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A Study On Borrower's Perception Towards The Lending Practices For Two-Wheeler Loans At Cholamandalam Investment And Finance Company Ltd

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Abstract— In a rapidly evolving mobility-driven economy like India, two-wheelers have become essential for daily commute and livelihood, particularly in semi-urban and rural regions. Recognizing the financial gap in vehicle ownership, Cholamandalam Investment and Finance Company Limited (CIFCL), a prominent NBFC, has extended two-wheeler loan services through a strong offline network. This study explores borrower perceptions of CIFCL's lending practices, focusing on five key dimensions: loan processing efficiency, affordability, adequacy of the sanctioned credit volume, documentation simplicity, and trust in the lender. By evaluating customer experiences and satisfaction levels, the research provides insights into how traditional face-to-face lending models influence borrower trust and decision-making. The findings aim to support CIFCL in refining its offline loan services and offer broader implications for enhancing customer-centric strategies in India's competitive two-wheeler finance sector.

Index Terms loan processing efficiency, affordability, adequacy credit volume, documentation simplicity, and trust and relationship with lender, borrower's perception.

I. INTRODUCTION :

In a rapidly growing economy like India, the demand for two-wheelers has significantly increased due to their affordability, fuel efficiency, and ease of navigating congested city roads. As a result, financial institutions have capitalized on this trend by offering two-wheeler loans to a wide range of customers. Cholamandalam Investment and Finance Company Limited (CIFCL), a leading player in the non-banking financial company (NBFC) sector, has established itself as a prominent lender catering to the mobility needs of individuals across urban and rural segments. This study aims to analyze the borrower's perception of lending practices adopted by Cholamandalam Investment and Finance in providing two-wheeler loans through offline channels.

II. NEED OF THE STUDY:

The primary objective of this study is to uncover borrower pain points and expectations in the offline lending process for two-wheeler loans. It aims to support the company in enhancing its branch-based loan service model amid increasing digital competition. The research also seeks to understand whether the loan terms, sanctioned amount, and service delivery align with the financial realities of borrowers. Additionally, the study is intended to help the organization retain customers and build stronger relationships within the vehicle loan segment. Ultimately, the insights gained will aid in strategic decision-making to improve credit offerings and enhance overall customer satisfaction.

III. OBJECTIVES OF THE STUDY:

Primary Objective:

- To study borrower's perception towards the lending practices for two-wheeler loans at Cholamandalam Investment and Finance Company Ltd.

Secondary Objectives:

- To analyze borrower's satisfaction regarding the speed and efficiency of loan process.
- To assess the borrower's perception on affordability of two-wheeler loans.
- To analyze the adequacy of the sanctioned credit volume in meeting the financial requirements of the borrowers.
- To evaluate the borrower's experience with documentation requirements during the application process.
- To determine the extent of relationship quality with the lender.

IV. SCOPE OF THE STUDY:

The study is confined to direct loan services offered by Cholamandalam Investment and Finance. It focuses exclusively on borrowers who have availed two-wheeler loans through branch-based interactions with the company. The research emphasizes borrower perception and experience, specifically in relation to five key service-related factors.

V. LIMITATIONS OF THE STUDY:

The responses of the study are based on personal experiences, they may be subject to individual bias, potentially influencing perception-based answers. The findings are also limited to the specific time frame and sample size covered during the internship period. Additionally, there is a possibility that borrowers may hesitate to share negative feedback, particularly during face-to-face interactions.

VI. REVIEW OF LITERATURE:

R. Edward Vettivel and Darling Selvi V (2019) in their study *"Customer Perceptions Toward Lending Practices of Commercial Banks in Tirunelveli District, Tamil Nadu"* aimed to analyze the core factors shaping borrower experiences in bank lending. The research focuses on credit volume, customer satisfaction, affordability, and service impartiality, utilizing factor analysis and path modeling. The findings highlight that these elements collectively enhance positive borrower perceptions, reinforcing the effectiveness of commercial lending practices.

Ramakrishnan S (2021) in their study "Factors Shaping Borrower Perceptions Toward Two-Wheeler Loan Schemes Offered by NBFCs in Tamil Nadu" aimed to examine the key determinants influencing borrower satisfaction. The research explores aspects such as interest rates, customer service, loan processing speed, and repayment flexibility, utilizing a descriptive design with reliability testing through Cronbach's Alpha.

The findings highlight that competitive interest rates and streamlined loan processes significantly enhance borrower experience, though gaps in digital service delivery suggest that improved online platforms could further boost customer satisfaction.

Anand R (2019) in their study "Customer Satisfaction in Loan Services Provided by Cholamandalam Investment and Finance Company Ltd." aimed to evaluate borrower experiences based on factors like interest rates, processing fees, documentation, and service quality. The research explored these aspects using a descriptive design and reliability testing through Cronbach's Alpha. The findings highlight that borrowers expressed high satisfaction levels, largely due to flexible repayment plans and prompt loan disbursement, emphasizing the importance of streamlined loan processes in improving customer experience.

VII. RESEARCH METHODOLOGY:

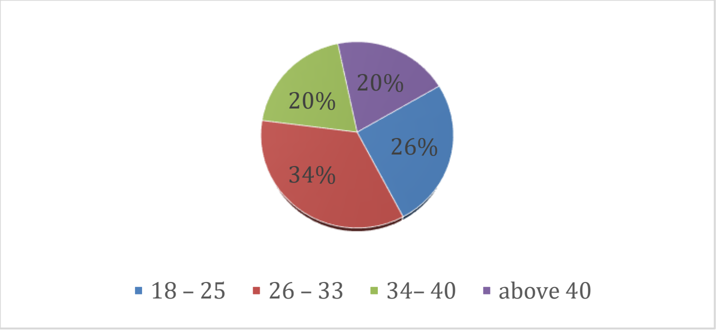
This study follows a descriptive research design to understand borrower perceptions toward two-wheeler loan lending practices at CIFCL, Chennai. A total of 300 responses were collected using purposive sampling, targeting borrowers who had availed loans directly through CIFCL or its partnered two-wheeler dealerships. Data collection involved a structured questionnaire featuring closed-ended and Likert scale items, with analysis conducted using SPSS and Excel. To ensure reliability and validity, Cronbach's Alpha, Factor Analysis, Mann-Whitney U, and Kruskal-Wallis tests were employed. Normality testing using the Kolmogorov-Smirnov and Shapiro-Wilk tests confirmed non-normal distribution, validating the use of non-parametric statistical methods in this research.

VIII. DATA ANALYSIS AND INTERPRETATION:

A. Percentage Analysis:

Table 1: Table and chart showing age of the respondents.

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
18 – 25	77	26
26 – 33	104	35
34– 40	59	20
above 40	60	20
TOTAL	300	100



INFERENCE: The table shows that the largest segment of respondents 35% belongs to the 26–33 age group, followed by 26% in the 18–25 age range. Meanwhile, 20% each were from the 34–40 and above 40 categories. It can be inferred that the largest segment of respondents 35% for two-wheeler loans in this study are young adults between 26–33 years, indicating a strong demand among individuals likely to be in the early-to-mid stages of their careers.

Table 2: TABLE AND CHART SHOWING OCCUPATION OF THE RESPONDENTS.

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
SALARIED	102	41
SELF EMPLOYED	116	44
BUSINESS OWNER	82	15
TOTAL	300	100

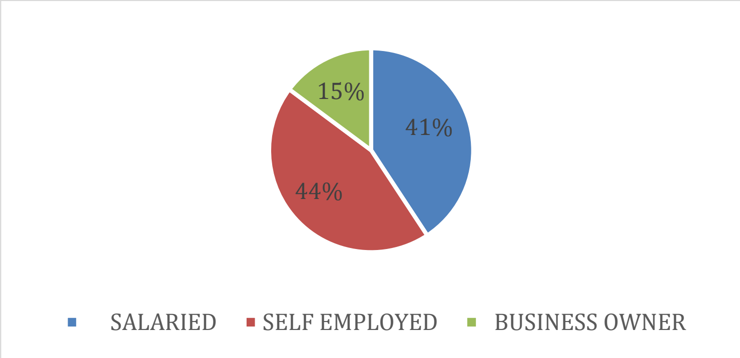


Table 3: Table and chart showing the respondents received timely updates during the loan processing.

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly agree	112	38
Agree	122	41
Neutral	39	13
Disagree	9	3
Strongly disagree	16	5
TOTAL	300	100

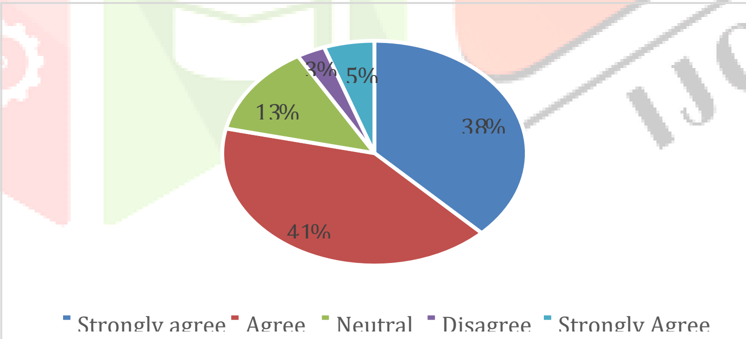
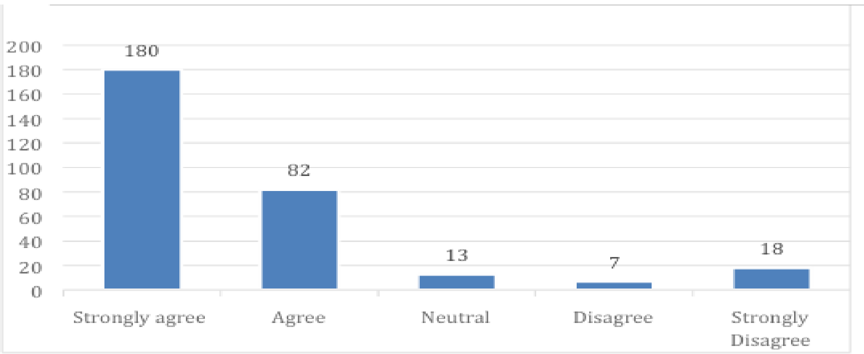


Fig. 2

INFERENCE: It is found the majority of respondents (79%) received timely updates during the loan processing, reflecting effective communication and transparency by CIFCL throughout the loan procedure.

Table 4: Table showing the respondents felt the interest rate charged on their loan was reasonable.

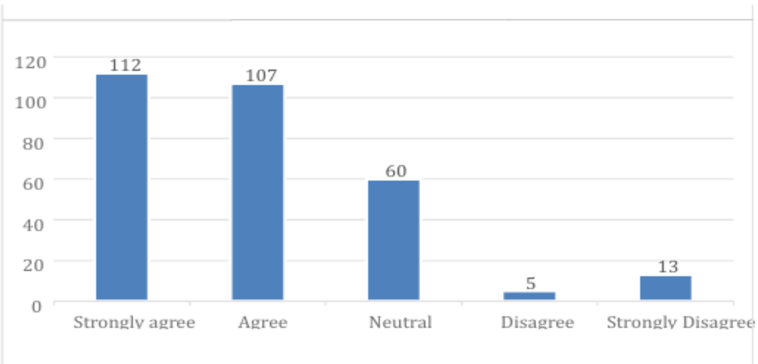
PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE (%)
Strongly agree	180	60
Agree	82	27
Neutral	13	4
Disagree	7	3
Strongly Disagree	18	6
TOTAL	300	100



INFERENCE: The table shows that 60% of the respondents strongly agreed and 27% agreed that the interest rate charged on their loan was reasonable. 4% of the respondents were neutral, 3% disagreed, and 6% strongly disagreed. A large majority (60%) of the respondents felt that the interest rate charged on their two-wheeler loan at CIFCL was reasonable, reflecting a positive borrower perception.

Table 5: Table showing the respondents felt the cost of borrowing was competitive compared to other lenders.

PARICULARS	**NO. OF RESPONDENTS**	**PERCENTAGE (%)**
Strongly agree	112	38
Agree	107	36
Neutral	60	20
Disagree	**5**	**2**
Strongly Disagree	13	4
TOTAL	300	100



INFERENCE: The table indicates that 38% of respondents strongly agreed and 36% agreed that the cost of borrowing was competitive compared to other lenders. 20% remained neutral, while 2% disagreed and

4% strongly disagreed. A majority (74%) of the respondents believed that the cost of borrowing at CIFCL was competitive in comparison to other lenders, suggesting a generally positive outlook on CIFCL's lending rates.

B. CRONBACH'S ALPHA TEST:

SCALE: LOAN PROCESSING EFFICIENCY

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.719	.693	5

SCALE: AFFORDABILITY

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.845	.848	5

SCALE: CREDIT VOLUME

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.884	.885	5

SCALE: DOCUMENTATION SIMPLICITY

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.867	.867	5

SCALE: TRUST AND RELATIONSHIP

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.763	.762	5

INFERENCE: Based on the Cronbach's Alpha analysis, all the scales used in the study showed acceptable to excellent reliability. Loan Processing Efficiency ($\alpha = 0.719$) and Trust & Relationship ($\alpha = 0.763$) showed acceptable internal consistency. Affordability ($\alpha = 0.845$), Credit Volume ($\alpha = 0.884$), and Documentation Simplicity ($\alpha = 0.867$) demonstrated strong reliability, indicating the items used in these scales are consistent and dependable for further analysis.

C. FACTOR ANALYSIS:

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.902
Bartlett's Test of Sphericity	Approx. Chi-Square	2.044E3
	df	105
	Sig.	.000

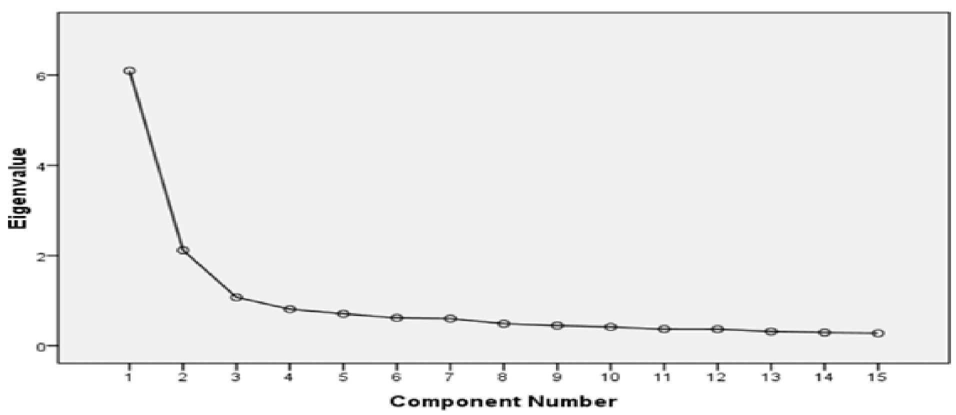
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.097	40.644	40.644	6.097	40.644	40.644	6.051
2	2.117	14.116	54.759	2.117	14.116	54.759	2.364
3	1.074	7.157	61.916	1.074	7.157	61.916	1.078
4	.811	5.404	67.321				
5	.708	4.719	72.040				
6	.617	4.117	76.157				
7	.601	4.010	80.167				
8	.488	3.254	83.420				
9	.448	2.984	86.405				
10	.416	2.771	89.176				
11	.369	2.463	91.639				
12	.367	2.448	94.087				
13	.317	2.113	96.200				
14	.294	1.957	98.157				
15	.276	1.843	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Scree Plot



INFERENCE: The factor analysis extracted three distinct components, collectively explaining 61.92% of the total variance, signifying a strong structural foundation in the data. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy stood at 0.902, affirming the suitability of the dataset for factor analysis, while Bartlett's Test of Sphericity was highly significant ($\chi^2 = 2044$, $p < 0.001$), ensuring strong inter-variable correlations.

Factor 1: Loan Processing Efficiency (LPE) & Credit Volume (CV) Variance Explained: 40.64% This factor captures borrower perceptions of loan approval speed, seamless physical verification, and credit volume satisfaction. • LPE-related items (LPE1 = 0.715, LPE2 = 0.680) loaded highly, reflecting borrower confidence in timely loan processing and lender responsiveness. • Credit-related items (CV2 = 0.808, CV4 = 0.770, CV5 = 0.753) demonstrated strong correlations with processing efficiency, suggesting that borrowers value structured credit evaluations alongside prompt disbursement. • A well-optimized loan process fosters borrower trust, ensuring predictable and efficient credit disbursement.

Factor 2: Affordability (A) & Documentation Simplicity (DS) Variance Explained: 14.12% This factor encapsulates borrower sentiment regarding competitive loan affordability, repayment ease, and streamlined documentation requirements. • Affordability items (A3 = 0.704, A4 = 0.707, A5 = 0.725) indicate strong borrower emphasis on cost-effectiveness and financial sustainability. • Documentation Simplicity (DS1 = 0.734, DS2 = 0.729, DS4 = 0.752) underscores the importance of hassle-free documentation and transparency in required paperwork. • Borrowers who perceive affordability as manageable alongside clear documentation tend to exhibit higher satisfaction levels with lending institutions.

Factor 3: Trust & Relationship Quality (RQ) Variance Explained: 7.15% This factor reflects borrower experience with lender support, 41 staff responsiveness, and service quality. • Trust-oriented items (RQ1 = 0.802, RQ2 = 0.829, RQ3 = 0.836) indicate a strong preference for personalized interactions and assistance throughout the lending process. • Borrowers who experience clear communication, staff reliability, and guidance in documentation are more likely to perceive lenders as trustworthy. • Service quality plays a pivotal role in strengthening borrower-lender relationships and fostering confidence in financial decisions.

D. MANN-WHITNEY U TEST:

Null Hypothesis (H_0): There is no significant difference between the mean ranks of male and female respondents with respect to LPE, Affordability, Credit Volume, Documentation Simplicity, and Trust and Relationship with Lender.

Alternative Hypothesis (H_1): There is a significant difference between the mean ranks of male and female respondents with respect to LPE, Affordability, Credit Volume, Documentation Simplicity, and Trust and Relationship with Lender.

Test Statistics [ab]

	LPE	Affordabilit y	Credit volume	Documentation simplicity	trust and relation ship with lender
Mann-Whitney U	9.560E3	9665.500	9317.000	9341.500	9477.500
Wilcoxon W	1.422E4	14321.500	13973.000	13997.500	14133.500
Z	-.333	-.183	-.684	-.649	-.456
Asymp. Sig. (2-tailed)	.739	.855	.494	.516	.649

a. Grouping Variable: Gender

CONCLUSION: Since the significance value (P = 0.424) is greater than the standard threshold of 0.05 (P > 0.05), there is no statistically significant difference in risk tolerance based on investment experience. Hence, the null hypothesis is accepted.

E. : KRUSLAL-WALLIS TEST

Null Hypothesis (H_0): There is no significant difference in LPE, Affordability, Credit Volume, Documentation Simplicity, and Trust and Relationship with Lender across different monthly income groups.

Alternative Hypothesis (H_1): There is a significant difference in LPE, Affordability, Credit Volume, Documentation Simplicity, and Trust and Relationship with Lender across different monthly income groups.

Test Statistics

	LPE	Affordability	Credit volume	Documentation simplicity	trust and relationship with lender
Chi-Square	.345	.763	.788	2.563	.943
df	3	3	3	3	3
Asymp. Sig.	.951	.858	.852	.464	.815

a. Kruskal Wallis Test

b. Grouping Variable: Monthly income

CONCLUSION All variables — LPE (p = 0.951), Affordability (p = 0.858), Credit Volume (p = 0.852), Documentation Simplicity (p = 0.464), and Trust and Relationship with Lender (p = 0.815) — have p-values greater than 0.05. This means there is no significant difference in perceptions of these variables across different income groups.As the p-values for all the variables exceed the 0.05 threshold, we **fail to reject the null hypothesis (H_0).**

FINDINGS:

- The largest segment of respondents (35%) falls in the 26–33 age group, suggesting that early-career individuals are the most likely to take up such loans.
- A significant portion of respondents (49%) earn between ₹20,000–₹40,000, highlighting that middle-income earners form the largest customer group for CIFCL two-wheeler loans.
- An overwhelming majority (79%) of respondents reported receiving timely updates during the loan processing phase, reflecting strong communication and transparency from CIFCL.
- About 67% of respondents perceived the loan approval process as faster than expected, indicating efficient loan processing mechanisms.
- Approximately 66% of the respondents were satisfied with the physical verification process, suggesting it was conducted without unnecessary delays.
- A large majority (87%) agreed that the interest rates charged were reasonable, showing favorable borrower sentiment regarding loan affordability.
- 87% of respondents also found the processing fee transparent and affordable, reinforcing positive perceptions of CIFCL's pricing structure.
- Around 74% of the respondents believed that the cost of borrowing was competitive compared to other lenders, implying good value for money.
- 80% of respondents agreed that CIFCL showed flexibility in adjusting loan amounts after the initial request, highlighting an adaptive and customer-oriented lending approach.

IX. SUGGESTIONS:

- Expanding customer service training for lending staff will enhance borrower interactions and satisfaction levels.
- Periodic feedback collection from borrowers can help CIFCL refine services and address common concerns effectively.
- Maintaining competitive interest rates and processing fees will ensure CIFCL remains a preferred lender in the two-wheeler loan market.
- Launching seasonal promotions such as reduced interest rates or waived processing fees can attract more borrowers during peak purchasing periods.
- Creating customer loyalty programs for borrowers who maintain good repayment records can incentivize repeat business.

X. CONCLUSION:

Borrowers generally perceive Cholamandalam Investment Finance Company Ltd. (CIFCL) positively in terms of efficiency, affordability, and customer relations. They appreciate the speed of loan processing and clear communication, find the loan terms reasonable, and feel repayment plans are manageable. Loan amounts largely meet borrower needs, with flexibility enhancing satisfaction. Most importantly, borrowers trust the lender and feel well-supported, fostering loyalty and recommendations. The lender's emphasis on transparency and borrower engagement strengthens customer confidence, while its adaptability to individual financial needs reinforces a borrower-centric approach. The company's responsiveness to borrower concerns further contributes to its reputation, reinforcing trust and long-term relationships. Overall, the study indicates a strong, borrower-friendly lending framework that aligns with industry best practices and customer expectations, highlighting CIFCL's commitment to ensuring a smooth, efficient, and supportive loan experience.

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