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THE STUDY OF CONSUMER BEHAVIOUR FOR PERSONAL LOAN

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ABSTRACT :

This study explores the consumer behavior associated with personal loans, focusing on key aspects such as customer awareness, preferences, satisfaction levels, and perceptions regarding the loan process. With the rapid growth of digital lending and increased financial needs among individuals, personal loans have become a vital financial tool. The primary objective of this research is to understand how consumers perceive personal loans, what factors influence their decision-making, and how satisfied they are with the services provided by banks and financial institutions.

Data for the study was collected using a structured questionnaire distributed through Google Forms, targeting a diverse group of respondents. Both qualitative and quantitative data were analyzed to gain a comprehensive understanding of borrower preferences. Findings indicate that interest rates, loan approval speed, minimal documentation, and customer service quality are the most important factors influencing personal loan decisions. While some respondents expressed satisfaction with the convenience and speed of loan disbursal, a significant portion highlighted concerns about high interest rates, inflexible repayment options, and poor customer interaction.

INTRODUCTION

Personal loans have become an essential financial product for individuals seeking quick and flexible funding for various needs such as education, medical emergencies, or travel. With increasing digitalization, customer expectations around ease of access, interest rates, and service quality have evolved. This study aims to analyze consumer awareness, preferences, and satisfaction regarding personal loans.

LITERATURE REVIEW

Several studies have been conducted on the performance of the co-operative banking sector in India. This section aims to present a comprehensive overview of the key aspects and issues identified in previous research by reviewing relevant literature. A summary of some major studies is provided below:

1. **Bhatia (1978)**, in his work *"Banking Structure and Performance − A Case Study of the Indian Banking System"*, analyzed the economic performance of Indian banks between 1950 and 1968, focusing on output, pricing, and profitability. His findings indicated an upward trend in profits during this period. He recommended deregulating interest rates to improve financial institutions' profitability and to foster a competitive banking environment, ultimately enhancing service quality.
2. **Kulkarni (1979)**, through his study *"Development Responsibility and Profitability of Banks"*, emphasized the importance of social responsibility in banking. He argued that true profitability must consider the social benefits generated by bank operations, not just financial gains. He suggested that banks should aim to optimize their basic banking activities, minimize costs, enhance the banking system, and boost overall profitability while fulfilling social obligations.
3. **Markand (1979)**, in his book *"Social Priority Index of Public Sector Banks"*, assessed the performance of public sector banks using a performance index based on six quantitative factors, including branch expansion, priority sector lending, and wage costs. He concluded that financing priority sectors was both necessary and essential. To improve performance, he proposed granting greater lending authority to branch managers.
4. **Kalyankar (1983)**, in his study *"Wilful Default in Loans of Co-operatives"*, explored deposit trends, share capital, working capital, outstanding loans, advances, overdue payments, and recovery rates at district-level financial institutions. He examined socio-economic factors influencing the growth of co-operative credit organizations, focusing specifically on the Central Co-operative Bank of Parbhani District. His findings indicated that cropping intensity, irrigation facilities, and working capital significantly influenced overdue loans at the primary agricultural credit societies' level. However, in the case of willful defaulters, non-economic factors were the primary causes of overdues.

5. **Kurulkar (1983)**, in his research on agricultural finance in underdeveloped regions, highlighted major flaws within the co-operative credit system. His study revealed that among ten sample borrowers who obtained long-term loans from co-operative banks, 30% were unable to secure short-term credit. The lack of short-term or production loans led to reduced crop output per acre, subsequently resulting in higher overdue loans.

METHODOLOGY

3.1 Research Design

This research utilizes a combined methodology of quantitative and qualitative methods to investigate the consumer behaviour for personal loan. The primary instrument for data acquisition was an online survey directed towards individuals. The survey contained both closed-ended questions with scales or yes/no responses and was also open for participant generated data (comments). Additional secondary data was also added to provide a contextualized interpretation of the results with respect to market events.

Secondary data from academic literature and market case studies was used to contextualize and support the interpretation of primary findings.

3.2 Data Collection

Data for this study was collected from an online questionnaire that was distributed through various social media channels. A total of 100 valid responses were received, This method was chosen for its ease of distribution, accessibility, and ability to reach a diverse group of respondents efficiently. The questionnaire asked about demographic information, personal experience, satisfaction levels, perspectives about personal loan, and changes need to be done in bank sectors. Questions that allowed more narrative responses were included to gather more nuanced perspectives.

3.3 Data Analysis Techniques

A mix of statistical tools and qualitative methods were used for data analysis. The quantitative analyses were done using Microsoft Excel and Python whereas the manual thematic coding of qualitative data was completed using Google Sheets.

Descriptive Statistics

Descriptive statistics were performed to give an overview of the demographic characteristics of respondents and general trends within the data. Frequencies, percentages, means, and modes were calculated concerning variables such as age, gender, loan experience, and responses to Likert-scale items. The descriptive statistics provided a contextual overview of the respondent pool and calculate how often each response occurred.

Cross-Tabulation:

This technique was used to compare relationships between two or more variables. For example, the study analyzed how satisfaction levels varied across income groups or how loan preferences differed by age or occupation. This helped in identifying segmented consumer behaviour and market patterns.

DATA ANALYSIS AND FINDINGS

The objective of the analysis was to uncover meaningful insights into customer awareness, perception, preferences, satisfaction levels, and the benefits received from loan providers.

The responses were carefully reviewed, organized, and analyzed using descriptive statistics, graphical tools, and interpretative techniques.

TABLE-1

The demographic profile reveals a diverse respondent base. A majority of respondents (36%) fall in the 36–45 age group, followed by 27% aged 46–55. This suggests that mid-aged individuals are more likely to engage with personal loan products. In terms of gender, the sample is male-dominated (68%), indicating a strong participation of women in financial decisions related to personal loans.

Professionally, most respondents are salaried employees (48%), followed by those in business (28%) and entrepreneurship (10%). This shows that people with stable or independent income sources are more inclined to consider personal loans. A significant portion (65%) of respondents report a monthly income below ₹25,000, which may indicate a higher reliance on personal loans for financial support among lower-income groups.

Table 1: Demographic Profile of Respondents

Variable	**Category**	**Frequency(n)**	**Percentage (%)**
Age	18-25	10	10.0
	26-35	18	18.0
	36-45	36	36.0
	46-55	27	27.0
	55-above	9	9.0

Gender	Male	68	32.0
	Female	32	68.0
Profession	Student	5	5.0
	Salaried	48	48.0
	Business	28	28.0
	Entrepreneur	10	10.0
	Retired	9	9.0
Income	Below-25,000	65	65.0
	25,000-50.000	23	23.0
	50,000-1,00,000	9	9.0
	Above-1,00,000	3	3.0

TABLE-2

How did you come to know about personal loans?

The table indicates that bank advertisements are the primary source of awareness about personal loans, as reported by 51% of the respondents. This reflects the strong influence of traditional banking promotions on consumer knowledge.

The second most common source is friends and relatives (28%), showing that word-of-mouth still plays a significant role in financial decision-making. Social media (11%) and online platforms (8%) also contribute, indicating growing—but still limited—digital influence on loan awareness. Surprisingly, only 2% of respondents heard about personal loans through bank staff, suggesting that direct communication from banks is not a major channel of awareness.

These findings suggest that banks should continue investing in advertisement while also improving direct engagement and digital outreach to capture more attention, especially among younger or tech-savvy consumers.

Variable	**Category**	**Frequency(n)**	**Percentage (%)**
From which source you came to know about PL	Bank advertisements	51	51.0
	Social media	11	11.0
	Friends/relatives	28	28.0
	Online platforms	8	8.0
	Bank staff	2	2.0

TABLE-3

In your opinion, personal loans are:

The perception of personal loans among respondents varies significantly. A majority of respondents (34%) believe that personal loans are **helpful in emergencies**, highlighting their importance in providing quick financial support during urgent situations. Closely following, 31% feel personal loans are **easy to obtain**, suggesting that accessibility and simplified processes contribute positively to consumer opinion.

However, 20% consider personal loans to be **risky due to high interest rates**, indicating a concern about affordability and repayment pressure. Additionally, 11% see them as a **financial burden**, further emphasizing the impact of repayment stress. Only a small number (4%) provided other reasons or perspectives.

These insights reveal that while personal loans are generally perceived as useful and accessible, there are significant concerns about **interest rates and long-term financial implications**, which must be addressed by financial institutions through better interest policies, financial literacy, and flexible repayment options.

Factors	Frequency(n)	Percentage(%)
Easy to go	31	31.0
Risky dues to high interest	20	20.0
Helpful in emergencies	34	34.0
a financial burden	11	11.0
Other	4	4.0

TABLE-4

Which financial institution or service provider did you obtain your personal loan from?

The data reveals that **public sector banks** are the most preferred source for personal loans, accounting for **37%** of the respondents. This suggests that government-backed institutions are still trusted widely for formal credit.

Private banks follow closely with **31%**, indicating strong competition and growing consumer confidence in their loan products, often driven by faster processing and customer service.

NBFCs, chosen by **21%** of respondents, play a significant role in the personal loan ecosystem, especially for customers who may not meet traditional bank requirements.

Finally, **online loan providers**, though emerging, are used by **11%** of respondents—highlighting a trend toward digital lending platforms, particularly among tech-savvy or younger borrowers.

This distribution shows a blend of traditional and modern borrowing preferences, pointing toward a gradual shift toward more convenient, tech-enabled options while maintaining trust in established institutions.

Provider	Public sector bank	Private bank	NBFC(Non-banking financial company)	Online loan provider(apps/websites)
Frequency	37	31	21	11
Percentage (%)	37.0	31.0	21.0	11.0

TABLE-5

What factors do you consider before choosing a personal loan provider?

The data clearly shows that interest rate is the most influential factor for consumers when choosing a personal loan provider, as 74% of respondents prioritize it. This underlines the importance of affordability and cost-effectiveness in borrowing decisions.

Loan tenure is the second most considered factor (14%), suggesting that repayment flexibility also plays a notable role. Other factors such as ease of application (4%), processing fees (3%), customer service (3%), and brand trust (2%) are comparatively less important, but still relevant to a segment of borrowers.

Factors	Frequency	Percentage (%)
Interest rate	**74**	**74.0**
Loan tenure	**14**	**14.0**
Processing fee	**3**	**3.0**

Ease of application	**4**	**4.0**
Brand trust	**2**	**2.0**
Customer service	**3**	**3.0**

TABLE-6

Benefits you expect from a personal loan provider.

The survey results indicate that the most commonly expected benefit from a personal loan provider is a **low interest rate**, preferred by **34%** of respondents. This reflects borrowers' primary concern for affordability and cost-effective loan repayment. **Quick disbursal** of funds is the second-highest expectation (**28%**), suggesting that many consumers value speed and efficiency in accessing credit, especially during emergencies. **Minimal documentation** is important for **20%** of respondents, highlighting the need for a simplified and hassle-free application process. Meanwhile, **14%** of borrowers seek **flexible repayment options**, indicating the desire for adaptable loan terms that fit individual financial situations. A smaller portion of respondents value **pre-approved offers** (3%) and **top-up loan facilities** (1%), showing that while these are appreciated features, they are not the top priorities for most borrowers.

Benefits	**Frequency**	**Percentage(%)**
Quick disbursal	28	28.0
Minimal documentation	20	20.0
Flexible repayment options	14	14.0
Low interest rate	34	34.0
Pre-approved offers	3	3.0
Top-up loan facility	1	1.0

TABLE-7

Are you satisfied with the current offerings from personal loan providers?

The data shows that 65% of respondents are satisfied with the current offerings provided by personal loan institutions, indicating a generally positive perception among borrowers regarding loan features, services, or accessibility.

However, 35% of respondents expressed dissatisfaction, which is a significant proportion. This suggests there is still considerable scope for improvement in areas such as interest rates, documentation processes, repayment flexibility, and customer service**.**

YES	**NO**
65	35

TABLE-8

Would you recommend your current/past personal loan provider to others?

YES	**NO**
63	37

CONCLUSION AND RECOMMENDATIONS

The collective voice of the respondents reveals a pressing need to **restructure the personal loan ecosystem** to prioritize customer convenience, fairness, and safety. A borrower-friendly approach would include:

- Low and fair interest rates
- Speedy disbursal and application process
- Flexible repayment terms
- Respectful and clear communication

- Tailored products with transparent terms

Loan providers that can embrace these changes are more likely to build **long-term trust** and **capture a growing market** of borrowers looking for less stress and more support in their financial decisions.

From the survey results, it is clear that the level of satisfaction among respondents is **mixed**, with a noticeable tilt toward dissatisfaction. As per the data collected, **only 41.2% of respondents stated they were satisfied** with the services provided by banks during the personal loan process. In contrast, **58.8% expressed dissatisfaction**, indicating a substantial gap between borrower expectations and the actual services received.

The data suggests that there is significant scope for banks to enhance customer satisfaction. Respondents recommended several areas of improvement:

- Polite and respectful customer interaction
- Reduction in interest rates
- Flexible repayment schedules
- Simplified loan procedures
- Quick turnaround time for approvals
- Transparent and clear communication regarding fees and terms

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