Research Paper
Impact Factor: 7.184
Peer Reviewed & Indexed Journal
www.ijbarr.com

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

ANALYSING CUSTOMER PERCEPTIONS OF LONG-TERM BANK LOANS: EVIDENCE FROM PUBLIC AND PRIVATE SECTOR BANKS IN PUDUKKOTTAI DISTRICT, TAMIL NADU

N. Subalakshmi*   Dr.M.Meyyammai**

**Research Scholar, PG and Research Department of Commerce, J.J College of Arts and Science (Autonomous),(Affiliated to Bharathidasan University), Pudukottai.*

***Asst. Professor, PG and Research Department of Commerce, J.J College of Arts and Science (Autonomous), (Affiliated to Bharathidasan University), Pudukottai.*

Abstract

This study examines the attitude of customers towards long term loans of the banks in Pudukkottai District, Tamilnadu by comparing both public and private sector banks. Though the importance of long-term loans in financing the needs of the household, entrepreneurial activities and developmental activities cannot be discredited, the attitude towards long-term loans is very divergent according to the attitude of the institution and the quality of the services offered. The study is conducted in a mixed method, which involves survey and interviews with 250 respondents and bank officials respectively to get quantitative and qualitative information. The results show that customers of Private Sector Banks are more interested in being served quickly, getting the personalized service, and easier loan application process, whereas those of Public Sector Banks are interested in trust, accessibility, and easy processing with government guarantee. Both sectors have concerns with long periods of time for repayment, rigid repayments and high interest rates, however. The study has revealed that age, occupation and income level appears to have a significant impact on perceptions of loans, with younger borrowers being more likely to prefer loans from private banks, citing digital convenience, and older borrowers preferring loans from public banks, due to their perceived reliability. The results highlight key components to consider in fostering positive perceptions, including transparency, customer education, and flexible repayment options. The study provides a clear understanding of the disconnect between the two, and offers practical suggestions for banks to improve customer satisfaction and build their lending relationships. Finally, the study helps in understanding the impact of the differences in the service quality of banking sector on trust and decision making of its customers in semi-urban India.

Keywords: Customer Perception, Long-Term Loans, Public Sector Bank, Private Sector Banks.

Introduction

Financial institutions or banks play an important role in the operation of the modern economy, an intermediary role between savers and borrowers. They can release funds from surplus units and direct them towards deficit units and thus help to boost investment and growth. Long-term loans are especially important of the various financial products offered. The loans are for ongoing financial support of the housing, education, entrepreneurship and infrastructure sectors. Their contribution is not just on a personal level, but for the development of the region as a whole. It is therefore crucial to have a good grasp of customers' attitudes toward these types of loans.

India has a dual banking system of banks as public banks and private banks. The public sector banks are government owned and government-operated institutions which lay great stress on social responsibility and financial inclusion. On the contrary, private sector banks are more efficient and innovative, and have a customer centric approach. Each has evolved in a different way and has its own operating philosophy.

These distinctions have an impact on the attitudes of customers towards long-term loans. There is a varied perception of the borrowers between demographic & socio-economic groups.

Public sector banks have always been considered as government-supported institutions and are trusted by the public. They have been embraced for their accessibility and widely used by rural and semi-urban communities. They are considered to be reliable and secure by the customers. But the private sector banks are considered to be more technologically advanced and agile. Speeds, convenience of digital services and personalized services are the key points. This duality produces opposite perceptions to their long-lasting loans, *George (2024).*

Some of the things that customers have to consider are the tangible aspects of interest rates, flexibility of repayments, paperwork, and customer service. Borrowers consider these factors when taking out long-term loans *Henegar et al., (2024).* Positive perceptions stimulate uptake of loans and loan repayment discipline. Negative perceptions lead people to refrain from taking loans and reduce the confidence in the institutions. Therefore, the ability to perceive is directly related to the success of loan schemes.

This study is based on the vibrant socio-economic profile of Tamil Nadu and their dynamics. The study is carried out in semi-urban area of the Pudukkottai District where both public and private banks are in operation. Agriculture, minor industries and new service industries are the driving forces of the district's economy. The latter are a sector which needs long-term financing for growth and sustainability. The attitudes of the customers are very insightful in this context, *Yoganandham, (2024).*

Public sector banks in Pudukkottai are seen as more friendly towards the low-income society. Confidence among traditional borrowers is added to their backing by their government. They are highly appreciated for being accessible and oriented to social issues. Private banks, however, have the loyalty of younger and the more urban clientele. They stress speed of processing, convenience of digitization and customization. This contrast has been useful in identifying the differences in perception of the customer between the sectors as mentioned by *Suryana (2023).*

These differences notwithstanding, there are common challenges faced by institutions. One of the common complaints by customers is that interest rates are too high. Stiff repayments make it less attractive for borrowers to take out a loan. Dissatisfaction increases when there is complex documentation process. These factors decrease trust and the uptake of loans. It is important to be able to respond to them to enhance customer satisfaction. Other demographic influences also impact perceptions of long-term loans *Kaushik (2024).* Borrower preferences are affected by age, occupation, income and education. Youth are more inclined to appreciate the speed and digitization of processes. Elderly customers focus on trust and stability of the institutions. The differences suggest the need to employ differentiated approaches. Banks need to be flexible in its services to meet the needs of varying customer groups.

Financial literacy is an important factor to consider when it comes to perceptions. When customers know more about the terms of a loan and its repayment plan, they are more confident customers. When people are unaware of something, they tend to have misconceptions and may not have trust in it. Therefore, banks need to focus on educating their customers, *Elbanna et al., (2025).* Clear and effective communication builds credibility and trust. This financial knowledge enhances sustainability of lending relationships over time. Another crucial factor that determines the perception of customers is service quality. Good servicing of staff, effective grievance handling and timely loan processing helps to enhance satisfaction. But, if the service is poor, the negative impression will be created. As it becomes competitive, it is service quality that is the differentiating factor. This can be taken advantage of by private banks. Public Banks will have to change to be competitive.

Adopting technology also affects the attitudes of long-term loans.Technology also affects the attitudes of long-term loans. The digital platforms make the loan application and repayment process easier. These are especially convenient to younger consumers. Digital innovations have been a priority for private banks. It is interesting to see that public banks are increasingly following the same trend as *George (2024).* Technology changes the expectations and satisfaction of the customer. Trust continues to be a key element of loan making. Government support helps make public banks more attractive and helps to give them the confidence of their customers. A personalized service and transparency is a key way in which private banks build trust *Inala et. al., (2025).* It is important for both sectors to continually foster trust in order to maintain long-term lending. Trust is essential to loan schemes to be successful. Trust is, therefore, very important when it comes to customers' perceptions. Policy-wise, it is important to comprehend customer attitudes towards long term loans. It is possible to use insights to drive change in banking practice. They can help to improve financial inclusion and support sustainable credit growth *Udohaya, (2025).* It's important for policymakers to take into account the differences across sectors in customer expectations. A good policy enhances the banking systems, public and private (Khan 2018). On the academic side, this study adds to the literature of studies on customer behaviour in financial services. It sheds light on the interaction between institutional practices and the perceptions of the borrowers. It pays attention to the demographic and socio-economic factors. The results will contribute to the discussion about sustainable financial services. They also set the groundwork for further investigations.

The objective of this study is to fill this gap between the practice in institutions and their expectations in Pudukkottai District. Systematically, it presents an analysis of perceptions of long term loans and practical recommendations to the banks. The results will be used to develop strategies to improve the level of customer satisfaction. They will also help develop policies and be part of scholarly conversations. In conclusion, the findings of the study can help guide the advancement of customer-centric financial services in India.

Review of Literature

The perception of the customer regarding long term loans is influenced by the institutional practices, the differences in the socio-economic and demographic characteristics of the two groups. *Revathy et al., (2025)* highlighted that the satisfaction of male customers in Chennai with private sector banks has higher with “Procedures and Formalities” and “Cost of Finance” is least satisfied. The study findings emphasize the need for streamlining processes to boost customer trust. *Vetrivel (2019)* studied the cooperative banks and agricultural loan in Pudukkottai District and observed that the ability of farmers to borrow and repay money plays a crucial role in the rural credit system. His research highlights the difficulties with deposit mobilisation and lending in a semi urban context. The study by *Yoganandham (2023),* discusses the service rendered in housing loans in Vellore District, indicating that perception of quality, value and service have a strong influence on satisfaction; it was found that the poor service of loans will reduce the equity of the banks and limit the ability of banks to lend further. *Majumdar et al., (2025)* tackled the financial issues the women-led micro enterprises in urban India are encountering and concluded that financial skills training, apart from institutional barriers, remains an impediment for women to access credit. With their study they highlight the importance of multi-faceted approaches to tackle voluntary abstinence from borrowing and systems barriers. *Karuppannan (2015)* emphasized how self help groups and microfinance exercises empowerment to the rural women, and cited that financial inclusion contributes to multidimensional empowerment, where information and psychological empowerment are most important. This is connecting microfinance to the world of MDG3 in India. Similarly, *Kyeyune et al., (2025)* emphasized that financial literacy was essential for the empowerment of the rural communities as it was inadequate financial management and financial literacy that was a major constraint to sustainable development and inclusive growth. Together, these studies show that empowering customers and ensuring satisfaction in financial services relies on clear processes, easy-to-navigate loan structures, and custom financial education. They also demonstrate that private banks are efficient and offer good quality service, whereas the cooperative and public banks are important for the rural and semi urban population. However, gaps in gender equality, literacy and processes remain a barrier to access. In order to address these challenges, changes must be implemented to align the efficiency of the lending process with the inclusiveness of the loans themselves; and long term loans should be seen not as a burden, but a way of empowerment. These works together give a complete groundwork to analyse the perception of the customers regarding long term loans in Pudukkottai District and the impact of institutional practices and socio economic factors on the financial outcomes.

Statement of The Problem

One of the important problems in the banking sector is the perception of the customers regarding the long term bank loans especially in semi-urban areas like Pudukkottai, Tamil Nadu. The attitudes of customers towards long term loans are complex and influenced by institutional practices and banks provide the credit products for housing, education, entrepreneurship and infrastructures *Castellas et al., (2018).* PS banks are considered to be reliable and easily available, but are blamed for having a lot of paperwork, time-consuming and stiff repayment systems. The private sector banks, however are appreciated for their efficiency, digital ease and customised services; however, the customers often complain about the high interest rates and recovery measures that are more aggressive *Gomber et al., (2018).* This dichotomy in the perceptions has a negative impact on the loan behaviour and in general the loan schemes' success. Additionally, certain demographic variables like age, occupation, income and education also affect the attitudes of customers, younger customers prefer private banks because they are fast and older customers prefer public banks because they are reliable *Harris et. al., (2016).* Even though long term loans are available, many customers are hesitant to get involved because of the lack of transparency, financial education and fear of the repayment burden. This indecision will pose a threat to the potential of banks to stimulate inclusive growth and sustainable development in semi-urban areas. Few people are aware of the benefits of loans, not enough people are educated and banks do not have good communication policies. This makes long-term loans seem like an impediment to empowerment rather than a means, as is often thought *Sikka et al., (2024).* Such problems need to be understood by getting a better grasp of customer perceptions, sectoral variations and socio-economic factors. If the insights were not there, banks could lose customers' confidence and go astray from their developmental goals. The issue is more about the gap between institutional practice and customer expectations, and ensuring that long-term loans aren't seen as a burden but as an opportunity for progress.

Objectives

1. To study the perception of the customers regarding the long term loans in Pudukkottai District and compare between Public and Private Sector banks in terms of trust, ease of availability, efficiency and service quality.
2. To analyze the effect of demographic and socio-economic variables (age, occupation, income, education) on customer perceptions about taking out loans and their repayment preference.

3. To understand the main problems and needs of the borrowers and recommend banks to improve the transparency, customer satisfaction and sustainable lending in semi-urban areas.

Methodology

The research design used in this study was a mixed methods research design in which the analysis of customer perception of the long term bank loans was done in Pudukkottai District, Tamil Nadu. The respondents consisted of 250 who were selected using stratified random sampling method and included both public sector banks and private sector banks. The data was collected quantitatively with respect to demographic variables, loan preferences, satisfaction level and problems, and qualitatively through interviews with the bank officials. Patterns and relationships were revealed by the use of statistical techniques, which included percentage analysis, chi square tests, and cross tabulation. The qualitative data were subjected to thematic analysis to get a sense of customer attitudes and institutional practices. This methodological approach allowed the overall knowledge of the sectoral differences and socio economic influences on the perceptions of loans.

Population And Sampling

The population for this study was the customers of both public sector banks and private sector banks of Pudukkottai District in Tamilnadu. The customers ranged from farmers to salaried, entrepreneur and small businessmen with varying socio-economic backgrounds and who are engaged in long-term borrowing. The study adopted a stratified random sampling technique in order to ensure representativeness, the respondents were divided as per the type of bank they patronize as a strata. A sample of 250 respondents was drawn, proportionate to the population, from this population, including a proportional number of respondents from public and private banks. In this way, the sectoral differences in perceptions of the customers could be balancedly taken. Efforts were made to ensure that individuals were represented across ages, income, and occupation levels for demographic diversity. The sample was also designed to represent the urban, semi urban and the rural customer within the district. The stratification and random selection reduced the bias in the study and increased reliability. The sampling framework was found to be comprehensive enough for analysing the attitude of the customers towards long term loans.

Data Collection And Sources

This study was based on a structured questionnaire which was filled by 250 customers of the banks in Pudukkottai District, both public and private sector, representing the population. The primary data comprised the demographic information, loan preferences, borrowers' satisfaction and problems faced by borrowers. Furthermore, qualitative information was obtained from interviews with bank officials, which helped to raise issues about institutional practices and approaches towards customer service. For contextual analysis secondary data were obtained from the published reports, academic journals and the official banking statistics. These sources provided a comprehensive and reliable base to explore customer perceptions of long-term loans.

Analysis And Findings

Table 1: Demographic Profile of Respondents

Demographic Variable	Public Sector Banks (%)	Private Sector Banks (%)	Key Observation
Age (Below 30)	25	45	Younger borrowers prefer private banks for speed and digital access.
Age (30–50)	40	35	Middle-aged customers are evenly distributed across both sectors.

Age (Above 50)	35	20	Older borrowers lean toward public banks for reliability.
Occupation	Farmers 30 / Employees 45 / Entrepreneurs 25	Farmers 15 / Employees 40 / Entrepreneurs 45	Entrepreneurs show stronger preference for private banks.
Income Level	Low 50 / Medium 35 / High 15	Low 20 / Medium 40 / High 40	Higher-income groups prefer private banks due to flexible services.

The demographic analysis shows that the differences between public and private sector banks are in their preference to borrow. The younger borrowers, especially those under 30, are more inclined towards private banks because of quicker processing and digitalization. Middle aged customers are evenly distributed, indicating a balance in the trust levels in both groups. The elderly borrowers are inclined towards public banks because they appreciate the traditional service and reliability provided by the public banks. Occupational trends indicate that the entrepreneurial class is more inclined to take loans from private banks for flexible schemes, whereas farmers feel more inclined to opt for public banks for their easy access. There are further differences in choice based on income, as those with higher incomes are more likely to choose a private bank, while those with lower incomes rely on public institutions. The results reflect the importance of the socio-economic environment to influencing perceptions about loans.

Table 2: Customer Perceptions of Loan Attributes

Loan Attribute	Public Sector Banks	Private Sector Banks	Comparative Insight
Interest Rates	Viewed as moderate but rigid	Viewed as high but negotiable	Public banks perceived as safer, private banks as costlier.
Documentation	Lengthy and complex	Simplified and digital	Documentation is a major barrier in public banks.
Loan Processing Time	Slow and bureaucratic	Fast and efficient	Speed is a key advantage for private banks.
Repayment Flexibility	Limited options	More flexible schemes	Flexibility attracts younger borrowers to private banks.
Trust & Security	High due to government backing	Moderate, depends on service quality	Trust remains the strongest asset of public banks.

The perceptions of customers of the loan attributes reveal differences in strengths and weaknesses between the banking sectors. Public banks are appreciated for moderate interest rates and the high confidence placed in them, but are criticized for their length of documentation and processing. On the other hand, private banks are loved for streamlined processes, online platforms, and versatile payment terms but are perceived as more expensive because of their higher interest rates. The greatest strength of public banks is trust and of private banks efficiency. These factors are carefully considered by the borrower, and sometimes they opt for it due to their need and confidence. The results indicate that service quality and service transparency are key. In general, perceptions are indicative of reliability and convenience.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

Table 3: Overall Satisfaction and Challenges

Factor	Public Sector Banks (%)	Private Sector Banks (%)	Key Finding
Overall Satisfaction	65	70	Satisfaction levels are slightly higher in private banks.
Major Challenges	Documentation (40%), Delay (35%), Interest (25%)	Interest (45%), Recovery Pressure (30%), Service Gaps (25%)	Each sector faces distinct challenges impacting perception.
Preferred Choice	Public 55	Private 45	Public banks remain slightly more preferred overall.
Recommendation Rate	60	68	Private banks receive more positive word-of-mouth.
Improvement Needs	Transparency, Simplification, Customer Education	Lower interest, Trust-building, Service consistency	Both sectors must align services with customer expectations.

Based on the satisfaction analysis, the overall customer approval of private banks is slightly better than public banks. But there are unique challenges for both industries which affect perceptions. Documentation delays and stringent procedures are the problem for the public banks and high interest rates along with recovery pressures are the issue for the private banks. Nevertheless, on balance, public banks are somewhat more preferred than private banks, which have a strong base of trust. However, private banks have higher rates of recommendations and have a greater word of mouth appeal. There are differences in the level of improvement needed: public banks need to make processes easier and more transparent, whereas private banks need to make processes more cost-effective, and build more trust. This is indicative of the need to match services to customer expectations.

Suggestions

From the findings, banks in Pudukkottai District should focus on making the processes of documentation less cumbersome to reduce the frustration among the customers and make more accessible. To compete with the private sector, Public Sector banks need all digital innovations and to speed up processing. Private banks, on the other hand, should concentrate on reducing their interest rates and establishing trust with clear communication. Financial literacy initiatives in both industries are needed to inform customers about the advantages of borrowing money, payment plans and responsible borrowing. Payment flexibility according to various income levels can help increase customer satisfaction and minimize the risk of default. Enhancing grievance redressal mechanisms will work to further build customer confidence. In general, incorporating customer expectations to customer practices is crucial for sustainable LTL.

Conclusion

The study underlines that institutions and socio-economic factors play a role in affecting the perception of long term bank loans among the customers of Pudukkottai district. Public sector banks are preferred for being accessible and backed by the government, while private banks are preferred for efficiency, digital convenience, flexible repayments. While these advantages are found in both industries, issues like high interest rates, inflexible schedules, and intricate paperwork remain. Demographic differences also shape preferences; younger borrowers prefer private banks, while older borrowers prefer to go for public institutions. The results highlight the importance of transparency, financial education and

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

customer-focused innovations to enhance trust. Meeting borrower expectations in services will lead to improved satisfaction and sustainable lending. In conclusion, overcoming the disconnect between the needs of the customers and the banking system is key to inclusive financial development in semi-urban India.

References

1. George, A. S. (2024). Finance 4.0: The transformation of financial services in the digital age. Partners Universal Innovative Research Publication, 2(3), 104-125.
2. Henegar, D., Ilieș, G. L., Mureșan, I. C., Poruțiu, A. R., Arion, I. D., & Arion, F. H. (2024). Customers' perception of microfinance services as a tool for rural development: A Romanian case study. Agriculture, 14(7), 1087.
3. Yoganandham, G. (2024). Rural Transformation And Economic Development In Contemporary Tamil Nadu: Dynamics, Challenges, And Perspectives. Degrés, 9(3), 92.
4. Suryana, M. (2023). Navigating digital trust: how service quality and brand image shape loyalty in online travel platforms. Journal of Tourism, Hospitality and Travel Management, 1(2), 62-75.
5. Kaushik, A. (2024). SBI's bureaucratic labyrinth: A case study based on critical analysis exposes the 'Illusion of inclusion'in rural banking in India and suggests solutions to meet public expectations. Journal of Global Information and Business Strategy, 16(1), 161-180.
6. Elbanna, S., Eissa, M. A., & Armstrong, L. (2025). Financial literacy in the modern economy: Bridging the knowledge gap for entrepreneurs and beyond. In The future of education policy in the state of Qatar (pp. 147-173). Singapore: Springer Nature Singapore.
7. George, A. S. (2024). Finance 4.0: The transformation of financial services in the digital age. Partners Universal Innovative Research Publication, 2(3), 104-125.
8. Udohaya, N. (2025). Long-term sustainability of financial inclusion strategies. In Impact investing and financial inclusion: Examining the innovations that empower the underserved (pp. 491-505). Cham: Springer Nature Switzerland.
9. Khan, M. W. (2018). A comparative study of customer satisfaction between public and private banks in Lahore, Pakistan. Journal of Policy Options, 1(2), 50-60.
10. Inala, R., & Somu, B. (2025). Building trustworthy agentic AI systems for personalized banking experiences. Metallurgical and Materials Engineering, 31(5), 1336-1360.
11. Revathy, K., & Murugesan, D. (**2025**, June). An analytical study of customers' preferences and satisfaction on consumer finance with respect to private sector banks in Chennai. In AIP Conference Proceedings (Vol. 3306, No. 1, p. 030037). AIP Publishing LLC.
12. Vetrivel, K. **(2019).** Agricultural Loan And Co-Operative Bank In Pudukkottai District Of Tamil Nadu. International Journal of Management (IJM), 10(2).
13. Yoganandham, G. **(2023).** Customer satisfaction with housing loan services in Vellore District of Tamil Nadu: An analysis. Juni Khyat: UGC Care Group I Listed Journal, 13(5), 158-172.
14. Majumdar, R., & Mittal, A. **(2025).** Revisiting the financial challenges faced by women-led microenterprises: some evidence from the Indian manufacturing sector. IIMT Journal of Management, 2(1), 64-83.
15. Karuppannan, R. **(2015)**. Micro Finance, Empowerment of Rural Women and MDG3. An Empirical Study in Tamil Nadu. An Empirical Study in Tamil Nadu (October 10, 2015).
16. Kyeyune, G. N., &Ntayi, J. M. **(2025).** Empowering rural communities: the role of financial literacy and management in sustainable development. Frontiers in Human Dynamics, 6, 1424126.

17. Castellas, E. I. P., Ormiston, J., & Findlay, S. (2018). Financing social entrepreneurship: The role of impact investment in shaping social enterprise in Australia. Social Enterprise Journal, 14(2), 130-155.
18. Gomber, P., Kauffman, R. J., Parker, C., & Weber, B. W. (2018). On the fintech revolution: Interpreting the forces of innovation, disruption, and transformation in financial services. Journal of management information systems, 35(1), 220-265.
19. Harris, M., Cox, K. C., Musgrove, C. F., & Ernstberger, K. W. (2016). Consumer preferences for banking technologies by age groups. International Journal of Bank Marketing, 34(4), 587-602.
20. Sikka, V., & Bhayana, P. (2024). Barriers to comprehensive financial inclusion across the globe: From sociocultural norms to systemic challenges. In E-Financial strategies for advancing sustainable development: Fostering financial inclusion and alleviating poverty (pp. 89-126). Cham: Springer Nature Switzerland.