

Consumers Buying Behaviors' Loans and Credits: A Situationer

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Abstract— This study aimed to describe the situation of the consumers buying behaviors loans' and credits with the use of descriptive research design. The researchers found out that micro-financing business or lending institutions and private individuals are credit service providers of the respondents. The types of loan and credit they avail are investment loan or business loan which is worth more than Php 100,000 and consumer credit amounting to less than Php 20,000. Loans can provide their needs, they do not have stable source of income, their salary are not enough, they want to buy gadgets, apparels and vehicles are the main reasons why the respondents avail loans and credits. On the other hand, long process of approval, time to repayment of maturity date and high interest rate are problems encountered by the respondents in availing credit services. Complex-buying and habitual-buying are the consumer behaviors manifested by the respondents.

Keywords— consumer buying behavior, credit service providers, micro-financing business, lending institutions, loans.

I. INTRODUCTION

One of the necessary things that establishments need to analyze in order for them to thrive is the buyer's reactions to their marketing strategy. This understanding of reactions is called consumer buying behavior. Consumer behavior is the study of how the consumers react or behave into buying or purchasing products and services, and of the process involved when individuals or groups select, purchase, use, or dispose products and services to satisfy human needs and wants. According to Kotler (2008), "consumer decision making varies with the type of buying decision".

Fundamental opinions for the consumer behavior research are the fact that people often buy products and services not because of their main function but for their subjectively perceived value or for the solution it can supply to the consumer's problem. Especially to those who are in need of financial help, people have certain options on where to go and ask for support. With all of the choices provided, the decisions of the borrowers

would still be affected on the basis of what they need and their behavior in choosing their creditors.

As mentioned, there are different options on where to ask for credit. Consumers can obtain even the simplest items on account in the retail stores. They can ask for different loans in banks and other micro-financing lending institutions. The senior citizens can avail their pension funds in the non-bank government institutions. In times of emergencies, they can go to the pawnshops and guarantee some appliances or assets and they can even look for private individuals which includes loan sharks or unlicensed money lenders, but with unreasonably high interest. Also, they can look for assistance in the credit unions or cooperatives and other savings and loans associations if they are a member of any.

As stated by Liquigan et al., (2010) "credit is the power or the ability to obtain money at the present time in exchange of a promise to pay with money upon demand or at a future time or period". Not all individuals or even institutions have the same capability to obtain credit. It depends on how the debtors merit the trust and confidence of the creditors.

Accordingly, this paper investigated the behavior of consumers in Poblacion, San Isidro, Nueva Ecija, Philippines in choosing what credit services they should avail, types of credit, average amount of credit, problems encountered and reasons in availing credit services. Likewise, the study presented the consumer buying behavior which were categorized as to complex, dissonance-reducing, variety seeking and habitual seeking (Kotler, 2008).

II. METHODOLOGY

The researchers used the descriptive research design to complete this study. According to Kowalczyk (2017), "descriptive research is a study designed to depict the participants in an accurate way". He added that "it describes the data and characteristics about the population or phenomenon being studied".

The respondents of the study who were chosen purposively were the households in Barangay Poblacion in San Isidro, Nueva Ecija, Philippines who have existing credits or loans.

With the intensive review of the different literature and studies and the book of Marketing Management by Philip Kotler, the researchers were able to construct their survey questionnaire-checklist. It was content validated by the experts in the field. The questionnaire is composed of questions in which the respondents are given different choices relative there, and the respondents are going to choose the most applicable answers that fit in the questions.

Scoring: Each response to every item was evaluated based on the following scale and verbal interpretations:

Ranges	Responses	
	Rate	Verbal Interpretations
4.20–5.00	5	Always
3.40–4.19	4	Often
2.60–3.39	3	Sometimes
1.80–2.59	2	Rarely
1.00–1.79	1	Never

Statistical tools utilized in this study were frequency count, percentage and weighted mean.

III. RESULTS AND DISCUSSIONS

1. Credit Service Providers

Table 1 shows the different service providers where the respondents avail credit services.

Table.1: Credit Services Providers

Credit Services Providers	Frequency	Percentage
Commercial Bank	5	11.11%
Government Bank	7	15.56%
Rural Bank	2	4.44%
Credit Unions/Cooperative	2	4.44%
Insurance Company	1	2.22%
Pension Funds	2	4.44%
Retail Store	1	2.22%
Private Individuals (i.e. Family, Relatives, Loan Sharks, Unlicensed Money Lenders etc.)	7	15.56%
Micro Financing Business or Lending Institution	16	35.56%
Total	45	100.00%

From the given data, 16 out of 45 or 35.56% of the total respondents obtained credits from Micro-financing Business or Lending Institutions. In only represents that majority of the respondents borrow from the micro-finance or lending institutions. It is much convenient to borrow from them especially as capital for their micro-businesses. Meanwhile, 7 out of 45 or 15.56% of the debtors acquired credit from private individuals and government banks. Some of the respondents borrow from private individuals because of its speedy process without any consideration in the interest. Also, the employees usually look for government banks as exchange for their services.

In addition, 5 out of 45 or 11.11% of the respondents availed loan from a Commercial Bank. It shows that those who have a permanent job and sufficient salaries can ask for different kind of loans for personal

and daily use from these banks because they can provide the necessary documents needed for its loan approval.

Moreover, 2 or 4.44% of the debtors purchased credit from a rural bank, credit unions and pension funds, and 1 or 2.22% bought credit from an insurance company and retail store. Rural banks are more useful to the rural communities and agricultural purposes. Besides, those who are members of credit unions and cooperatives can also ask for financial help for their co-members.

Meanwhile, the elderly can get their pension funds monthly to help in their financial needs. Retail stores and insurance companies have the least borrowers among all of the respondents.

2. Types of Credit

Table 2 shows the types of credit where the respondents borrow money.

Table.2: Types of Credit

Credit	Frequency	Percentage
Consumer Credit	10	22.22%
Auto Loan	2	4.45%
Motorcycle Loan	4	8.89%
Investment Loan or Business Loan	14	31.11%
Agricultural Loan	6	13.33%
Educational Loan	6	13.33%
Real Estate Loan	3	6.67%
Total	45	100.00%

From the given data above, 14 out of 45 or 31.11% of the total respondents usually availed credit for investment or business purposes. The credited amount would be used as start-up and additional funds for at least micro-businesses.

Also, 6 out of 45 or 13.33% acquired loans for consumption, for agriculture and for education purposes. Due to unstable sources of income, people are obliged to obtain credit to provide educational help to their children.

Meanwhile, 4 or 8.89% of the debtors acquired loan for motorcycle loans and other purposes. With the growth of commercial banks today, many individuals can apply for motorcycle loans for 1–3 years in an instalment basis even without down payment.

On the other hand, 3 or 6.67% of the total respondents obtained credit for real estate loan, and they could be the individuals who have permanent employment and can afford to apply loans to have bought their own house.

And lastly 2 or 4.45% acquired loan for auto or car which are in demand today because of many different institutions offering it in instalment basis and have an attractive promo and reasonable offers.

3. Average Amount of Credit

Table 3 revealed how much money do the respondents borrow in the credit providers.

Table.3: Average Amount of Credit

Amount	Frequency	Percentage
Less than Php 20,000	16	35.56%
Php 20,001 to Php 40,000	6	13.33%
Php 40,001 to Php 60,000	5	11.11%
Php 60,001 to Php 80,000	2	2.44%
Php 80,001 to Php 100,000	2	2.44%
More than Php 100,000	9	20.00%
Total	45	100.00%

From the table above, 16 or 35.56% of the total respondents had loan credit amounting to less than Php 20,000. Most of the clients' loan was Php20,000 below because they are afraid to engage or avail loan to the credit service providers. Clients also consider their capability to pay to and analyze whether lending can be beneficial or a burden to them. The borrowers may use that amount for additional capital and educational purposes.

On the other hand, 9 or 20% of the respondents availed a credit loan more than P100,000 and usually for real estate and other mortgage loans worth more than that amount were purchased.

Others from the respondents like 6 or 13.33% and 5 or 11.11% availed an amount of 20,001 to 40,000 and 40,001 to 60,000 respectively. Motorcycle and agricultural loans range from these amounts. Lastly, 2 or 2.44% of the

respondents were both availing an amount of 60,001 to 100,000.

4. Reasons for Availing Credit Services and Problems Encountered

The respondents were asked about their reasons why they avail of credits services and the following are their top 5: Number 1 on their rank is "loans can provide their needs". Personal loans according to Brozic (2018) "has increased in recent years from 23 million to more than 27 million, according to TransUnion. In fact, personal loans were the fastest growing loan product in 2016 since it offers low interest rates for consumers with good credit". It is followed by the reason that "they do not have stable source of income", then because their "salary is not enough", next is because they want to "buy gadgets, apparels and vehicles" and lastly "availing credit is part of their attitudes".

On the other hand, Table 4 shows the problems commonly encountered by the respondents when availing credit services.

Table.4: Problems Commonly Encountered in Availing Credit Services

Problems Encountered	Weighted Mean	Verbal Interpretation
Slow services of employees	1.89	Rarely
Long process of approval	3.22	Sometimes
Unpleasant assistance from employees	2.04	Rarely
Too many requirements	1.89	Rarely
Lack of adequate and reliable information about the institution	2.00	Rarely
Lack of requirements (i.e. Lack of collaterals to present)	1.82	Rarely
Time to repayment of maturity date	3.18	Sometimes
High interest rate	3.20	Sometimes
Hidden charges	1.64	Rarely
Doubtful records on the institution	1.80	Rarely

As stated from the table above, ranking from the problems encountered by the respondents when availing credit services, first is the long process of approval (3.22), second is the high interest rate (3.20), third is the time of repayment of maturity date (3.18), fourth is the unpleasant assistance from employees (2.04), fifth is the lack of adequate and reliable information about the institution (2.00), sixth and seventh are the slow services

of the employees (1.89) and too many requirements (1.89), eighth is the lack of requirements (1.82), ninth is the doubtful records on the institution (1.8) and lastly is the hidden charges (1.64).

5. Consumer Buying Behavior

Table 5 revealed the different buying behaviors of the respondents.

Table.6: Consumer Buying Behavior

Behavior	Frequency	Percentage
Complex Buying Behavior	20	44.44%
Dissonance Buying Behavior	4	8.89%
Habitual Buying Behavior	18	40%
Variety-Seeking Behavior	3	6.67%
TOTAL	45	100.00%

With the principle given by Philip Kotler (2011), if a person is highly involved in the purchasing of products or services, and is aware of the significant differences among brands, and based on the responses, 20 of the total respondents show that they have a complex buying behavior.

On the other hand, 18 respondents are characterized as habitual buying behavior which means that they are neither involved nor aware of the differences between brands. They do not give so much time and effort on which credit provider to choose.

Furthermore, 4 of the respondents have dissonance behavior in terms of where to avail credit.

This indicates that they are highly involved in the purchasing process but are not mindful of the brand differences.

Lastly, the remaining 3 respondents demonstrate a variety-seeking behavior which displays an attitude of not being involved in the purchasing process but are aware of brand differences.

Majority of the respondents portray a complex behavior which means that they are meticulous in choosing the credit service providers and they allot enough time in studying and understanding policies of institutions and in view of the fact that they give enough effort to notice the differences among institutions. Also, debtors tend to be habitual in their behavior especially in times of emergencies and other urgent unexpected circumstances. They do not have much time to waste in terms of choosing their credit providers. This may also be due to fact that customer finds the product best fit for his use and keeps on buying it without looking for alternative (mbaskool.com, n.d.). Some of the respondents have dissonance behavior for the reason that they do not care much of the differences among institutions. Only few respondents look for variations selecting their credit providers, it could be because of their complexity in choosing and simply being careful on their choices.

IV. CONCLUSIONS AND RECOMMENDATIONS

This study aimed to describe the situation of the consumers buying behaviors loans' and credits with the use of descriptive research design. The researchers found out that micro-financing business or lending institutions and private individuals are credit service providers of the respondents. The types of loan and credit they avail are investment loan or business loan which is worth more than Php 100,000 and consumer credit amounting to less than Php 20,000. Loans can provide their needs, they do not have stable source of income, their salary are not enough, they want to buy gadgets, apparels and vehicles are the main reasons why the respondents avail loans and credits. On the other hand, long process of approval, time to repayment of maturity date and high interest rate are problems encountered by the respondents in availing credit services. Complex-buying and habitual-buying are the consumer behaviors manifested by the respondents.

In order to attract more debtors who will avail loans and credits, credit service providers must strengthen their sales force including their credit investigators and other field officers. Likewise, for the creditors to improve the brand awareness of their target market to the products and services being offered by these financing institutions, they must improve their advertising practices or much of redesigning their existing offered services to continually

persuade more consumers who are availing their loans. Lastly, to better the brand image of the institution thus, it can improve its competitiveness by engaging to different public relation programs.

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