

Preference, Satisfaction and Problems of the consumers while availing vehicle loans – An Analytical study

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ABSTRACT

In India, Banking sector is the backbone for the development of the nation. To increase the standard of living of the individual and for the upliftment of the society banking sector provides various loan scheme for their customer. In this aspect, the vehicle loan provided by the banking sector plays a predominant role for the development. The study is focused on the consumer who have availed the vehicle loan from public and private bank in the Coimbatore city. This study has been made with the help of structured questionnaire by collecting it from 200 respondents. The collected questionnaire were analysed with the tools of percentage analysis, chi-square, ANOVA and Kendall's Co-efficient of concordance(W).Hence this study suggests that Bank should reduce the rate of interest for the vehicle loan and Banks should extend the repayment period for the loan borrower. This study finally concluded that both Public and Private Banks play a significant role in providing vehicle loan and they become a tough competitor in the vehicle loan market to other financial institutions. Banks must satisfy the customers' needs like convenience, easy to approach and fast disbursal of loan.

1. Introduction of the study

The business of banking industry is the backbone to the development of country's economy. With the growing importance of the bank the needs and demands of customer are also changing at a very rapid pace and banks have to satisfy all customers belonging to different social group. Banks provide variety of services ranging from saving account to internet banking, granting loan service to insurance, locker facility to transfer money to abroad. Indian banking industry originated in the last decades of the 18th century and since its inception public banks had monopoly in the market. But after liberalization with the entrance of private banks, upper bar of competition has increased a lot which forced public banks to enhance the level of customer services. Among the various services provided by banks vehicle loan plays an important role.

2. Statement of the problem

In India, Banking sector is the backbone for the development of the nation. To increase the standard of living of the individual and for the upliftment of the society banking sector provides various loan scheme for their customer. In this aspect, the vehicle loan provided by the banking sector plays a predominant role for the development. The impact of customer towards banking sector may have an adverse effect on their services like disbursement of loan, rate of interest, processing time repayment period etc. So the study mainly focused on the awareness, satisfaction level and the problems faced by the customers towards the banks when they avail the vehicle loan.

3. Scope of the study

The study is focused on the consumer who have availed the vehicle loan from public and private bank in the Coimbatore

city. The study deals with the level of preference, the factors which influenced to avail the vehicle loan and the problems faced by the consumer in availing the loan from the banks. It also helps to identify the satisfaction level of the consumers towards vehicle loan. The study mainly highlight on the consumer attitude towards vehicle loan.

4. Objective of the study

- To study the customer preference towards vehicle loan.
- To know the customers level of satisfaction and the problems faced towards vehicle loan.

5. Research Methodology

Research methodology is a way of systematically solving the problem. The validity of any research is based on systematic method of formulating the objectives, data collection,.

Research design

The study has adopted the convenient sampling method.

Area of the study

Data has been collected from the respondents in and around Coimbatore city.

Sample size

The size of the sample for this study is 200 respondents.

Data source

Both primary data and secondary data have been collected for this study.

Statistical tools used for the study

- Percentage analysis
- Chi-square analysis
- ANOVA
- Kendall's Co-efficient of concordance(W)

6. Literature Review

Bhumika Patel (2003), has made her report on "A study on SBI Bank loan system" has examined that banking is an essential industry. The main objective of the study is that banks play a dynamic role in delivery and purchase of consumer drab. The author has used Random sampling method. Data has been collected from 200 respondents. The author has conducted ANOVA and t-Test to indentify the result. The finding of the study reveals that SBI customer care should more concern about the fastest settlement of customer

problems. The study concluded that financial systems chances, supervisors and regulate the economic activity and governance issues should help in defining the road map for the future.

Omid Mashhadifarahani, Narges Rezavi, Loghman HatamiShirkouhi (2003), in their study on "Combined principal component analysis regression analysis model to study the effect on technical efficiency of bad loans in bank industry" has analysis the effects of bad loans on the economic performance of banking system. The objective of the study is to explore the effects of bad loans on the economic performance of banking system. The finding of this study that the Government bank having bad loan and Non performing assets have negative impact on the technical efficiency of banks. The study concluded that the overall working algorithm presented which has capable of calculating the overall cost efficiency of banks and analysis of the impact of bad loans on technical efficiency.

7. Analysis and interpretation

TABLE: 1
Personal factor Vs Purpose for availing vehicle loan

Variables	Source	Sum of square	DF	Mean square	t-value	F-value	Sig	S/NS
Gender	Between group	3.224	2	1.612	7.093		0.001	S
	Within group	44.776	197	.227				
	Total	48.000	199	-				
Age	Between group	1.025	2	.513		0.448	0.640	NS
	Within group	225.455	197	1.144				
	Total	226.480	199	-				
Marital status	Between group	.705	2	.352	1.418		0.245	NS
	Within group	48.975	197	.249				
	Total	49.680	199	-				
Educational qualification	Between group	3.025	2	1.512		1.430	0.242	NS
	Within group	208.330	197	1.058				
	Total	211.355	199	-				
Occupation	Between group	.544	2	.272		0.247	0.782	NS
	Within group	217.211	197	1.103				
	Total	217.755	199	-				
Family monthly income	Between group	7.068	2	3.534		3.788	0.024	S
	Within group	183.807	197	.933				
	Total	190.875	199	-				
Nature of family	Between group	.829	2	.415	1.700		0.185	NS
	Within group	48.046	197	.244				
	Total	48.875	199	-				

Level of significant: 5 per cent

ANOVA results shows that there is no significant difference between the mean score of the purpose for availing vehicle loan with age, educational qualification, occupation, hence the null hypothesis is accepted in respect of these factors. However in case of family monthly income, there is a significant difference in purpose of availing vehicle loan at 5 per cent level, hence the null hypothesis is rejected for their factor.

The paired t-test shows there is a significant different in the purpose of availing vehicle loan in respect of gender and hence the null hypothesis is rejected. However there is no significant difference in the mean score of marital status and nature of family, hence null hypothesis is accepted.

TABLE: 2
LEVEL OF SATISFACTION AND TYPE OF BANK

Variable	Chi-square	DF	Table value	S/NS
Disbursement of loan	4.537	4	0.338	NS
Rate of Interest	16.494	4	0.002	S
Quality of service	10.384	4	0.034	S
Location	4.129	4	0.389	NS
Customer care facility	12.925	4	0.012	S
e-transaction facility	3.331	4	0.504	NS
Communication process regarding loan process	6.39	4	0.172	NS
Guidance	9.075	4	0.059	NS
Loan collection procedure	7.512	4	0.11	NS
Proper time management	1.41	4	0.842	NS
Processing charges	4.841	4	0.304	NS
Processing time	9.771	4	0.044	S
Repayment period	15.943	4	0.003	S

Level of significant: 5 per cent

From the above the table it is concluded that the respondents level of satisfaction namely rate of interest, quality of service, customer care facility, processing time, repayment period have significant relationship with the type of bank the loan is availed by the respondents at the 5 per cent level of significant.

From the table it is clear that the respondents level of satisfaction like Disbursement of loan, Location, e-transaction facility, Communication process regarding loan process, Guidance, Loan collection procedure, Proper time management, processing charges have no significant relationship with the type of bank the loan is availed by the respondents at the 5 per cent level of significant.

TABLE: 3
LEVEL OF PREFERENCE AND INFORMATION ABOUT VEHICLE LOAN

Variable	Chi-square	DF	Table value	S/NS
Less Formality	20.548	16	.197	NS
Repayment period	23.937	16	.091	NS
Easy to approach	24.220	16	.085	NS
Quick Disbursement of loan	41.820	16	.001	S
Flexible mode of payment	15.815	16	.466	NS
EMI Process	35.425	16	.003	S
Processing charges	37.398	16	.002	S
Rate of Interest	39.793	16	.001	S
Efficiently in solving customer problem	41.674	16	.000	S
Customer care facility	31.501	16	.012	S
Insurance facility	43.885	16	.000	S
Working hours	37.200	16	.002	S
Convenient location	41.009	16	.001	S

Level of Significance: 5 per cent

From the above table it is concluded that the respondents level of preference namely Less Formality, Repayment period, Easy approach and Flexible mode of payment have no significant relationship with the information about the vehicle loan at the 5 per cent level of significant.

Processing charges, Rate of Interest, Efficiently in solving customer problem, Customer care facility, Insurance facility, Working hours, Convenient location have significant relationship with the information about the vehicle loan at the 5 per cent level of significant.

From the table it is clear that the respondents level of preference namely Quick Disbursement of loan, EMI Process,

Percentage Analysis

TABLE: 4
RELATIONSHIP WITH BANK

		No .of Respondents	Percentage
Relationship with bank	1-3 yrs	66	33.0
	4-6 yrs	66	33.0
	7-9 yrs	28	14.0
	Above 10 yrs	40	20.0
Amount of vehicle loan	Below 25000	39	19.5
	25000-50000	73	36.5
	50001-100000	35	17.5
	Above 100001	53	26.5
Type of vehicle	Two wheeler	85	42.5
	Four wheeler	83	41.5
	Commercial vehicle	32	16.0
Purpose of availing vehicle loan	Personal purpose	94	47.0
	Business purpose	36	18.0
	Both	70	35.0
Time taken	Within 1 month	76	38.0
	Within 2 months	59	29.5
	Within 3 months	47	23.5
	Above 3 months	18	9.0
Source of information	Advertisement	38	19
	Internet	36	18
	Bank agents	52	26
	Friends & colleagues	60	30
	Relatives	14	6
	Others	1	1
Preference towards bank	Public bank	127	63.5
	Private bank	73	36.5

- 33 per cent of the respondents have one to six years of relationship with the bankers.
- 36.5 per cent of the respondents' vehicle loan falls in between 25000-50000.
- 42.5 per cent of the respondents have brought two wheeler through loan.
- 47 per cent of the respondents has availed loan for their personal use.
- 38 per cent of the respondents has been sanctioned loan within one month.
- 30 per cent of the respondents collect the source of information from friends and colleagues.
- 63.5 per cent of the respondents prefer public bank.

Rank Analysis

TABLE: 05

PROBLEMS	MEAN RANK	ACTUAL RANK
Delay in Disbursement of loan	4.41	3
High rate of interest	3.56	1
Poor Quality of service	4.53	5
More Formalities	3.72	2
High Penalty rate	4.46	4
Processing time	4.86	6
Repayment period	5.25	8
Insecurity	5.22	7

From the above mean rank table it is noted that most of the customers face 'High rate of interest' (mean 3.56). Second

most rank has been assigned to 'More formalities' with a mean rank of 3.72, next rank has been assigned to 'Delay in

disbursement of loan' (mean 4.41), Fourth rank has been assigned to 'High penalty rate' (mean 4.46), next rank given to 'Poor quality of service' with the mean rank of 4.53, followed by 'Processing time' (mean 4.86), next rank assigned to 'insecurity' with the mean of 5.22, the last rank assigned to 'Repayment period' with the mean of 5.25. **Hence, out of the problems in availing vehicle loan High rate of interest have been ranked as number one reason.**

KENDALL'S COEFFICIENT OF CONCORDANCE

Kendall's W^a	.064
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The 'W' calculated for the given item is .064. Hence there is more similarity among the customers in assigning ranks for the problems faced by the customer in availing the vehicle loan.

8. Suggestions

- Bank should reduce the rate of interest for the vehicle loan.

- Banks should extend the repayment period for the loan borrower.
- E-transaction facility should be enhanced in an effective manner by the banks.

9. Conclusion

Human lives are filled with needs and very often to fulfill them, they may require instant funds. The recent economic boom and crash has sent shock waves throughout the economy creating radical changes in business paradigms, consumer goods and in economic cultures. Vehicle loans are more popular throughout the world. Public and Private Banks play a significant role in providing vehicle loan and they become a tough competitor in the vehicle loan market to other financial institutions. Online transaction facility must be enhanced to the consumers. The finding of the study revealed that the consumer approach the Banks due to the safety and EMI process provided by them.

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