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# A STUDY ON AWARENESS AND PERCEPTION TOWARDS MORTGAGE AND REVERSE MORTGAGE LOANS – WITH REFERENCE TO MUTHOOT FINANCE

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**ABSTRACT**

The mortgage sector is a critical pillar of the modern economy, and its importance has grown steadily across the globe as countries increasingly treat mortgage penetration as an indicator of economic growth. A mortgage is, at its core, a debt — yet it also provides the buyer with a lasting sense of ownership. Borrowers obtain financing to purchase or secure property either directly from financial institutions or through intermediaries, and the features of these loans vary considerably from one institution to another. In India, mortgage lending has evolved from informal, high-interest borrowing from small traders toward a more transparent, regulated system, aided by two decades of government policy reform and tax incentives that make housing finance an attractive option for both necessity-driven and wealth-building borrowers.

Within this landscape, reverse mortgage — introduced in India through the 2007–08 Union Budget — has emerged as a distinct financial product aimed at senior citizens, allowing them to unlock the equity in their primary residence as a lump sum or periodic payments without giving up ownership during their lifetime. This article presents a study of customer awareness and perception of mortgage and reverse mortgage loans with specific reference to Muthoot Finance in the Hyderabad district. The study is grounded in primary data collected from 100 respondents through a structured questionnaire, supplemented by secondary sources including company records, published research, and industry reports. It examines the demographic profile of borrowers, their reasons for taking mortgage loans, lender preference, and their perception of Muthoot Finance's services, concluding with suggestions to improve awareness, service delivery, and customer retention.

**Keywords:** Mortgage Industry, Reverse Mortgage, Mortgage Loan, Customer Awareness, Housing Finance.

## INTRODUCTION

Shelter is one of the three basic human needs, alongside food and clothing, and access to housing finance remains a challenge even in many developed economies. Mortgages are a key motivator for economic growth in India and other developing countries, driving allied industries such as steel and cement while generating substantial employment. Although the housing finance industry in India has grown steadily, financing through the organised sector still accounts for only around 25% of total housing investment in the country, and the application process continues to involve considerable paperwork and documentation.

The Indian mortgage industry has grown at a compound annual growth rate of approximately 16% over the past five years, though it remains an estimated 9–11 years behind regional peers such as China and Thailand in terms of penetration. Structural drivers — a young population, shrinking family size, urbanisation, and rising income levels

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— are expected to sustain healthy growth over the long term. Increasing competition among Housing Finance Companies (HFCs) has made obtaining a mortgage loan considerably easier than in the past, aided by low interest rates and income tax benefits, though many customers remain unfamiliar with the basic features of the products on offer.

Reverse mortgage represents a more specialised segment of this market. As a growing share of India's population enters old age, often with limited pension coverage, a reverse mortgage allows senior citizens to convert the equity in their primary residence into a lifetime income stream while continuing to live in the property. Industry commentary suggests that wider adoption of reverse mortgage schemes could reduce the pension burden on government and employers, while offering elderly 'house-rich, cash-poor' households a dignified way to supplement their income. However, adoption in India remains limited, shaped by strong emotional attachment to property, family expectations, and a general preference to treat a reverse mortgage only as a last resort.

## NEED AND IMPORTANCE OF THE STUDY

Retail banking has become an increasingly attractive segment for financial institutions to enter, and within it, housing finance is among the most promising, with the sector projected to grow at nearly 30% over a five-year horizon. Government infrastructure initiatives and tax incentives have made housing loans a particularly attractive product line, even as the sector remains split between an organised segment and a much larger unorganised segment that accounts for over 75% of housing units constructed. Given this scale and the limited consumer awareness around specialised products such as reverse mortgage, a focused study of customer awareness and perception — grounded in the experience of an active lender such as Muthoot Finance — offers practical insight of value to lenders, policymakers, and prospective borrowers alike.

## SCOPE OF THE STUDY

- Geographical Scope: The study is confined to customers of Muthoot Finance in the Hyderabad district.
- Nature of Study: The research is primarily quantitative and applied, focused on assessing customer awareness and perception of mortgage and reverse mortgage loan products.
- Methodological Scope: The study adopts a descriptive, single cross-sectional research design using convenience and cluster sampling techniques.
- Respondent Scope: The study covers 100 respondents drawn from a mix of professional and business backgrounds, including working professionals, business owners, self-employed individuals, government employees, students, and homemakers.
- Analytical Scope: The study relies on percentage analysis and frequency distribution, presented through bar graphs, pie charts, and tables.

## OBJECTIVES OF THE STUDY

### Primary Objectives

- To study and understand the concept of mortgage loan schemes and the eligibility criteria for customers.

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- To study the documentation and repayment methodology adopted by Muthoot Finance.

**Research Objectives**

- To study awareness and perception towards reverse mortgage loans among customers of Muthoot Finance, Hyderabad district.
- To study the various mortgage loan schemes offered by Muthoot Finance.
- To study how people approach retirement planning and the financial instruments they use.
- To study the various factors influencing reverse mortgage loan decisions.
- To study mortgage loan interest rates offered by Muthoot Finance relative to other lenders.

## REVIEW OF LITERATURE

**Berstain, David (2009):** Studied the shift from private mortgage insurance (PMI) toward piggyback mortgage loans between 2001 and 2008, finding that borrowers without a 20% down payment increasingly relied on secondary mortgage loans, which carried greater risk in the absence of PMI coverage on losses up to 80% of loan-to-value.

**Vandell, Kerry D. (2008):** Analysed the sharp rise and subsequent fall in mortgage prices between 1998 and 2008, attributing the pattern less to sub-prime lending itself and more to Federal Reserve interest-rate policy and supply-side restrictions concentrated in specific housing markets.

**La Cour, Michael (2007):** Examined the rise in Annual Percentage Rate (APR) spread reporting during 2005, identifying changes in lender business practices, borrower risk profiles, and the yield curve environment as the primary drivers, with indirect wholesale originations showing the sharpest increase.

**La Cour, Michael (2006):** Studied mortgage product preferences among low- and moderate-income households, finding that self-employed borrowers favoured reduced-documentation loans, multi-family properties commanded price premiums, and broker-originated loans closed faster than directly originated ones.

**Paul, Divya, Chakrapani and Jyoti (2008):** Argued that wider implementation of reverse mortgage schemes could ease the pension burden on government and employers, functioning as an indirect pension reform measure while bringing greater transparency to the Indian mortgage market.

## LIMITATIONS OF THE STUDY

- Sample Limitation: The sample size of 100 customers may prove a limitation in generalising results across the broader mortgage and reverse mortgage market.
- Recall and Response Bias: Data obtained was dependent on the memory and mood of respondents, which could introduce bias into the survey findings.
- Time Constraint: Limited time restricted the study to a comparatively small, non-representative sample of the wider population.

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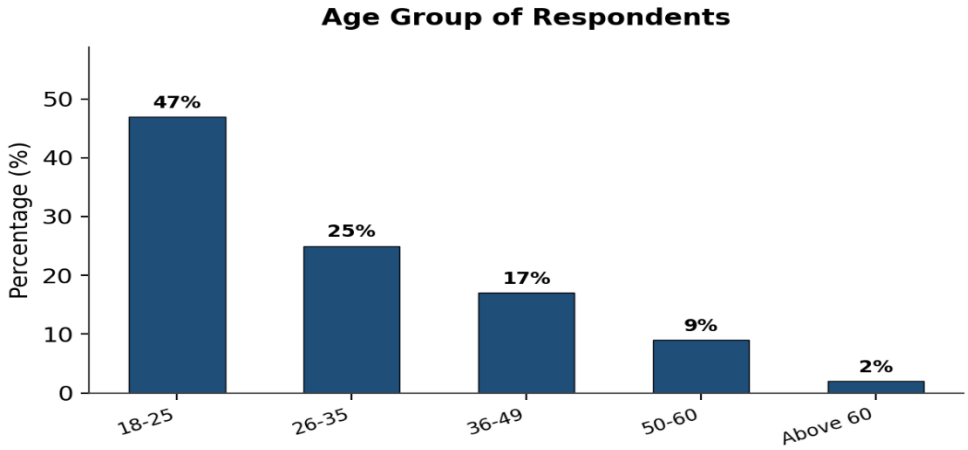
- Institutional Access: Collecting comparative data from multiple banks was difficult due to non-cooperation from some institutions, limiting cross-lender comparison.
- Respondent Attitude: An ignorant or reluctant attitude among some customers, along with limited awareness of specialised products such as reverse mortgage, constrained the depth of responses obtained.

## DATA ANALYSIS AND INTERPRETATION

This section presents the analysis of primary data collected from 100 respondents — customers and prospective customers of Muthoot Finance in the Hyderabad district — through a structured questionnaire. The data is analysed using percentage analysis and frequency distribution, supported by graphical representation of key findings.

**Table 1: Age Group of Respondents**

| Age Group | Percentage (%) |
|---|---|
| 18–25 years | 47% |
| 26–35 years | 25% |
| 36–49 years | 17% |
| 50–60 years | 9% |
| Above 60 years | 2% |




**Interpretation:** A large majority of respondents (72%) are below the age of 35, indicating that awareness and interest in mortgage products in this sample skews toward younger, working-age borrowers rather than the senior citizens who are the primary target group for reverse mortgage.

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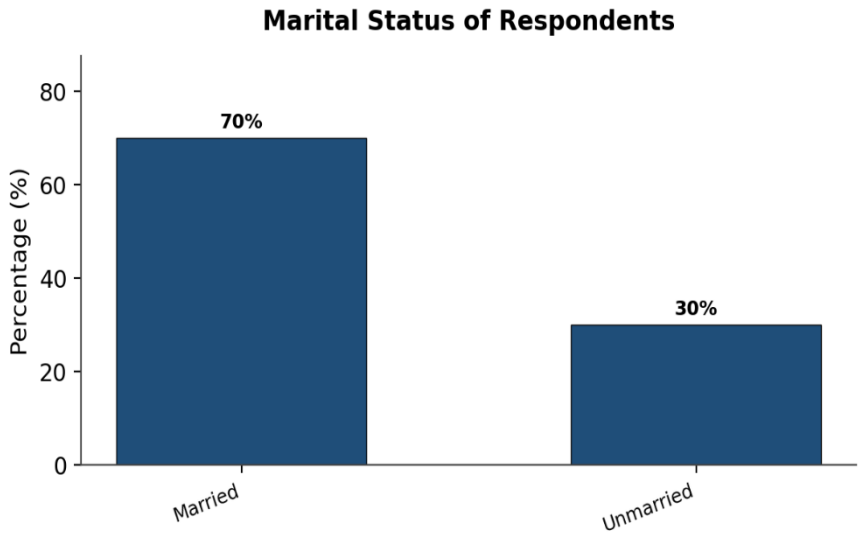
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**Table 2: Marital Status of Respondents**

| Category | No. of Respondents | Percentage (%) |
|---|---|---|
| Married | 70 | 70% |
| Unmarried | 30 | 30% |
| Total | 100 | 100% |




**Interpretation:** 70% of respondents are married, suggesting that household and family financial planning — rather than individual purchasing decisions — plays a significant role in mortgage loan uptake within this sample.

**Table 3: Educational Qualification of Respondents**

| Category | No. of Respondents | Percentage (%) |
|---|---|---|
| Under Graduate | 25 | 25% |
| Graduate | 40 | 40% |
| Post Graduate | 35 | 35% |
| Total | 100 | 100% |

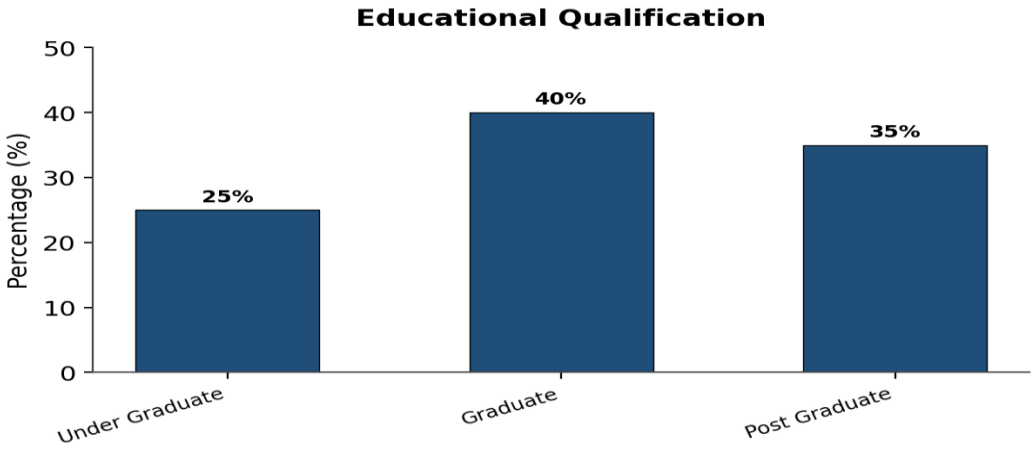
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**Interpretation:** Respondents are broadly well-educated, with 75% holding a graduate or postgraduate qualification, suggesting that the sample is reasonably well-positioned to understand loan documentation and repayment terms, even where awareness of specific products such as reverse mortgage remains limited.

**Table 4: Occupational Profile of Respondents**

| Customer Profile | Percentage (%) |
|---|---|
| Working Professional | 51% |
| Business | 22% |
| Self Employed | 11% |
| Government Employee | 11% |
| Student | 3% |
| Housewife | 2% |

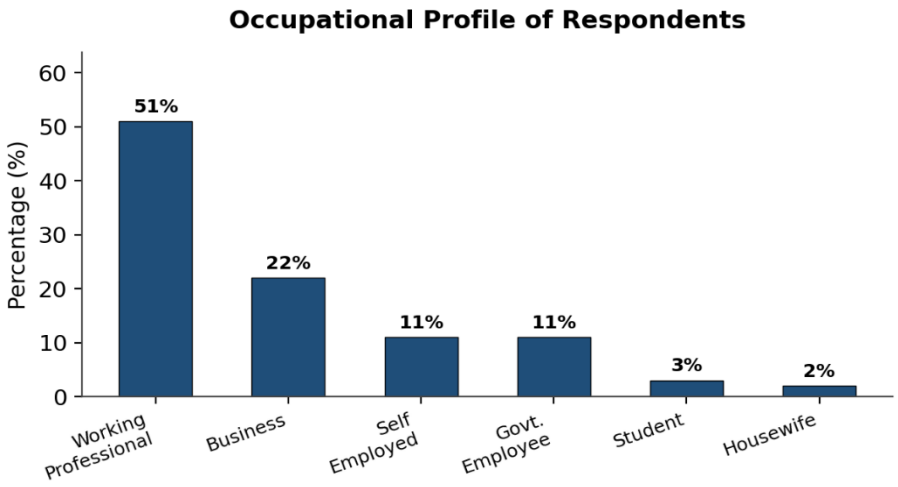
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**Interpretation:** Working professionals form the single largest group of respondents (51%), followed by business owners (22%). This points to salaried, formal-sector income as the dominant repayment source underpinning mortgage borrowing in this sample.

**Table 5: Annual Household Income**

| Category | No. of Respondents | Percentage (%) |
|---|---|---|
| Less than ₹2 Lakh | 49 | 49% |
| ₹2–5 Lakh | 31 | 31% |
| ₹5–8 Lakh | 15 | 15% |
| More than ₹8 Lakh | 5 | 5% |
| Total | 100 | 100% |

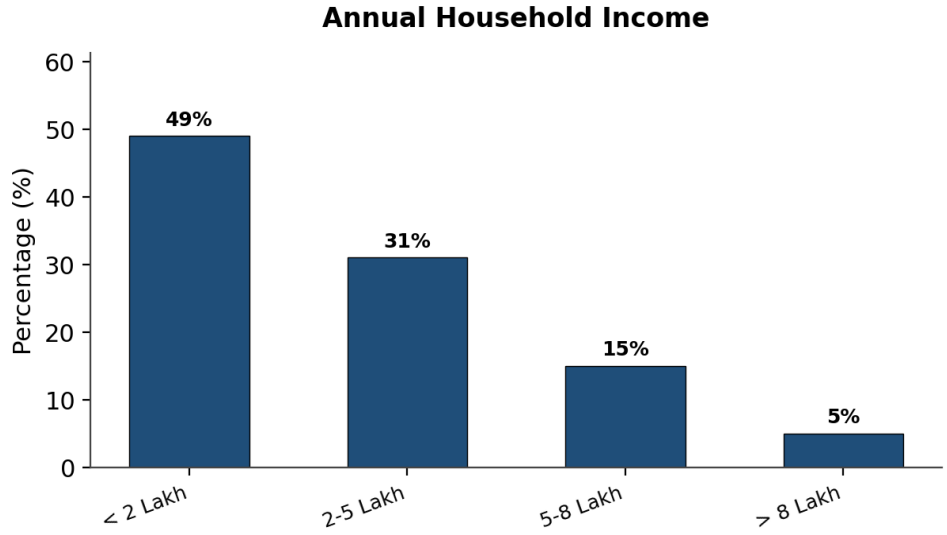
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**Interpretation:** Nearly half of respondents (49%) report an annual household income below ₹2 lakh, indicating that Muthoot Finance's mortgage customer base in this sample is weighted toward lower- and middle-income households rather than high-income borrowers.

**Table 6: Reasons for Taking a Mortgage Loan**

| Reason | Percentage (%) |
|---|---|
| Non-availability of funds | 36% |
| Reluctant to pay lump sum in cash | 35% |
| Tax benefit | 24% |
| Any other | 5% |

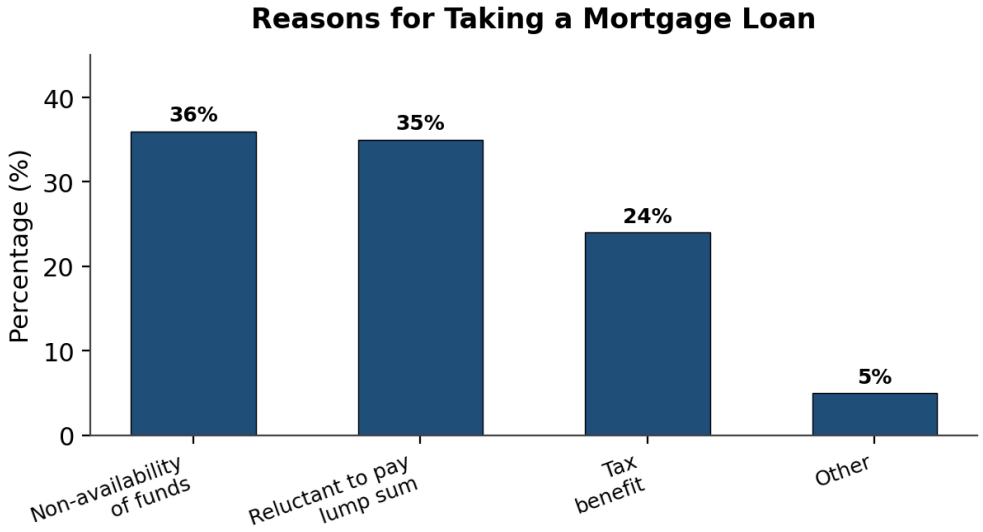
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**Interpretation:** Non-availability of funds (36%) and reluctance to pay a large lump sum (35%) together account for 71% of stated reasons for taking a mortgage loan, confirming that financing need — rather than tax planning — remains the primary driver of borrowing.

**Table 7: Preferred Lender Among Respondents**

| Company Name | No. of Respondents | Percentage (%) |
|---|---|---|
| Muthoot Finance Ltd | 78 | 78% |
| ICICI Bank | 10 | 10% |
| Punjab National Bank | 7 | 7% |
| SBI | 3 | 3% |
| Standard Chartered Bank | 2 | 2% |
| Total | 100 | 100% |

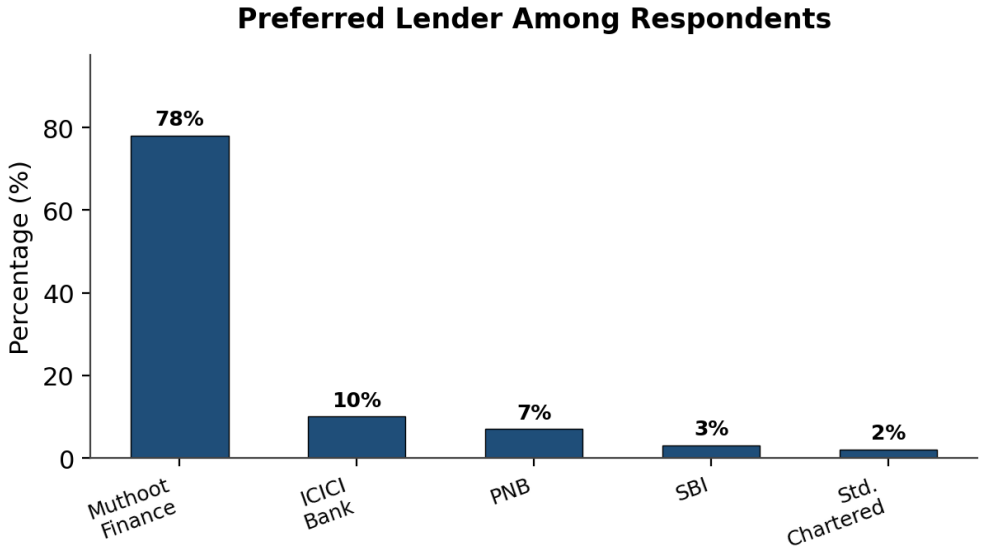
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*Graph 7: Preferred Lender Among Respondents*

**Interpretation:** Muthoot Finance is the clear preferred lender, chosen by 78% of respondents — well ahead of ICICI Bank (10%) and Punjab National Bank (7%) — reflecting strong brand trust and perceived service quality among the surveyed customer base.

**FINDINGS**

- Muthoot Finance Ltd holds a strong brand image among customers, with 78% of respondents naming it their preferred lender for mortgage loans.
- A majority of respondents (72%) are below the age of 35, and 70% are married, pointing to younger, family-oriented borrowers as the dominant customer segment.
- Most customers approach Muthoot Finance directly to apply for a mortgage loan rather than going through intermediaries.
- Non-availability of funds (36%) and reluctance to pay a lump sum (35%) are the leading reasons customers cite for taking a mortgage loan, rather than tax benefits (24%).
- Customer awareness of Muthoot Finance's full range of mortgage products remains only moderate, despite strong brand recognition overall.
- Some customers perceive Muthoot Finance's interest rates as somewhat high compared to other lenders, and some also expressed limited trust in select private banks.
- Customers reported general satisfaction with Muthoot Finance's query handling and professional management, though reliability and transparency were rated comparatively lower.

**SUGGESTIONS**

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- Strengthen Customer Guidance: Muthoot Finance should provide specialised, step-by-step guidance on loan processing, particularly for less literate or first-time borrowers.
- Accelerate Disbursement: Prompt disbursement of sanctioned loan amounts would help customers proceed with their purchase or construction plans without unnecessary delay.
- Simplify Documentation: Reducing the number and complexity of legal formalities — or completing them faster where they cannot be eliminated — would improve the customer experience and support acquisition.
- Review Interest Rate Positioning: Given customer sensitivity to rates, periodically benchmarking pricing against competitors would help Muthoot Finance remain attractive without compromising margins.
- Increase Awareness of Reverse Mortgage: Given generally low awareness of reverse mortgage as a distinct product, targeted communication — especially toward senior citizens and their families — could unlock an underserved segment.
- Expand Rural and Semi-Urban Outreach: Extending clear, accessible information about mortgage and reverse mortgage schemes to rural and backward urban areas would broaden the customer base beyond the current urban-professional skew.

## CONCLUSION

This study confirms that a large number of customers in the Hyderabad district are interested in taking mortgage loans from Muthoot Finance to construct or acquire their homes, driven primarily by financing need rather than tax considerations. Muthoot Finance enjoys strong brand preference among surveyed customers, well ahead of banks such as ICICI, PNB, SBI, and Standard Chartered, reflecting confidence in its service quality and processing efficiency.

At the same time, the study finds that mortgage loans' longer repayment periods create some hesitation among prospective borrowers, and that interest rates — while broadly accepted — are perceived by some customers as on the higher side. Awareness of reverse mortgage as a distinct retirement-planning tool remains limited, pointing to a meaningful opportunity for targeted education and product communication. With continued attention to transparent pricing, simplified documentation, and awareness-building — particularly around reverse mortgage — Muthoot Finance is well positioned to strengthen its customer base and deepen trust in the mortgage loans segment.

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