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Borrower Experience vs Borrower Perception in lending: A comparative study between SBI and Bajaj Finance with reference to Ranchi, Jharkhand

Abhishek Mahto

Fr. Dr. Robert Pradeep Kujur, S.J.

Dr. Ajay Kumar

Department of Commerce

St. Xavier's College, Ranchi

Abstract: If we look at today's time, the lending activities sector plays a very crucial role in economic development because financial institutions provide financial support to individuals, businesses or companies so that they can fulfil their financial needs. This study is titled "Borrowers Experience vs Borrowers Perception in Lending: A comparative study between SBI and BAJAJ finance customers in Ranchi", in this we examined the lending experience of borrowers or according to them we evaluated whether any significant gap exists between borrowers' expectations and actual lending experiences. This study is conducted among customers of SBI and Bajaj finance which are Ranchi based branches. Primary data is collected through proper questionnaire among total 100 respondents. Study is of quantitative research approach, and some statistical tools were used like descriptive statistics, reliability analysis and independent sample t-test and pair sample t-test for data analysis was used by using IBM SPSS. Hypothesis testing was performed to compare borrowers experience between SBI and BAJAJ finance and examine whether any significant perception gap. The findings show the need to give importance to transparency, customer centric service delivery or digital convenience which enhances customer satisfaction. The study recommends that there is a need to improve transparency in loan related charges and there should be simplified documentation process, there is a need to critically develop borrowers experience and lending perception index so that customers can monitor which institutions can meet their actual satisfaction.

Keywords: borrowers experience, perception gap, lending services, SBI, Bajaj Finance.

1. Introduction

1.1 Background of the study: The lending sector that exists today has a lot of potential for the country to grow well and for the financial system of India to enhance so that individuals, households and businesses all get access to credit facilities. In all this, financial institutions will play a crucial role so that the economy grows, entrepreneurship culture develops, and most importantly financial inclusion happens where everyone can access lending products and services as per their needs. In the recent years, there has been rapid growth in lending activities through technological advancements, innovation in banking methods, changes in digitalization and increase competition among Banks and NBFCs which have completely transformed the lending activities of these financial institutions in India. Hence, the borrower experience has emerged as a crucial factor that influences many grounds such as customer satisfaction, loyalty and long-term success of all these financial institutions.

Borrowers evaluate financial institutions based on their current situation, not only on their interest rates and loan availability, i.e., how easily people can get loans, but also on the services provided by financial institutions, such as transparency, ease of documentation, responsiveness, and digital convenience while lending money. All these things are measured properly by the borrowers so that they do not face any problem, whether they are currently or in the future, depending on their current situation.

1.2 concept of Borrowers Experience: Borrowers experience means the overall scenario of when someone takes a loan and after taking the loan and how satisfied the customer is with the lending products and services availed throughout his lending journey starting from his loan application and after approval till repayment and how is the customer support service. If the customer has a positive experience which is influenced by some factors like transparency, ease of documentation, staff behaviour, digital accessibility of respected financial institutions, communication if there is any problem and grievance redressal mechanism is good and the lending experience is as per all these factors then the trust of the customers increases, satisfaction improves and long term relationship builds up with the respective institution.

1.3 Concept of Perception Gap: Perception gaps means that whenever the actual experience of the customer regarding any lending product and services does not match his expectations, then it is called perception gap. Regarding whether the services quality is good, whether the processing speed is as expected or not, whether the transparency is maintained as expected. If there are small perception gaps which generally show up that there is better alignment between customer expectations and institutional service delivery and if there are larger gaps, then it will lead to customer dissatisfaction and less customer loyalty towards the respective institution.

1.4 How is the banking and NBFC lending ecosystem in India?

If we look at India in the prospective, there are wide range of lending institutions like commercial banks, cooperative banks, regional rural banks and NBFCs. My study is a comparative study between PSBs and NBFCs on their lending products and services. Among public sector banks there is SBI which has extensive branch network, reach not only in urban areas but also in rural areas and has strong customer trust in India. On the other hand, among NBFCs there is Bajaj Finance which is known for its faster processing, innovative products and customer focused services. Both are institutional institutions which through their initiatives are significantly increasing the financial inclusion among the people of India. However, there are some differences in the processes of both which influence the customer experience.

1.5 Statement of Problems What are the problems: As per today's lending environment in India, borrowers expect transparent, efficient and customer-oriented service from financial institutions when they avail lending products as per their requirement and the services they get along with it. However, the gaps arise when service delivery is not as expected, communication lags and operational procedures take time which affects the borrower experience and perception gaps widen among customers. These identified differences are essential in helping to increase customer satisfaction and strengthen lending relationships.

1.6 What is the significance of this study:

This study aims to understand the experience and perception gaps of borrowers in understanding how the lending sector works. The findings of our study may assist banks, NBFCs, policymakers and researchers in identifying the factors that influence and improve customer-centric lending practices thereby increasing the participation of all sections of society.

1.7 Scope of the study

This study mainly focuses on customers of SBI and Bajaj finance located in Ranchi, the capital city of Jharkhand. It will examine borrowers experience, perception gap and some selected service dimensions that affect borrowers experience and their associates regarding lending activities. The findings are limited as only a few respondents responded and hence this study is not generalizable to all financial institutions.

2. Review of Literature

Theme A – Customer Experience theories

1. Pine BJ 2nd, Gilmore JH **(1998)** Economy changes with time, earlier customers used to look at their experience last but today customers care about their feeling about the product and service.

2. Verhoef et al. (2009) These theories say that companies can control some things like staff behaviour, system and environment but cannot control some things like customer mood, urgency and expectations, hence customer experience is not enhanced by one thing.

3. Lemon, K. N., & Verhoef, P. C. (2016) These theories say that customer experience should be seen as a journey which is in different stages like pre-purchase, purchase and post-purchase.

4. Klaus, P., & Maklan, S. (2013) Earlier traditional measurements were done like customer satisfaction and NPS which were not enough, hence a better tool was developed which is called EQX. It started being called (Experience Quality).

5. Carman, J. M. (1990) Carman uses the popular model SERQUAL to examine service in which it shows that these are not universal tools that give the right result in all activities.

Theme B – Service Quality, Perception and Gap Theory

6. Parasuraman et al. (1988) These people developed the SERQUAL model so that the customer can compare what he expected and what he actually received on these five dimensions.

7. Zeithaml, V. A. (1988) It shows that the customer judges not on the basis of pricing but by comparing perceived quality divided by total sacrifice which is money, time spent, efforts and stress.

8. Grönroos, C. (1984) It shows that service quality has two parts like technical quality, functional quality so that the standard is maintained.

9. Sureshchandar et al. (2002) Reliability and responsiveness strongly influence customer experience, and any unwanted hidden charges should be resolved quickly to increase customer satisfaction.

10. Bahia, K., & Nantel, J. (2000) This study shows that the staff should be well aware of product related information which is a strong factor affecting customer perception.

Theme C – Indian Banking, NBFCs context and Regulations

11. Malhotra, P., & Singh, B. (2009) This study shows that when SERQUAL model is used in Indian banking, PSBs perform lower than private sector banks in term of responsiveness.

12. Yadav, S. (2025) Your study shows that 65% of total loans are personal loans, 11% of the total loan value are small ticket loans and most of the loans are given to those between 26 to 35 years of age which is 51% who receive maximum loans. Their research is totally secondary data-based result.

13. Singh, D. (2013) In their study they compare two banks which are SBI and HDFC banks in which they use SERVQUAL method for analysis then their findings are that private banks score higher in Reliability, Tangibility and Assurances but the major difference is found in Responsiveness and Empathy...

14. Nair, G. G., & Davy, J. (2019) In their study finds out that people of Kerala have positive perception before taking loan like easy process, fast approval and less paperwork but there are some negative perceptions also like charging extra cost in the name of processing fees and so on.

15. Reserve Bank of India. (2022) RBI which introduces Digital lending Guideline, 2022 so that borrowers get better transparency in the market, feel safer and some regarding key fact statements in which lender should clearly show interest rate, processing fees, insurance charges and a good grievance redressal system should be developed.

16. Rijwani et al. (2017) We know from this research that SERVQUAL dimensions are positively affected by satisfaction level of customers and responsiveness, all these are stronger facts which customers trust in their tagline.

17. Mhlanga, D. (2020) They find out in their study that companies which integrate AI based technology in their algorithm can speed up their lending processing and get instant loan approval and can give better experience to the customers.

18. Roy et al. (2018) They have found out from their study that when young population takes loan for the first time Yes, most of the people take it from NBFC companies because they are fast and easily available in digital mode…

19. Sharma, G., & Malviya, S. (2014) It is found out in our study that if internet banking improves in convenience and accessibility then customer satisfaction will increase.

20. Lee, I., & Shin, Y. J. (2018) It is found out in our research that Fintech companies use this in their strategy as they provide convenience and easy accessibility in their services so that customer feels enhanced in his experience.

3. Research Gaps

These three converging gaps have been identified from the review of literature that will be concluded.

Gap 1 — Experience vs. Perception Not studied Together Most studies look at borrowers' expectations (Perception) or their actual loan experience separately however, no study has examined how these two interact because of these researchers have not measured the "perception Gap". This gap has not been properly measured lending in India because of this an important understanding is missing.

Gap 2 — No Direct Comparison between Public Banks and NBFCs as of now Research usually studies only public sector banks and cable NBFCs but no study compares both in the same way as same type of loan or same type of borrowers because of this, it is not possible to clearly compare how PSBs and NBFCs differ in borrowers experience and perception

Gap 3 — No study conducted in Ranchi/Jharkhand — No researchers have yet examined borrowers' perception and experience specifically in Ranchi or Jharkhand. This is very important because borrowers in this region are different from metro cities, such as many are government employees, digital literacy levels vary, and many are first-time formal loan borrowers. Since national-level studies focus mostly on metro areas, the unique characteristics of Ranchi/Jharkhand have not been examined yet, which also creates a regional research gap. 4. Research Questions Derived from the Gaps

The three research gaps translate directly into three specific, testable research questions that guide this study:

- RQ1 Is there a significant difference in the borrower experience of retail lending customers of SBI and Bajaj Finance in Ranchi, Jharkhand?
- RQ2 Is there a significant gap between the pre-loan perception and the post-loan experience of retail borrowers of SBI and Bajaj Finance in Ranchi, Jharkhand?
- RQ3 Which specific dimensions of the lending process most significantly contribute to the experience and perception gap among retail borrowers in Ranchi, Jharkhand?

5. Research Objectives

1. To define and measure borrowers experience and borrowers Perception in the context of lending or to explain how these two concepts are totally different from each other.

2. To compare borrowers experience between SBI or Bajaj finance among the retail borrowers in Ranchi, Jharkhand based on five key dimensions hain ease of application, documentation burden, staff behaviour, transparency of information and digital services quality.

3. What will be examined is the gap that exists between expectations or actual experience, or to compare this Perception gap between customers of SBI or Bajaj finance in Ranchi.

6. <u>Research Hypotheses</u>

6.1 Hypothesis 1 — Borrower Experience Comparison

H01 — There is no significant difference in the borrower experience between both SBI and Bajaj Finance customers based in Ranchi.

H11 — There is significant difference in the borrower experience between both SBI and Bajaj Finance customers based in Ranchi.

6.2 Hypothesis 2 — Perception Gap Measurement

H02 — There is no significant gap between pre-loan expectations and post-loan experience among retail borrowers in Ranchi.

H12 — There is significant gap between pre-loan expectations and post-loan experience among retail borrowers in Ranchi.

7. Research Methodology

7.1 Research design:

- Research Approach - 1. A mixed method will be used, which will include a structured questionnaire completed with the help of a survey (called quantitative) or a personal in-depth interview (called qualitative).
- Research Philosophy - Post-positivism means that reality will be measured objectively while personal interviews will also be based on personal experience.
- Research Strategy - A comparative study will be conducted between Sbi and Bajaj Finance and will be done in the same framework
- Geographic Scope - Primary data collection for the research will be done from Ranchi, Jharkhand only.

- Unit of Analysis - Only those individual retail borrowers placed in Ranchi who have completed at least 24 months of loan tenure will be considered for the survey.

7.2 Data Source: The data was collected in two ways: first, primary data was collected through Google forms filled by those who were loan holders of SBI and Bajaj Finance. Secondary data was collected from published research journals, RBI annual reports and circulars or annual reports of SBI and Bajaj Finance.

7.3 Sampling Technique: we used Stratified Random Sampling by Loan type (personal, home, vehicle and business)

7.4 Sample Size: In our research, the total sample size is 100 respondents, out of which 51 are from SBI and 49 are from Bajaj Finance. Hence, all the sample were collected in the Ranchi only.

Lending Institution					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SBI	51	51.0	51.0	51.0
	Bajaj finance	49	49.0	49.0	100.0
	Total	100	100.0	100.0	

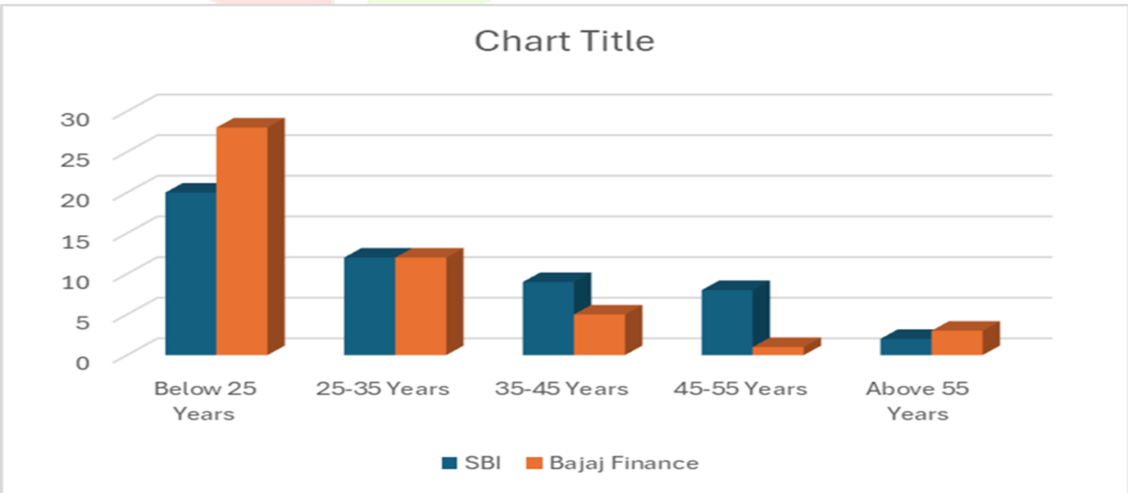
7.5 Data collection Method: The data collection done in our research has been taken from properly created questionnaires created in Google Forms.

7.6 Statistical Tools and software Used: In our research, we have used Statistical Package for Social Science (SPSS) for data analysis and MS Excel has also been used to enhance the graphical presentation of the data.

8. Data Analysis and Hypothesis Testing

8.1 Demographical Information's

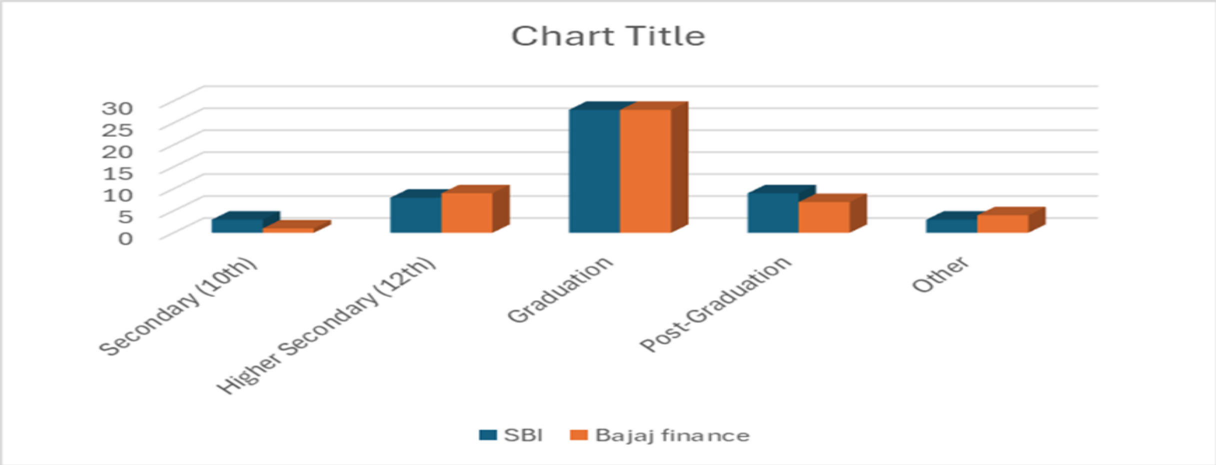
Figure 1: Ages wise distribution of Respondents



Source: Computed with Primary Data using IBM SPSS.

Interpretations: If we look at the age wise, it is known that most of the people below 25 years of age prefer to take loans from Bajaj Finance, but when they are in 35-45 and 45-55 years, they prefer SBI and are neutral prospective among the people between 25-35 years of age.

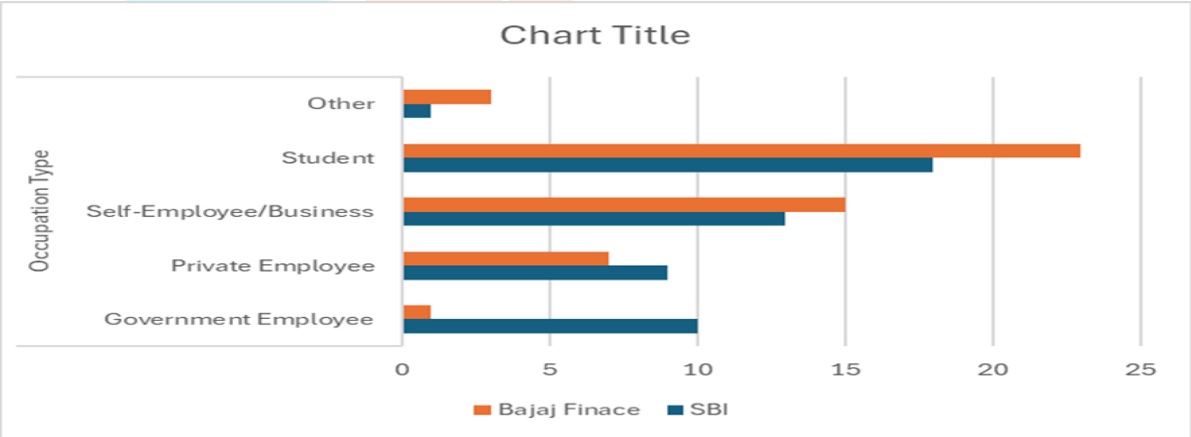
Figure 2: Education-wise Distribution Respondent



Source: Computed with Primary Data using IBM SPSS.

Interpretations: If the education wise data is decoded then it is found that most of the people in higher secondary education who are younger people prefer Bajaj Finance but at graduation level neutral prospect is seen and at post graduation level majority of the people prefer SBI for taking loan.

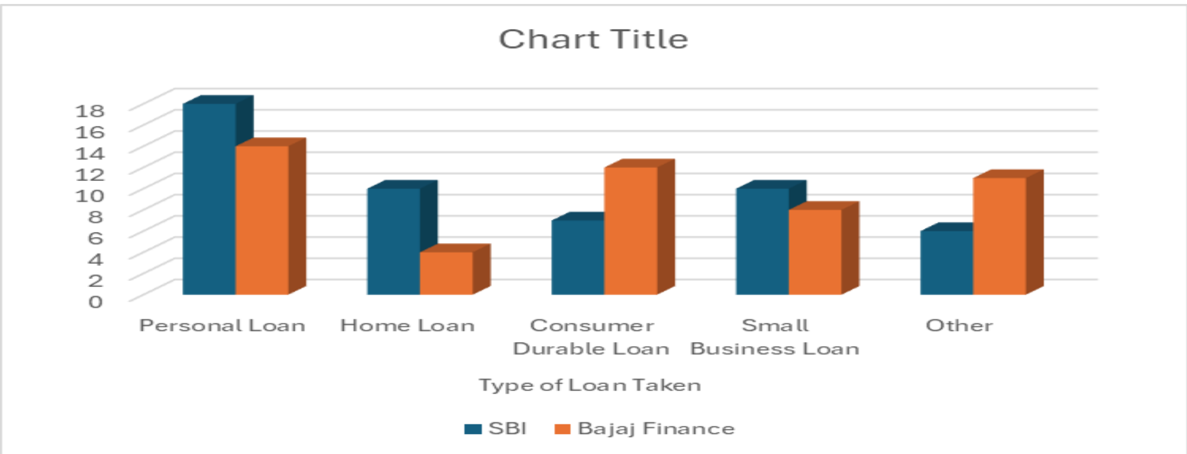
Figure 5.4 Occupation-wise Distribution of Respondents



Source: Computed with Primary Data using IBM SPSS.

Interpretation: If we look at the occupation wise then majority of students prefer Bajaj Finance for taking loans because in this age there is demand for fast processing and instant loan approval and same with business professionals, but when you look at private and govt. employees then majority of people prefer SBI because they want stability and security.

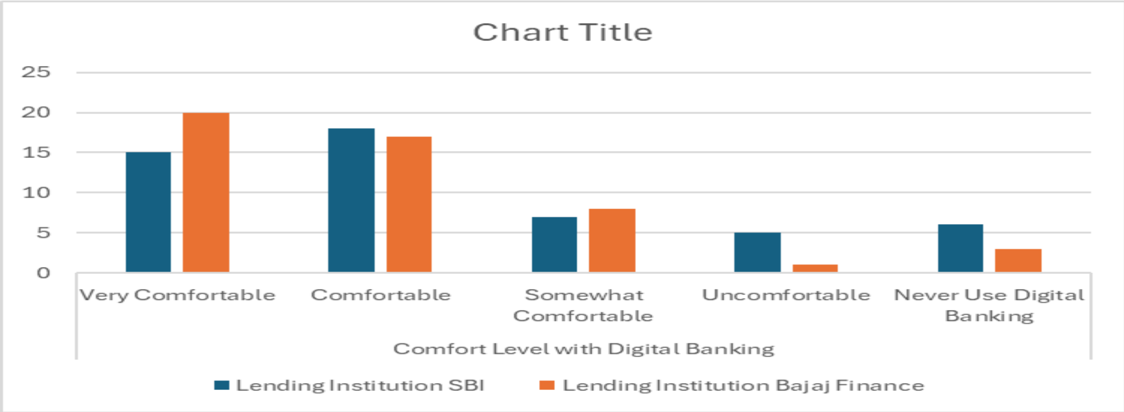
Figure 5.5 Loan type Distribution of Respondents



Source: Computed with Primary Data using IBM SPSS.

Interpretation: If we look at the data, people prefer to take personal, home loans and small business loans from SBI and in consumer durable loans, most of the people prefer Bajaj Finance.

Figure 5.6 Digital Banking Comfort Level of respondents



Source: Computed with Primary Data using IBM SPSS.

Interpretations: If you look at the graph, most of the customers of Bajaj Finance are in very comfortable and somewhat comfortable level and most of the customers of SBI are comfortable or uncomfortable and never use digital banking.

8.2 Statistical tool Calculations from the study

1 Hypothesis 1

H01 — There is no significant difference in the borrower experience between both SBI and Bajaj Finance customers based in Ranchi.

H11 — There is significant difference in the borrower experience between both SBI and Bajaj Finance customers based in Ranchi.

Table 5.18 Independent Sample t-test results for Borrower Experience Dimensions between SBI and Bajaj finance Customers

	t	df	Two-Sided p	Mean Difference	Result
Staff are respectful and helpful	0.315	98	0.754	0.052	Not Significant
Staff are knowledgeable and responsive	1.213	98	0.228	0.21	Not Significant
Loan process fulfilled borrower expectations	-0.26	98	0.795	-0.05	Not Significant
Staff behaviour and attitude were positive	-0.033	98	0.974	-0.006	Not Significant
Complete loan information was provided	-0.928	98	0.356	-0.172	Not Significant
No hidden charges or deduction	2.272	98	0.025	0.455	Significant
Mobile app and online portal were user friendly	-1.191	98	0.236	-0.245	Not Significant
Overall service quality was good	-0.714	98	0.477	-0.116	Not Significant

Digital channels reduced branch visits	-1.897	98	0.061	-0.41	Not Significant
Loan documentation was clear	0.256	98	0.798	0.049	Not Significant

Source: Computed with Primary Data using IBM SPSS.

Result: The analysis revealed that most of the borrower's experience variables showed no significant difference between the two institutions as their significance values are greater than 0.05. But there is statistically significant difference between the customer of SBI and BAJAJ finance in some dimensions related to Borrowers experience which is indicated by "No hidden charges or deduction" which indicates variation in customer's perception regarding transparency of chargers and deductions.

Remark: Null Hypothesis is accepted.

5.5.2 Hypothesis II

H02 — NULL HYPOTHESIS

There is no significant gap between pre-loan expectations and post-loan experience among retail borrowers in Ranchi.

H12 — ALTERNATE HYPOTHESIS

There is significant gap between pre-loan expectations and post-loan experience among retail borrowers in Ranchi.

Table 5.19 Paired Samples Correlation between Borrower Expectations and Actual Borrower Experience

	Paired Samples test				
Variable Pair	means Differnce	t	df	p-value	Result
Borrower Experince-Perception Gap	0.053	1.465	99	0.146	Not signifcant

Source: Computed with Primary Data using IBM SPSS.

Result: Paired Sample t-test is conducted in SPSS statistical software to examine the difference between borrower's experience and perception gaps among the respondents. From the result we find that the significance value (p = 0.146) is greater than 0.05 which shows that no statistically significant difference existed between borrowers' expectations and actual lending experience

Remark: Null hypothesis is accepted.

9. Objective-wise Achievements of objectives:

Objective 1: Borrowers generally reported having positive perceptions and satisfactory experiences regarding lending services provided by both SBI and Bajaj finance.

Objective 2: The data analysis revealed that there is no significant difference in overall borrower's experience between SBI and Bajaj finance customers and indicates that the service delivery of both is comparable.

Objective 3: No significant Perception gap is observed between borrowers' expectations and actual lending experience which suggests that borrowers generally received services as per their expectations.

10. Finding:

1. We find that younger population who are below 25 years of age, their first option is Bajaj Finance, but when people are between 45 to 55 years then their choice is more in SBI.

2. Studies show that when people graduate then they participate more in lending practices.

3. If seen occupation wise then most of the students have first preference in Bajaj Finance but private and government employees mostly prefer SBI.

4. It is known from the loan type that most of the people prefer to take personal loan from SBI but if seen in consumer durable loan then people prefer Bajaj Finance because it provides customer centric flexibility to the people.

5. If seen in terms of comfort level then most of the customers of Bajaj Finance are in very comfortable position when they indulge in digital lending activities and most of the customers of SBI are in uncomfortable and comfortable level.

11. Conclusion: The study has now concluded that SBI and Bajaj finance both have relatively similar borrower experience and are well meeting the expectations of the customers during the lending process. No significant differences are seen overall in the borrower experience or perception gap seen between the two institutions. The findings highlight the importance of transparency in lending activities, service quality, and customer-oriented lending practices from the customers' point of view which enhances the satisfaction of the borrowers.

12. Suggestions:

1. Financial institutions should improve transparency, repayment times and lending terms which need to be made short and concise.

2. Lending terms which need to be simplified to make documentation easier.

3. Digital lending which needs to be improved to make it more user-friendly.

4. Regular staff training is required to ensure good customer interaction and improvement in service quality.

5. Both institutions should take regular feedback so that gaps can be filled.

6. There is a need to develop a separate index which is Borrower's Experience and lending perception index.

13. Scope for future Research:

1. In future, there is a need to conduct studies covering larger geographical regions and compare additional banks and NBFCs to obtain generalized findings.

2. Does illiteracy make any difference or not in lending behaviours.

3. Wider data collection can be done in future to obtain more accurate findings.

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