



# A Study On Utilisation And Satisfaction Of Personal Loan Among Salaried Employees

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**Abstract:** This study explores personal loan utilisation and satisfaction levels among 354 salaried employees, focusing on top, middle, and bottom Public (nationalised) and private sector banks in Chennai, Tiruchirappalli, and Thanjavur chosen based on market capitalisation criteria for the period January to March 2024. Drawing from a robust literature review, it highlights the importance of understanding organizational structures, performance metrics, and customer service dynamics. The research methodology employs stratified random sampling, descriptive statistics, frequency analysis, t-tests, correlation analysis, and regression analysis using SPSS software. Findings revealed significant disparities between public-sector and private-sector banks, with private banks garnering higher satisfaction rates: 62.2% reported somewhat satisfied or highly satisfied experiences compared to 17.8% in public-sector (nationalised) banks. Conversely, public sector (nationalised) banks contained more dissatisfied respondents (54.6%) in comparison to private sector banks (4.7%), indicating varying service quality across banking sectors and results also reveal significant correlations between factors in personal loan utilization. Higher-income correlates positively with customer service satisfaction (0.344) and overall satisfaction (0.308), indicating better experiences for higher-income individuals. The multiple regression analysis for overall satisfaction in personal loan utilization revealed significant effects (Sig. = 0.000,  $p < 0.01$ ). Amongst the independent variables, Customer Service has the strongest impact (Beta = 0.384), followed by Interest Rates (Beta = 0.190). Recommendations to public-sector (nationalised) banks include tailored loan products, improved customer service, and transparent fee structures to boost overall satisfaction and competitiveness in the personal loan market.

**Keywords:** Personal loans, Salaried employees, Satisfaction, Banking institutions.

## I. Introduction:

The rapid reliance on personal loans among the salaried employees of India shows the utmost importance of this credit facility as it is preferred in managing unforeseen expenses, financing desires and ensuring financial stability. The article considers salaried employees' preferences who obtained personal loans across public (nationalised) and private banks alongside the measured extent of satisfaction. It focuses on lenders and diverse clients who require financial assistance from the banks to lend, and how these banks process the clients' loans. Further, it considers both the public (nationalised) and private banks as the possible employers of salaried employees paying attention to the operation speed, interest rates, loan terms, and customer service quality. Nevertheless, the pursuit for improved customer satisfaction is the base of this study to make it possible to deepen relations with borrowers by assessing experiences in application convenience, simplicity, service competency and repayment options. (Yamuna Devi, M., & Duraisamy, P, 2022)

The primary intention of this study is to develop quality customer service which will ultimately aid in creating long-time loyal clients that will be a milestone in the expansion of the personal loan market in India. This discovery can be the foundation of policy forms that ensure lenders are transparent, and consumers are protected ethically for lending in India. By solving the problems that were identified in the

research, for instance, increasing customers' satisfaction and effectiveness, financial institutions can build an environment that will be suitable for the borrowers and that also will build good relationships between lenders and borrowers in the long term. (Mishra, N., & Pandey, V., (May 2013).

## II. Literature Review:

**Dr. M. Yamuna Devi, & Dr. P. Duraisamy (2022)**, investigated the literature on comparative studies between public (nationalised) and private sector banks and highlighted key distinctions in organizational structures, performance metrics, and customer service dynamics. The research underscores the importance of understanding the unique characteristics and challenges faced by both sectors, especially within specific geographic contexts such as Palani Taluk. **Gokilamani, N. and Natarajan, C. (2014)**, introspected that Service quality is paramount for a competitive edge and customer retention rooted in seminal works by Parasuraman et al. (1988) [3], service quality encompasses dimensions like reliability, responsiveness, assurance, empathy, and tangibles. It drives customer satisfaction loyalty, and market positioning. The study by **Navinkumar Mishra and Vijaykumar Pandey (May 2013)**, compared customer satisfaction levels in public sector (nationalised) banks with those of their counterparts in the private sector. The review will stress that customer satisfaction is a key driver of loyalty and organizational success. According to **Ashok B Kencharaddi, (2021)**, the analysis covered the extant studies on housing loans in India. It covered topics such as loan accessibility, interest rates charged, terms of repayment, regulatory frameworks, and borrower satisfaction across various financial institutions. Such a reassessment would also involve conducting comparative studies between public (nationalised) and private sector banks to highlight variations regarding the product profile of the loan portfolios, customer services and overall experience of borrowers. **Dr. Parmil Kumar and Vishal Tyagi, (2021)** examined recent research on home loans in India, focusing on the impact of the COVID-19 pandemic. It discussed trends in interest rates, loan approval processes, borrower preferences, and repayment challenges faced by individuals seeking home loans from the State Bank of India (SBI) and Housing Development Finance Corporation (HDFC). **Dr. Jonathan Joseph, (2021)**, investigated existing research on personal loans, exploring topics such as loan products, interest rates, customer satisfaction, and industry trends. Combining this literature, the review establishes a foundation for analysing Bajaj Finserv's personal loan practices to its customers. **Magheswari and Velanganni Joseph (2019)**, investigated borrower perceptions regarding jewel loans in Paramakudi, concerning banks. Literature suggests that borrower perceptions of loan products are impacted by elements such as interest rates, loan terms, and collateral requirements (Agarwal et al., 2010). Understanding borrower sentiments and preferences informs loan product design and marketing strategies (Brown et al., 2008).

**Ratan Ghosh, et. al (2020)** conducted a comparative analysis of nonperforming loans (NPLs) in the banking industry of Bangladesh. It reviewed studies related to the economic, regulatory, and behavioural factors contributing to the rise in NPLs over the last decade (2010–2019). The review could incorporate theories and empirical evidence related to borrower behaviour, credit risk assessment, loan repayment patterns, banking regulations, and macroeconomic conditions affecting the propensity of borrowers to default on loans. **Experian and Oliver Wyman, (2020)** presented insights into consumer credit dynamics during the COVID-19 pandemic, aiming to assist lenders and policymakers. The literature contextualised the economic fallout triggered by the pandemic and examined interventions such as the Pay Check Protection Program and customer accommodation programs to mitigate credit risks. **Singh Manpreet and Neha, (2020)** examined customer satisfaction with E-banking service quality in public (nationalised) and private sector banks, considering gender and age factors. The review may incorporate studies exploring E-banking service quality, customer perceptions, and satisfaction levels across different demographic segments.

**Agarwal (2020)**, analysed Non-Performing Asset (NPA) movements. The literature highlighted the significance of NPAs in banking and stressed their impact on financial stability, credit risk, and regulatory compliance (Das & Ghosh, 2018). Research emphasizes the need for proactive NPA management strategies, including early detection, effective resolution mechanisms, and prudent credit risk assessment (Beck et al., 2016). Kapil Kumar Tiwari and Rashmi Somani (2021) investigated personal loans and customer views on the HDFC and SBI banks after which they collected the available research. It studied finance related personal loan products such as, interest rates, loan application and approval procedures, quality of customer service and bank brand image for HDFC and SBI. The article here brings into perspective the research objectives, including building upon what is already available, by highlighting gaps in knowledge, and serves as a foundation for exploring customer views and preferences for personal loans from these banks. Lee, Park, and Heo (2019) suggested that subjective financial knowledge and credit

score perception could be effective in future studies to explore payday loan utilisation. Financial literacy and credit perceptions of an individual influence their borrowing behaviour, according to the literature. (Lusardi & Mitchell, 2014). Research made it clear that financial education programs play a vital role in developing patterns of responsible lending that would reduce dependence on high-cost financial instruments. Rajeev Kumar stated that, through internet banking apps, there has been an increase in customer power. It is argued in the literature how much easier and more accessible banking has become through Internet Banking (Liao & Cheung, 2002). Research proves that there are many factors increasing customers' adaption rather than usefulness, ease of use, and security (Davis, 1989).

### III. Scope of the Study:

This study examines the dynamics of the personal loan market among salaried employees in top, middle and bottom private and public-sector (nationalised) banks including HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Bandhan Bank, RBL Bank, State Bank of India, Bank of Baroda, Canara Bank, Indian Bank and UCO Bank, selected based on market capitalization criteria accessed as on February 1, 2024. Examining influential banks such as these offers insight into the financial preferences of a significant segment of the personal loan market. With an increasing number of salaried individuals seeking personal loans, understanding their usage patterns and satisfaction levels becomes imperative. The research aims to fill this gap by analysing the dynamics of loans between public (nationalised) and private sector banks.

This study carefully looks at spending patterns and tracks loan utilization, loan approval time, and its purpose. Further, it measures the level of satisfaction qualitatively, which focuses on application processing time, repayment terms and customer service quality at all banks. Along with that, it contrasts personal loan schemes provided by both public (nationalised) and private banks considering the features, interest rates and overall satisfaction. The study segments salaried employees into various demographic profiles. The policy implications are also discussed in the study and suggestions are offered for a more equitable, supportive, and user-friendly lending environment.

### IV. Objectives of the Research:

By achieving the following objectives, this study aims to understand personal loan experiences in public (nationalised) and private banks, inform bank strategies, and guide policy-making to ultimately empower salaried employees towards financial well-being.

- To assess personal loan adoption rates, average amounts, and purposes among salaried employees in both sectors.
- To segment salaried employees by demographics and loan characteristics.
- To identify influencers such as interest rates, repayment terms, loan processing fees and service accessibility for loan utilisation.
- To evaluate satisfaction levels in the loan process, including application time, loan processing fees, and customer service quality.
- To compare trust and confidence levels in private sector and public sector banks for personal loan management.
- To investigate disparities in loan features between private sector and public sector banks.

### V. Research Methodology:

This study applied a quantitative research design with the use of a structured questionnaire that had a five-point Likert scale which was distributed to respondents in the form of physical surveys in Chennai, Thanjavur and Tiruchirappalli to get information from salaried employees. The research investigates personal loan dynamics among representative samples of employees in both public (nationalised) and private sector banks using a stratified random sampling method for each sector to cover all levels of the banking industry. Market capitalization criteria helped the study focus on banks that had diverse perspectives in size and scale.

## 5.1 Sampling Technique and Tools:

A stratified random sampling technique was adopted within these five banks including both public (nationalised) and private banks to attain a diversity in represented loan characteristics and demographic groups. Finally, 354 samples were subjected to analysis for further accuracy and diversity of the results. A proportionate allocation approach accounting for 35 from each bank is applied to ensure that the sample sizes of the public (nationalised) and private sector banks are balanced for comparison. Descriptive statistics and frequency Analysis provided an overview of key variables, while inferential statistics such as t-tests, correlation analysis, and regression analysis unearth complex insights into personal loan utilization and satisfaction levels of salaried employees. The researchers conducted different statistical analyses using SPSS (The Statistical Package for Social Software, Version 20.0).

## VI. Findings:

Cronbach's alpha (or coefficient alpha) is a dependability metric created by Lee Cronbach in 1951. "Reliability" is another name for consistency. The reliability analysis yielded a Cronbach's Alpha coefficient of **0.877**, indicating a strong internal consistency among the 16 items included in the study's questionnaire.

**Table 1:** Frequency Analysis - Demographic Data

Gender	Frequency	Percentage	Cumulative Percentage
Female	85	24	24
Male	269	76	100
<b>Total</b>	<b>354</b>	<b>100</b>	
Age	Frequency	Percentage	Cumulative Percentage
25-35 Years	69	19.5	19.5
35-45 Years	143	40.4	59.9
45 Years and Above	142	40.1	100
<b>Total</b>	<b>354</b>	<b>100</b>	
Occupation	Frequency	Percentage	Cumulative Percentage
Salaried Employee	354	100	100
Educational Qualification	Frequency	Percentage	Cumulative Percentage
High School	41	11.6	11.6
Postgraduate	167	47.2	58.8
Undergraduate	126	35.6	94.4
Other	20	5.6	100
<b>Total</b>	<b>354</b>	<b>100</b>	
Annual Income	Frequency	Percentage	Cumulative Percentage
>10 Lakhs	78	22	22
1-2 Lakhs	49	13.8	35.9
2-5 Lakhs	92	26	61.9
5-10 Lakhs	128	36.2	98
Less than 1 Lakh	7	2	100
<b>Total</b>	<b>354</b>	<b>100</b>	

Source: Primary Data. Processed by: SPSS Statistics Version 20



From Table 1, the following findings were identified:

- It can be found that in personal loan utilization, males dominate the sample, constituting 76% of respondents, whilst females make up 24%.
- The personal loan utilization varied across age groups, with 25–45-year-olds comprising the majority (59.9%). The largest group falls within the 35-45 age range.
- The sample mainly focused on the Salaried employees for the research and 354 samples of these employees who availed personal loans were analysed.
- Individuals with postgraduate degrees constitute the most substantial proportion (47.2%), followed by undergraduates (35.6%), and high school graduates (11.6%).
- Individuals with annual incomes between 2-10 lakhs represent the majority, with 98% falling within this range. The largest group earns between 5-10 lakhs (36.2%), indicating a significant proportion of borrowers with moderate to high incomes.

**Table 2:** Overall Satisfaction banking sector-wise

Overall Satisfaction						
Banking Sector	Dissatisfied	Highly Dissatisfied	Neutral	Somewhat Satisfied	Highly Satisfied	Total
Private Sector Bank	6	1	8	112	53	180
Public Sector Bank	95	34	28	13	4	174
Total	101	35	36	125	57	354

Source: Primary Data. Processed by: SPSS Statistics Version 20

From Table 2, we may find that respondents' experiences differed based on the banking sector corresponding to their overall satisfaction regarding personal loan utilisation. Private sector banks generally garnered higher satisfaction, with 112 respondents (62.2%) reporting somewhat satisfied or highly satisfied experiences, compared to 17.8% in public sector banks indicating the service quality and performance of public-sector (nationalised) banks is not much preferred by salaried employees as compared to private-sector banks.

### 6.1 t-Test Analysis:

#### Independent Sample t-Test of Interest Rate in Personal Loans in Public Sector and Private Sector Banks

Null Hypothesis ( $H_0$ ): There is no difference in satisfaction with interest rates among salaried employees who obtained personal loans from private-sector and public-sector (nationalised) banks.

**Table 3:** Independent Sample t-Test

Variable	Bank Type	N	Mean	Std. Error Mean	Sig.
Interest Rates	Private Sector Bank	180	3.816	0.053	0.00
	Public Sector Bank	174	2.471	0.068	

Source: Primary Data. Processed by: SPSS Statistics Version 20

It was examined that there exists a significant difference in interest rates between private-sector and public-sector banks in personal loan utilisation and the t-test confirms a significant difference in interest rates (Sig. = .000). The mean difference in interest rates between the groups is 1.34540, indicating that private-sector bank likely has higher interest rate satisfaction compared to public sector banks. The 95% confidence interval for the difference in mean values further justifies this conclusion and the null hypothesis is rejected. Therefore, this analysis implies that there is a significant difference in satisfaction

with interest rates among salaried employees who obtained personal loans from private and public sector (nationalised) banks.

## 6.2 Correlation Analysis:

Annual Income:

H<sub>0</sub>: There is no relationship between Annual Income and

H<sub>01</sub>: Loan Approval Time

H<sub>02</sub>: Interest Rates

H<sub>03</sub>: Customer Service Satisfaction

H<sub>04</sub>: Loan Processing Fees

H<sub>05</sub>: Overall Satisfaction

**Table 4:** Correlation Matrix of Annual Income with Other Loan Characteristics

Pearson Correlation						
	Annual Income	Loan Approval Time	Interest Rates	Customer Service Satisfaction	Loan Processing Fees	Overall Satisfaction
Annual Income	1	-.282**	.171**	.344**	.205**	.308**
Loan Approval Time	.282**	1	-.606**	-.736**	-.388**	-.727**
Interest Rates	.171**	-.606**	1	.633**	.393**	.685**
Customer Service Satisfaction	.344**	-.736**	.633**	1	.491**	.823**
Loan Processing Fees	.205**	-.388**	.393**	.491**	1	.481**
Overall Satisfaction	.308**	-.727**	.685**	.823**	.481**	1
** Correlation is significant at the 0.01 level (2-tailed).						
Source: Primary Data. Processed by: SPSS Statistics Version 20						

From Table 4, we may find that the Pearson correlation matrix reveals significant relationships between various factors related to personal loan utilization. There's a positive correlation between annual income and factors like customer service satisfaction (0.344) and overall satisfaction (0.308), indicating that higher-income individuals tend to have more positive loan experiences. The Loan Approval Time exhibits strong negative correlations with other factors, suggesting that longer approval times are associated with lower satisfaction across the board (-0.282, -0.171). Additionally, interest rates and customer service satisfaction show strong positive correlations with overall satisfaction (0.633, 0.823), highlighting their importance in shaping borrower experiences from various banks.

### 6.3 Regression Analysis

#### Multiple Linear Regression of Overall Satisfaction and Other Loan Characteristics

Null Hypothesis ( $H_0$ ): There is no significant relationship between overall satisfaction with the bank and other loan characteristics among salaried employees who availed personal loans from private and public sector (nationalised) banks.

**Table 5:** Accuracy of the model

Model Summary		
R	R Square	Adjusted R Square
0.907	0.822	0.819

The Model Summary section from Table 4, depicts that the regression model accounts for a substantial amount of variance in overall satisfaction ( $R$  Square = 0.822), indicating that the predictor variables collectively have a strong explanatory power for overall satisfaction in personal loan utilization thereby ensuring that the null hypothesis is rejected. Overall, this analysis suggests that factors such as customer service, interest rates, loan adequacy, repayment terms, loan approval time, and loan processing fees significantly influence overall satisfaction in the personal loan utilisation of salaried employees, highlighting the importance of these factors for both private-sector and public-sector (nationalised) banks based on the results from Table 6

**Table 6:** Regression Analysis of Overall Satisfaction with Other Loan Characteristics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	a(Constant)	0.427	0.261	-	1.638	0.102
	Loan Approval Time	-0.263	0.047	-0.202	5.651	0.000
	Interest Rates	0.241	0.040	0.190	6.081	0.000
	Loan Adequacy	0.143	0.039	0.121	3.693	0.000
	Repayment Terms	0.157	0.045	0.116	3.525	0.000
	Loan Processing Fees	0.100	0.036	0.072	2.756	0.006
	Customer Service	0.415	0.044	0.384	9.337	0.000
a. Dependent Variable: Overall Satisfaction						
Source: Primary Data. Processed by: SPSS Statistics Version 20						

Table 6, represents the multiple regression analysis for overall satisfaction concerning various factors related to personal loan utilization. The coefficients table indicates these factors have significant effects on overall satisfaction ( $Sig. = 0.000$ ,  $(p < 0.01)$ ). Customer Service appears to have the strongest impact ( $Beta = 0.384$ ), followed by Interest Rates ( $Beta = 0.190$ ), Loan Approval Time ( $Beta = -0.202$ ), Loan Adequacy ( $Beta = 0.121$ ), Repayment Terms ( $Beta = 0.116$ ), and Loan Processing Fees ( $Beta = 0.072$ ). The Loan

Approval Time is negatively impacted by satisfaction level signifying that, longer approval time taken by banks affect, the satisfaction of the customers. The Regression Equation is as follows.

$$\text{Regression } y = \alpha + (\beta_1 * \text{LAT}) + (\beta_2 * \text{IT}) + (\beta_3 * \text{LA}) + (\beta_4 * \text{RT}) + (\beta_5 * \text{LPF}) + (\beta_6 * \text{CS}) \quad (6.31)$$

$$\text{Regression } y = 0.427 - (0.263 * \text{LAT} + (0.241 * \text{IT}) + (0.143 * \text{LA}) + (0.157 * \text{RT}) + (0.100 * \text{LPF}) + (0.415 * \text{CS}))$$

## VII. Conclusion:

The comprehensive analysis of 354 salaried employees' personal loan utilisation and satisfaction revealed key insights into borrowing behaviours and satisfaction levels. Targeted approaches are needed to ensure fair access to financial services, considering respondents' educational backgrounds and age demographics. Banks must customize offerings to meet diverse needs, supported by regression (R-Square = 0.822) and t-test findings ( $p < 0.01$ ) emphasizing the impact of factors like customer service ( $p = 0.823$ ) and interest rates on satisfaction ( $p = 0.685$ ). Recommendations for public-sector (nationalised) banks include personalized loan products, competitive rates, and efficient processes to match or exceed private-sector standards. Implementing these insights can foster long-term customer relationships and preserve a competitive advantage in the personal loan market for both public-sector (nationalised) and private-sector banks serving salaried employees.

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