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## The study on black box model to identify consumer behavior with reference to gold loan and personal loan

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### Abstract

The study on consumer profile is derived from the consumer behavior model. Consumer behavior models which include Black Box model. The model is used to explain the consumers' demographic factors, environmental factors which influence their preference and perception. The research paper explains the consumer profile (the respondents) within the parameters like Income, Education, and Profession. It has also explained their co-relation with dependent and independent variables.

**Keywords:** Black box model, consumer profile, borrower, lenders, income, education etc.

### Introduction

A consumer profile is a way of describing a consumer category, so that they can be grouped for analyzing them on the basis of the factors that influence their preference of borrowing. The term consumer profile in this study is identified by their Education, Income, Occupation and Age. Consumer (Borrower) characteristic refers to various factors that influence buying behavior. The consumer characteristics such as Age, Income, and Education etc. influence buying behavior towards the gold loan and personal loan in the Mumbai metro region. The main object to include these factors in this study is to analyse which category of consumer prefers gold loan or personal loan from organised or unorganised loan lender. The researcher has incorporated these factors in the Black Box model which helps to understand the consumer behaviors. Therefore, the researcher has made an effort to find out the scope of these factors influencing the behavior. In this study the terms Consumer includes Borrowers (Actual and prospective) and Product includes Gold loan and Personal loan. Diagram no. 1.1

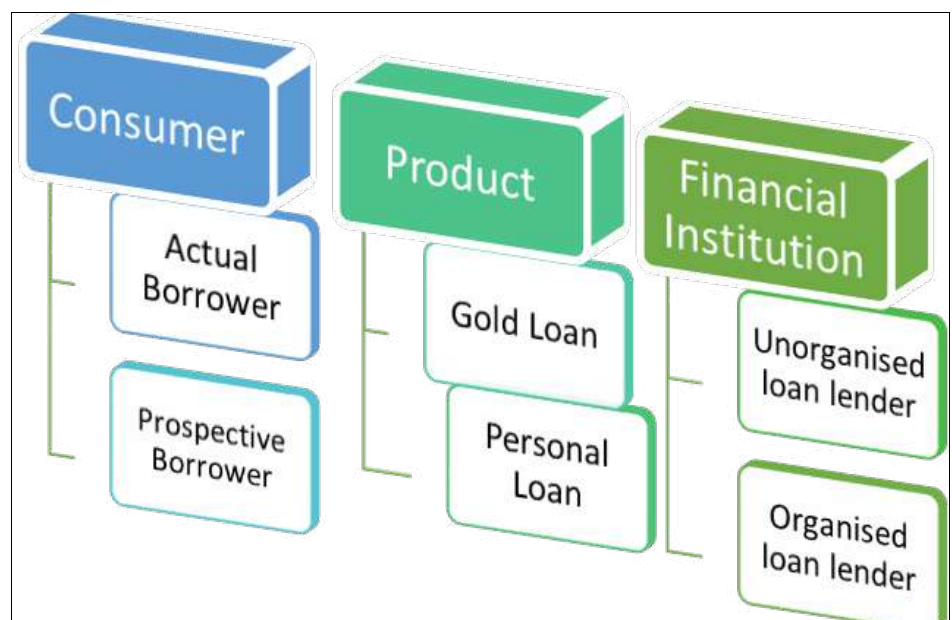


Diagram 1.1: Terms used in this study

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The diagram 1.1 depicts terms used in this study. The researcher has made use of certain terms to simplify the understanding in this research. The terms Consumer includes Borrowers (Actual and prospective) and Product includes gold loan and Personal loan. Financial institution includes Organized and Uorganised Loan Lender.

**Consumer Behavior**

The word ‘Consumer means who involve himself for herself in buying process <sup>[1]</sup>. All marketing decisions are based on assumptions about consumer behavior. In order to create value for consumers and profits for organization, marketers need to understand why consumers behave in certain ways to a variety of product and services offered. Consumer Behavior is those activities directly involved in obtaining, consuming and disposing, preferring of products and services, including the decision processes that precede and follow these actions.

It is also explained as, “The study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impact that these processes have on the consumer and society” <sup>[2]</sup>.

**Consumer Behavior Models**

Understanding consumer behavior and knowing prospective borrowers will never be simple. Borrowers may see one thing, but expect another. They may not be in touch with their deeper motivations. They may respond to influences that change their mind at the last minutes. These issues have led to theories like that of the Black box approach taken on by Futrell (2000: 67). It refers to how marketers are not able to tap into consumer minds, thus “keeping them in the dark”. In other words, marketers can apply various stimuli and observe the conduct of consumers, but they cannot observe the consumer’s actual thought processes. This hidden information is considered to be the Black Box. In an attempt to obtain some understanding, marketers study consumer behavior. Many researchers describe consumer behavior as the study of individuals or groups and the mental, emotional and physical processes they use to select, obtain consume and dispose of product or services, to satisfy needs and wants, and the impact that these processes have on the consumer and society.

There are numerous models trying to explain consumer behavior. These models generally deal with various stimuli, influential factors, the decision-making process and outcomes. Some models are very basic and categories all variables of the study. The researcher had studied and included;

**Black box model**

The details of the models as follows

The black box model shows the interaction of stimuli,

consumer characteristics, and decision process and consumer responses. It can be distinguished between interpersonal stimuli (between people) or intrapersonal stimuli (within people). The black box model is related to the black box theory of behaviorism, where the focus is not set on the processes inside a consumer, but the relation between the stimuli and the response of the consumer. The marketing stimuli are planned and processed by the companies, whereas the environmental stimulus is given by social factors, based on the economic, political and cultural circumstances of a society. The buyer's black box contains the buyer characteristics and the decision process, which determines the buyer's response. Table 1.5

**Actual Black Box Model**

| Environmental factors                  |  | Buyer's black box   |  | Buyer's response  |
|--|--|---|--|---|
| Marketing Stimuli                      | Environmental Stimuli  | Buyer Characteristics   | Decision Process   |   |
| Product<br>Price<br>Place<br>Promotion | Economic<br>Technological<br>Political<br>Cultural<br>Demographic<br>Natural | Attitudes<br>Motivation<br>Perceptions<br>Personality<br>Lifestyle<br>Knowledge | Problem recognition<br>Information search<br>Alternative evaluation<br>Purchase decision<br>Post-purchase behavior | Product choice<br>Brand choice<br>Dealer's choice<br>Purchase timing<br>Purchase amount |

The black box model considers the borrower’s response as a result of a Conscious, Rational decision process, in which it is assumed that the buyer has recognized the problem. However, in reality, many decisions are not made in awareness of a determined problem with the consumer.

**Modified Black Box Model to represent the Gold Loan and Personal Loan Consumer Preference**

The researcher has incorporated the dependent and independent variables in the Black Box model for the further study.

(The Consumer models narrated in this research paper is to bring out the variables for the further study and also to understand the factors influencing the consumer behavior which stimulates the decision making. The two variables, i.e. the Perception and Preference coming up from these models are carried forward to analyse the Borrower’s Behavior (Consumer Behavior). Thus, to begin with the understanding of the factors, the model reference was used to explain the consumer’s Demographical factors (Consumer’s Profile), Environmental factors which influence their Preference and Perception.)

<sup>1</sup>Hawkins *et al.* (2001), p.8

<sup>2</sup>Hawkins, Best, and Coney (2004)

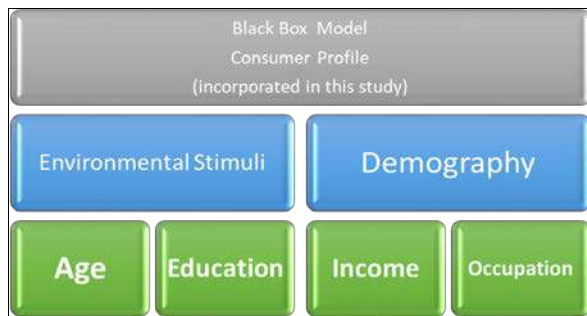
**Table 1.5:** Modified Black Box Model to represent the Gold Loan and Personal Loan Consumer Preference

| Environmental factors  |   | Buyer's black box      |  | Buyer's response   |
|--|---|------------------------|--|--|
| Marketing Stimuli  | Environmental Stimuli                         | Buyer Characteristics  | Decision Process   |  |
| Product – Gold Loan / Personal Loan<br>Price- Rate of Interest<br>Place - Mumbai<br>Promotion- IMC | Demography- Age, Education, Occupation Income | Preference Perceptions | Problem recognition<br>Information search<br>Alternative evaluation<br>Purchase decision<br>Post-purchase behavior | Product choice – Loans<br>Brand choice – Gold Loan / Personal Loan Dealer's choice- Organised or Unorganised<br>Purchase timing- In Need<br>Purchase amount- in Lakhs or more. |

**1.6 The Information about the Consumer’s Profile in this study**

The above Black Box model expresses the environmental stimuli, i.e. Demography factors. The demography factors in the other term are ‘Consumer’s Profile’. The consumer profile parameters include:

- Age
- Education
- Income
- Occupation



**From the Black Box Model**

The above diagram expresses the consumer profile that is considered to be the respondent profile in this research. To get the authentic prospective borrowers for the study, the researcher studied the profile to categorize the borrowers for their further preference study. The field –survey by structured questionnaire was conducted which includes Age, Education, Income, Occupation to identify Borrower’s Profile (Consumer’s profile). The details of respondent’s profile on the basis of field survey have been explained:

**Quantitative Analysis based on field survey Hypothesis**

**H<sub>0</sub>:** Education, Age, and occupation have no influence on the Preference of Personal Loan from Organised Loan Lenders.

**H<sub>1</sub>:** Education, Age, and occupation influence on the Preference of Personal Loan from Organised Loan Lenders. To test the Second Hypothesis Chi-square test is used along with a simplified table. The responses are represented in the following table:

**Table 8.9:** Chi-Square Test to test H<sub>1</sub>

| Parameters | Chi-Square (x <sup>2</sup> value) | d.f | Asymp.sig | Decisions  | Conclusion  |
|------------|-----------------------------------|-----|-----------|--|---|
| Education  | 3.810                             | 8   | .0874     | The P value is 0.874 Which is > than 0.05, Hence H <sub>0</sub> is Accepted. | Borrower’s Preference for Personal Loan from an organised loan lender is independent of Education.  |
| Age        | 30.37                             | 72  | 1.00      | The P value is 1.00 Which is > than 0.05. Hence H <sub>0</sub> is Accepted   | Borrower’s Preference for Personal Loan from an organised loan lender is independent of Age.        |
| Occupation | 3.883                             | 6   | .692      | The P value is 3.88 which is > than 0.05. Hence H <sub>0</sub> is Accepted.  | Borrower’s Preference for Personal Loan from an organised loan lender is independent of Occupation. |

The researcher tested this hypothesis by using Chi-square technique and found out that Pearson Chi-square for variable Education - P value is 0.874 Which is > than 0.05. Age- P value is 1.00 which is > than 0.05. Hence H<sub>0</sub> is accepted.

Occupation- P value is 3.88 which is > than 0.05. Therefore, the researcher concludes that from the respondents, Borrower’s Preference for Personal Loan from organized loan lender is independent of Education, Age and Occupation.

**Conclusion**

Consumer profile is vital data for determining the target consumers (borrowers) for the Loan products (gold loan or persona loan). The analyses help to understand, which type of consumer (borrowers) would prefer a gold loan or personal loan from organized or unorganized loan lenders. It can help to plan their promotions accordingly. In other words, the analyses prove to be more profitable to target advertising to a specific market segment. As most of the

loan, lenders is promoting their loan products very rigorously.

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