Interdisciplinary Research in Management, Volume 1, Issue 1
Website: https://gjirm.org/index.php/gjirm/index

Serving the Unserved: A Market Segmentation and Price Discrimination-Based Customer-Centric Approach to Home Loans in India

Shashank Tiwari
Master of Business Administration
Galgotias university, Greater Noida, Uttar Pradesh, India
Email: shashanktiwari0404229@gmail.com

ABSTRACT

In India, despite the expansion of the financial sector, a large portion of the population remains underserved or entirely excluded from formal housing finance. This includes informal workers, low-income households (LIG), rural migrants, and small-scale entrepreneurs.

Traditional home loan models often fail to cater to these groups due to rigid documentation requirements, limited income visibility, and inflexible pricing. This project seeks to explore and propose a market segmentation and price discrimination-based model tailored to these unserved groups, with a focus on affordability, accessibility, and customer-centric product design.

Keywords: LIG, market segmentation

I. INTRODUCTION

In India, despite the expansion of the financial sector, a large portion of the population remains underserved or entirely excluded from formal housing finance. This includes informal workers, low-income households (LIG), rural migrants, and small-scale entrepreneurs.
Traditional home loan models often fail to cater to these groups due to rigid documentation requirements, limited income visibility, and inflexible pricing. This project seeks to explore and propose a market segmentation and price discrimination-based model tailored to these unserved groups, with a focus on affordability, accessibility, and customer-centric product design.

Objectives of the Study:

- To identify key segments within the unserved population lacking access to home loans.
- To analyze how price discrimination and customer-centric product innovation can improve financial inclusion.
- To assess the effectiveness of existing policies and suggest regulatory reforms to support this new model.
- To propose tailored financial products and delivery models that align with the risk profile and repayment capacity of various customer segments.

II. RESEARCH METHODOLOGY

The study employs a mixed-method approach, combining qualitative field surveys and interviews with quantitative data analysis. Primary data was collected via structured questionnaires distributed among 200+ respondents across urban, semi-urban, and rural areas. Tools such as regression analysis, cluster segmentation, and correlation matrices were used to derive insights.

III. FINDINGS

- Over 70% of respondents lacked formal credit history but had consistent cash flows.
- Different customer segments showed significantly varied willingness-to-pay, highlighting the scope for income-based pricing.
- Non-price barriers like documentation, trust deficit, and financial literacy were significant challenges.
- Informal workers prefer low EMI, short-term loans over long- tenure loans.

IV. DISCUSSION

The research proposes a new lending framework supported by:

- Alternate credit scoring models using utility bill payments and mobile transaction history.
- Dynamic pricing based on borrower's segment and risk profile.
- Product innovation such as step-up EMIs, micro-home loans, and digital documentation via Aadhaar stack integration.
- Policy interventions encouraging PSUs and NBFCs to adopt flexible underwriting practices.This section interprets the findings in relation to existing literature and offers insights into strategic implications for small retail businesses.

V. CONCLUSION

Serving the unserved in India's housing finance market requires a paradigm shift from traditional credit models to a segmented, need- based approach. A combination of targeted financial products, technology-driven risk assessments, and proactive policy support can help bridge the credit gap for millions.