated in a metropolitan context. Chadda (2024) found male borrowers averaging 35 years to be the most active unsecured loan consumers. Singh and Kaur (2022) demonstrated that mobile banking adoption accelerates loan decisions in Tier-2 cities among adults aged 22–30. Critically, Sharma and Mehta (2023), using logistic regression on 210 Madhya Pradesh borrowers, confirmed that Indore and Bhopal respondents weight branch proximity and personal banking relationships more heavily than their counterparts in Mumbai or Pune — providing direct geographic support for the present study's Indore focus.

Research Gap and Contribution. No study has specifically examined unsecured lending consumer behaviour in Indore; and the reliance on descriptive analysis alone in most prior work limits generalizability. The present study addresses both gaps through geographic specificity and Chi-square analysis, making an original empirical contribution to the literature.

III. SCOPE, OBJECTIVES, AND HYPOTHESES

The study is confined to HDFC Bank's South Tukoganj branch, Indore, covering actual and prospective borrowers of personal and business (unsecured) loans from three occupational groups — private employees, government employees, and the self-employed — during January–March 2025. Findings are intended for branch-level managers, product designers, marketing teams, and financial policymakers, and may serve as a baseline for future longitudinal or multi-branch studies in Central India.

The primary objectives are to:

- (1) examine the demographics and occupational profile of browsers of HDFC bank and identify their principal motivations for seeking unsecured credit alongside their key service expectations.
- (2) Analyse the factors shaping consumer preferences in unsecured loan provider selection.

H₀: There is no significant relationship between bank image and consumer selection of unsecured loan providers at HDFC Bank's South Tukoganj branch, Indore.

H₁: Bank image significantly influences consumer selection of unsecured loan providers.

IV. RESEARCH METHODOLOGY

The study employs a descriptive and diagnostic research design anchored in Consumer Decision-Making Theory (Howard & Sheth, 1969), which posits that buying behaviour is shaped by stimulus inputs, perceptual constructs, and learning constructs; and the Theory of Planned behaviour (Ajzen, 1991), which holds that behavioural intention — here, the intention to borrow — is determined by attitudes, subjective norms, and perceived behavioural control. Together, these frameworks explain why bank image, peer influence, and income level emerge as significant behavioural determinants.

A structured questionnaire of 22 items (Likert-scale, ranking, and multiple-choice) was pre-tested on 10 respondents; Cronbach's $\alpha = 0.81$ confirmed high internal consistency (threshold ≥ 0.70 ; Nunnally, 1978). Stratified random sampling applied a ~30.3% sampling fraction, yielding $n = 98$ from $N = 323$ (Table 1). Data collection was conducted in person at the branch; secondary sources included peer-reviewed journals, RBI publications, and verified academic databases. Analytical methods comprised descriptive statistics, weighted ranking, Chi-square testing, Pearson correlation, Likert satisfaction scaling, and cross-tabulation.

Table 1: Proportional Stratified Sampling Distribution

Occupation	Population (N)	Sample (n)	Sampling Fraction
Private Employee	122	37	30.3%
Government Employee	93	28	30.1%
Business (Self-Employed)	108	33	30.6%
Total	323	98	30.3%

V. DATA ANALYSIS AND INTERPRETATION

A. Demographic Profile

Table 2: Demographic Profile of Respondents (n = 98)

Variable	Category	Frequency	Percent
Gender	Male	52	53.1%
	Female	46	46.9%
Age Group	18–28 Years	71	72.4%
	29–39 Years	21	21.4%
	40–49 Years	6	6.1%
Monthly Household Income	Below ₹15,000	2	2.0%
	₹15,000–35,000	30	30.6%
	₹35,000–55,000	15	15.3%
	₹55,000–75,000	22	22.4%
	More than ₹75,000	29	29.6%
Occupation	Private Employee	37	37.8%
	Self-Employed / Business	33	33.7%
	Government Employee	28	28.6%

Note. Gender is near-balanced (53.1%/46.9%). The 18–28 cohort dominates (72.4%), consistent with Sharma & Mehta (2023) and RBI (2023). Only 2.0% earn below ₹15,000, reflecting CIBIL eligibility thresholds; middle- and higher-income brackets account for >75% of borrowers.

B. Decision Influencers and Information Sources

Table 3: Pre-Borrowing Consultation and Primary Information Sources

Persons Consulted	% Resp.	Information Source	% Resp.
Bank Employees	61.0%	Bank Employee	31.6%
Family / Relatives	58.8%	Internet	24.0%
Friends	27.2%	Net Banking	19.6%
Colleagues	9.8%	Friends	18.5%

Persons Consulted	% Resp.	Information Source	% Resp.
Bank Customers	9.8%	Relatives	10.9%
Self-Decided	9.8%	E-mail	8.7%
		SMS Banking	6.5%

Note. Bank employees (61.0%) and family (58.8%) dominate pre-borrowing consultation; only 9.8% self-decide. Combined digital channels (internet, net banking, e-mail, SMS) account for 58.8% of information access, reflecting a transitional environment where borrowers use digital channels for initial research but rely on branch staff for final decisions (Singh & Kaur, 2022).

C. Motivating Factors for Borrowing

Table 4: Motivating Factors for Seeking Unsecured Loans

Motivating Factor	% of Respondents
Personal Interest	51.2%
Need Recognition	34.8%
Business Requirement	32.7%
Tax Benefits	21.8%
Improve CIBIL Score	15.2%

Note. Personal interest (51.2%) is the dominant driver, suggesting aspirational rather than necessity-led borrowing, consistent with the Theory of Planned behaviour (Ajzen, 1991). Business requirement (32.7%) underscores unsecured credit as a growth enabler, particularly for the self-employed.

D. Service Expectations (Weighted Ranking)

Table 5: Quality of Service Expected from the Bank

Service Attribute	Weight Score	Preference %	Rank
Low Rate of Interest	436	22.71%	1
Fast Disbursement	428	22.29%	2
Quick Service	342	17.81%	3
Easy Process	323	16.82%	4
Minimum Documentation	198	10.31%	5
Foreclosure Facility	193	10.05%	6
Total	1920	100.00%	—

Note. Weight scores: 6 pts = Rank 1, 5 pts = Rank 2, etc., summed across 98 respondents. Low interest rate and fast disbursement together account for 45.00% of total preference weight — the twin competitive differentiators in unsecured lending. Percentages computed as (score ÷ total) × 100; may not sum to 100.00% due to rounding.

E. Bank Selection Criteria (Weighted Ranking)

Table 6: Factors Influencing Bank Selection

Factor	Weight Score	Preference %	Rank
Image of the Bank	484	19.21%	1
Past Experience	390	15.48%	2
Relatives / Friends' Opinion	362	14.37%	3
Media	360	14.29%	4
Location of the Bank	342	13.57%	5
Reports of the Bank	298	11.83%	6
Existing Customer Opinion	284	11.27%	7
Total	2520	100.00%	—

Note. Bank image (19.21%) is the foremost selection driver, statistically confirmed by Chi-square analysis (Section V.G). Trust derived from past experience and social referrals forms a secondary cluster. Percentages computed as $(\text{score} \div \text{total}) \times 100$; may not sum to 100.00% due to rounding.

F. Reasons for Borrowing

Table 7: Reasons for Taking Unsecured Loans

Reason	% of Respondents
Finance Higher Studies	42.5%
Purchase Real Estate / Expand Business	32.7%
Wedding Expenses	21.8%
Increase Working Capital	19.6%
Renovate Home	19.6%
Purchase Equipment	16.3%
Vacation Trip	15.2%
Purchase Inventory	10.9%
Buy Gadgets / Consumer Durables	7.6%

Note. Higher education financing (42.5%) is the most prevalent purpose. Working capital and home renovation are each independently cited by 19.6% of respondents. The diversity of purposes confirms a broad, legitimate demand base spanning educational, entrepreneurial, cultural, and lifestyle dimensions.

G. Statistical Hypothesis Testing: Chi-Square Analysis

To test H_0 , respondents were cross-tabulated on their ranking of 'Image of the Bank' against their final institution selection (HDFC Bank vs. alternative providers).

Table 8: Observed Frequency — Bank Image Ranking vs. Provider Selection

Bank Image Ranking	Selected HDFC (O)	Considered Others (O)	Row Total
Ranked 1st	48	6	54
Ranked 2nd	22	10	32
Ranked 3rd or Lower	8	4	12
Column Total	78	20	98

Table 9: Chi-Square Test Results Summary

Statistical Parameter	Value
Chi-Square Statistic (χ^2)	6.42
Degrees of Freedom (df)	2
p-value	0.040
Significance Level (α)	0.05
Critical Value ($\chi^2_{0.05, df = 2}$)	5.991
Decision	Reject H_0

Note. Since $\chi^2 = 6.42 >$ critical value of 5.991 and $p = 0.040 <$ $\alpha = 0.05$, H_0 is rejected. Bank image is a statistically significant determinant of unsecured loan provider selection — the first empirical, inferential confirmation of this relationship in the literature.

H. Pearson Correlation Analysis

Table 10: Pearson Correlation Matrix — Key Study Variables (n = 98)

Variable	Age	Income	Motivation	Bank Image	Satisfaction
Age	1.00	0.42***	0.38***	-0.21*	0.19
Income	0.42***	1.00	0.51***	0.33***	0.44***
Motivation Score	0.38***	0.51***	1.00	0.29**	0.52***
Bank Image Rank	-0.21*	0.33***	0.29**	1.00	0.61***
Satisfaction Score	0.19	0.44***	0.52***	0.61***	1.00

Note. * $p < .05$ ** $p < .01$ *** $p < .001$ (two-tailed, $df = 96$). Strong positive correlation: bank image ranking and satisfaction ($r = 0.61$, $p < .001$). Moderate-strong: income-motivation ($r = 0.51$). Weak negative: age-bank image ($r = -0.21$, $p < .05$).

I. Customer Satisfaction: Likert Scale (n = 98)

Table 11: Customer Satisfaction Across Service Dimensions

Service Dimension	Very Satisfied (5)	Satisfied (4)	Neutral (3)	Dissatisfied (2)	Very Dissatisfied (1)	Mean
Customer Service	38	34	16	8	2	4.00

Service Dimension	Very Satisfied (5)	Satisfied (4)	Neutral (3)	Dissatisfied (2)	Very Dissatisfied (1)	Mean
Staff Responsiveness	35	37	17	7	2	3.98
Process Speed	33	36	18	9	2	3.91
Fees & Charges	30	38	19	9	2	3.87
Interest Rate Accuracy	29	37	22	8	2	3.85

Note. All five dimensions score 3.85–4.00/5.0, indicating consistently positive borrower experience. Interest rate accuracy (3.85) is the weakest, suggesting a gap between pre-disbursement rate communication and actual charges experienced.

J. Cross-tabulation: Occupation vs. Motivating Factor

Table 12: Occupation vs. Primary Motivating Factor (%)

Motivating Factor	Govt. Employee (%)	Private Employee (%)	Self-Employed (%)
Personal Interest	40.0%	55.0%	48.0%
Need Recognition	35.0%	38.0%	30.0%
Business Requirement	25.0%	28.0%	48.0%
Tax Benefits	20.0%	25.0%	18.0%

Note. Self-employed respondents equally endorse personal interest and business requirement (both 48.0%), revealing the blurred personal-professional role of unsecured credit. Private employees show the highest personal interest (55.0%); government employees display the most conservative motivation patterns.

VI. KEY FINDINGS

Young adults (18–28 years, 72.4%) dominate with near-equal gender distribution (53.1%/46.9%). Borrowers concentrate in middle- and higher-income brackets; only 2.0% earn below ₹15,000.

Bank employees (61.0%) and family/relatives (58.8%) are the most consulted pre-borrowing advisers; only 9.8% self-decide, confirming the primacy of trust-based human relationships in Indian financial decision-making.

Combined digital channels account for 58.8% of information access; bank employees (31.6%) remain the single dominant source, indicating a transitional information environment.

Personal interest (51.2%) leads borrowing motivations. Private employees show the highest personal interest (55.0%); self-employed respondents equally endorse personal and business motives (both 48.0%).

Low interest rate (22.71%) and fast disbursement (22.29%) together account for 45.00% of weighted service preference — the twin competitive differentiators in unsecured lending.

Bank image (19.21%) is the foremost institution-selection criterion, statistically confirmed ($\chi^2 = 6.42$, $df = 2$, $p = 0.040 < 0.05$). H_0 is rejected.

Pearson correlation: $r = 0.61$ (bank image vs. satisfaction, $p < .001$) — image-driven selection produces superior borrower–bank alignment.

All five Likert satisfaction dimensions score 3.85–4.00/5.0; interest rate accuracy (3.85) is the weakest, indicating a communication gap between stated and applied rates.

Higher education financing (42.5%) dominates loan purpose, followed by business expansion (32.7%) and wedding expenses (21.8%).

VII. DISCUSSION

The concentration of borrowers in the 18–28 cohort (72.4%) corroborates Sharma and Mehta (2023) and the national RBI (2023) trend. The near-equal gender distribution is more progressive than Chadda's (2024) predominantly male profile, suggesting a more inclusive borrowing culture in Indore. High reliance on bank employees and family for consultation — 61.0% and 58.8% respectively — despite growing digital adoption extends Jiwani (2021) and Mina and Campos (2018) to the Tier-2 context, challenging a simplistic 'digital-first' assumption in retail banking strategy.

The statistical confirmation of bank image as a significant provider-selection determinant ($\chi^2 = 6.42$, $df = 2$, $p = 0.040$) is the most important methodological contribution of this study. While Jiwani (2021) identified bank image as the top qualitative factor, no prior study formally tested this relationship. The Chi-square result confirms it is not merely a ranking artifact but a statistically meaningful behavioral predictor, grounding brand equity investment recommendations in rigorous evidence. The strong correlation between bank image and satisfaction ($r = 0.61$, $p < .001$) reinforces this: image-driven selection produces superior long-term borrower–bank alignment.

The relatively lower satisfaction score for interest rate accuracy (3.85) signals a potential gap between pre-disbursement rate communication and actual charges, which if unaddressed risks eroding HDFC's trust advantage. The cross-tabulation finding that self-employed respondents equally cite personal and business motivations (both 48.0%) reveals a blurred personal-professional boundary in small business financing, pointing to significant product design opportunities for hybrid unsecured instruments.

VIII. RECOMMENDATIONS

Invest in Brand Equity: 1. As the statistically confirmed primary selection driver, bank image should be reinforced through community engagement, CSR visibility, and branch service quality enhancements, monitored via Net Promoter Score (NPS) tracking at branch level.

Target Young Borrowers Digitally: 2. With 72.4% of borrowers aged 18–28, develop segment-specific digital campaigns (social media, in-app offers) aligned with aspirational goals — education, travel, and weddings.

Optimize Pricing and Disbursement Speed: 3. Low interest rate and fast disbursement account for 45.00% of combined preference weight. Introduce loyalty-based pricing for repeat borrowers and invest in automated underwriting and digital KYC.

Develop Government Employee Products: 4. This stable, low credit-risk segment (28.6%) is underutilized. Salary-linked unsecured products with competitive rates, co-marketed with employer payroll platforms, can substantially expand this segment.

Strengthen Frontline Staff Quality: 5. Staff are both the primary information source (31.6%) and the most consulted decision influencer (61.0%). Regular product knowledge training and consultative selling skills development can directly improve conversion and satisfaction.

Create Specialist Education Loan Products: 6. Higher studies financing dominates loan purpose (42.5%). A dedicated unsecured education loan with moratorium periods, income-linked EMIs, and institutional tie-ins would systematically capture this large latent demand.

Address Interest Rate Communication Gaps: 7. Standardized pre-disbursement disclosure documents and post-sanction confirmations will ensure borrowers fully understand all cost components before drawdown, protecting satisfaction and the bank's image.

Design Hybrid Products for the Self-Employed: 8. The equal endorsement of personal and business motivations (both 48.0%) signals an opportunity for a hybrid unsecured product combining personal loan flexibility with business features such as working capital top-ups and equipment financing.

IX. LIMITATIONS OF THE STUDY

Geographically confined to a single branch (South Tukoganj, Indore); findings may not generalize to other branches, cities, or institutions.

Sample size $n = 98$, while appropriate for this scope, limits statistical power; a larger multi-branch sample would improve generalizability.

Self-reported data are subject to social desirability and recall biases, particularly for income and decision-making responses.

The cross-sectional design (January–March 2025) cannot account for seasonal variation or longer-term behavioural shifts.

Chi-square and Pearson analyses do not control for confounders such as loan amount, tenure, or digital literacy; future work should employ multivariate regression or structural equation modelling.

The study covers only unsecured products and does not compare borrower behaviour across secured and unsecured product categories.

X. CONCLUSION

This study presents a rigorous, multi-method analysis of consumer behaviour and preferences in unsecured financial lending at HDFC Bank's South Tukoganj branch, Indore. Through stratified random sampling ($n = 98$), a validated questionnaire ($\alpha = 0.81$), weighted ranking, Chi-square hypothesis testing, Pearson correlation, Likert satisfaction measurement, and cross-tabulation, it generates a statistically grounded understanding of the Tier-2 borrower landscape.

Two original contributions distinguish this study: the first inferential confirmation that bank image is a statistically significant provider-selection determinant ($\chi^2 = 6.42$, $df = 2$, $p = 0.040$); and geographic specificity targeting Indore — a Tier-2 city underrepresented in the Indian banking literature. The eight targeted recommendations — spanning brand investment, digital youth marketing, government employee outreach, staff development, specialist education loan products, pricing transparency, and hybrid product design for the self-employed — provide a concrete, evidence-based strategic roadmap for HDFC Bank's unsecured lending growth in India's expanding Tier-2 urban economy. Future research should extend this analysis to multiple branches and cities, adopt longitudinal designs, and employ advanced multivariate methods for more robust causal inference.

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