

Study on customer perception and satisfaction in vehicle loan service in cholamandalam investment and finance company limited

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Abstract: With an emphasis on important elements impacting borrower experiences, this study examines consumer perception and satisfaction in the auto loan services industry. Data was gathered from 64 respondents who had taken out auto loans in the previous five years using structured questionnaires. Although 43.8% of borrowers found the repayment procedure convenient, a noteworthy 56.3% of them experienced difficulties, suggesting that loan structuring and communication need to be improved. The need for more transparency in loan agreements is further highlighted by the fact that 45.3% of respondents experienced hidden fees that were not revealed up front. 50% of participants said they would be willing to use the same loan provider again in spite of these problems, indicating that elements like trust and service quality are crucial for keeping customers.

keywords: Customer Perception, Customer Satisfaction, Vehicle Loan Services, Service Quality Loan Repayment

I. INTRODUCTION

In today's dynamic financial landscape, vehicle loans have become an essential instrument enabling individuals to achieve automobile ownership, particularly in rapidly developing economies like India. The surge in demand for personal and commercial vehicles has led to a proliferation of financial institutions offering diverse loan products, intensifying competition within the sector. Consequently, understanding customer perception and satisfaction has emerged as a critical focus area for lenders aiming to differentiate themselves and foster long-term customer relationships.

Customer perception refers to the individual's evaluation of service quality, transparency, and overall experience with a financial institution. These perceptions significantly influence customer satisfaction, which in turn affects loyalty, retention, and advocacy. High levels of customer satisfaction are associated with repeat business, positive word-of-mouth referrals, and a competitive edge in the market. Conversely, dissatisfaction can lead to customer attrition and a tarnished brand reputation.

Several factors contribute to shaping customer perception and satisfaction in the vehicle loan sector. Key among these are the clarity and transparency of loan terms and conditions, the efficiency and timeliness of the loan approval process, the competitiveness of interest rates, the absence of hidden charges, and the quality of customer service. For instance, a study conducted in Namakkal District, Tamil Nadu, revealed significant gaps in responsiveness and assurance in commercial vehicle loan services, highlighting areas necessitating improvement. [JETIR](#)

Moreover, the application of service quality models such as SERVQUAL, which assesses dimensions like reliability, assurance, tangibles, empathy, and responsiveness, provides a structured approach to evaluating and enhancing service delivery. By systematically measuring these dimensions, financial institutions can identify specific areas where customer expectations are not being met and implement targeted strategies for improvement.

In the context of vehicle loans, customer satisfaction is not solely determined by financial metrics but also by the overall service experience. Factors such as the ease of accessing information, the professionalism and knowledge of staff, the convenience of repayment options, and the institution's reputation play pivotal roles in shaping customer perceptions.

For example, a study focusing on AU Small Finance Bank's vehicle loan services emphasized the importance of understanding customer profiles and tailoring services to meet their specific needs, thereby enhancing satisfaction levels. Furthermore, the integration of technology in loan processing and customer service has become increasingly significant. Digital platforms offering online applications, real-time loan tracking, and automated customer support can enhance the convenience and efficiency of the loan process, thereby positively influencing customer satisfaction. However, the successful implementation of such technologies requires careful consideration of user-friendliness and accessibility to ensure they meet the diverse needs of customers.

In conclusion, as the vehicle loan market continues to evolve, financial institutions must prioritize understanding and improving customer perception and satisfaction. By focusing on transparent communication, efficient service delivery, personalized offerings, and technological advancements, lenders can enhance customer experiences, build trust, and secure a competitive advantage in the industry. This study aims to delve deeper into these aspects, providing insights and recommendations for financial institutions to refine their vehicle loan services and better meet customer expectations.

II. REVIEW OF LITERATURE

Novikova (2009) and Angelova & Zekiri (2011)

Several factors contribute to shaping customer perception regarding vehicle loan services. emphasized that customer satisfaction directly impacts a company's profitability and long-term survival. In the context of vehicle loans, the following factors influence customer perception:

Feschiyan (2017)

The ease of applying for a vehicle loan significantly affects customer perception. Feschiyan (2017) analyzed loan portfolio management and credit loss feasibility, highlighting the importance of efficient loan disbursement processes. A quick and transparent loan approval process enhances customer trust, while delays and excessive documentation can lead to dissatisfaction.

Murphy (2001)

Repayment flexibility is another crucial aspect of customer satisfaction. Loan providers offering multiple repayment options, such as step-up or step-down EMI structures, attract more borrowers. Murphy (2001) suggested that financial institutions investing in customer-centric policies witness greater customer retention and profitability.

8.Johnson et al. (2000)

The link between customer satisfaction and business performance is well established in financial research. Johnson et al. (2000) found that customer satisfaction directly influences a bank's financial growth.

III. RESEARCH METHODOLOGY

The research tries to find out the importance of different quality and attributes of the services and their feasibility among all the customers. Research methodology considers the methods of data gathering for the research. It is important to choose the most appropriate methods in order to fulfill the research expectations and requirements.

There are three generally used research methods: quantitative, qualitative and pragmatic. Quantitative method is used for measurements, which involves numerical data and statistical analysis of the findings in the research. The research data can be generalized into large groups of people. Qualitative method, in turn, concentrates on deeper understanding among the research topic. Basically, this method analyzes human behavior and experiences and therefore, cannot be generalized.

NEED FOR STUDY

- This study helps the organization to analyze their weakness in providing the services as well as their achievement of their services.
- This study helps the organization to increase the profitability. The study helps the organization to do the possible changes in terms of the requirement of the customers.
- This will help the organization to retain the customer.
- The utility of this study is that the organization can enhance their quality of services and to maintain the stability of the customers.
- This will help the organization to get more references from the customers by providing better services.

Objectives:

Primary Objectives:

- To measure customer satisfaction by evaluating their experience with loan accessibility, repayment options, and customer support.

- To identify challenges faced by customers in availing vehicle loans, such as documentation issues, processing delays, and hidden charges.

Secondary Objectives

- To assess the benefits provided by financial institutions, including flexible repayment terms, digital loan processing, and customer assistance.
- To Increase Customer Satisfaction Identifies ways to make vehicle loan services more convenient, leading to higher customer trust and loyalty.
- To evaluate the role of technology in enhancing customer experience through online applications, mobile banking, and digital support services.

Scope of the Study:

- Feasibility of Vehicle Loan Services Analyzes the accessibility and effectiveness of vehicle loan services provided by Cholamandalam Investment and Finance Company Limited.
- Customer Profile and Availability Examines the availability of customers based on their profiles, primarily focusing on those in the loan department.
- Challenges and Benefits Identifies the difficulties customers face while availing loan services and the benefits they receive.
- Customer Satisfaction and Service Effectiveness - Evaluates customer satisfaction levels and measures the overall effectiveness of the company's loan services.
- Service Accessibility and Banking Transitions - Assesses how easy it is for customers to access these services and the impact of changes when transitioning from one banking system to another.

DATA ANALYSIS AND INTERPRETATION:

Percentage Analysis:

14. I faced no hidden charges or unexpected costs during the loan process

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------|-----------|---------|---------------|--------------------|
| Valid Agree | 21 | 32.8 | 32.8 | 32.8 |
| Neutral | 21 | 32.8 | 32.8 | 65.6 |
| Disagree | 22 | 34.4 | 34.4 | 100.0 |
| Total | 64 | 100.0 | 100.0 | |



INTERPRETATION

The survey indicates that 34.4% of respondents disagreed with the statement "I faced no hidden charges or unexpected costs during the loan process," suggesting they did encounter such charges. An equal 32.8% each agreed or remained

neutral, highlighting a significant portion of borrowers who either did not experience hidden fees or were uncertain. This underscores the importance of transparency in loan agreements. To enhance borrower trust and satisfaction, lenders should ensure all fees are clearly disclosed upfront, aligning with regulatory standards and fostering informed financial decisions.

ANOVA

ANOVA

| | Sum Squares | df | Mean Square | F | Sig. |
|--|--|---------------|---------------|-------|------|
| 7.The interest rate offered by the loan provider was reasonable. | Between Groups .150 Within Groups 43.600 Total 43.750 | 1 62 63 | .150 .703 | .213 | .646 |
| 8.The loan terms and conditions were explained clearly. | Between Groups 2.109 Within Groups 34.875 Total 36.984 | 1 62 63 | 2.109 .563 | 3.750 | .057 |
| 9.The documentation process was simple and hassle-free. | Between Groups .067 Within Groups 39.933 Total 40.000 | 1 62 63 | .067 .644 | .104 | .749 |
| 10.I received my loan approval within a reasonable time. | Between Groups .009 Within Groups 48.225 Total 48.234 | 1 62 63 | .009 .778 | .012 | .913 |
| 11.The staff was professional and courteous during the loan process. | Between Groups .038 Within Groups 45.400 Total 45.438 | 1 62 63 | .038 .732 | .051 | .822 |
| 12. I was informed about all charges | Between Groups .051 Within Groups 46.558 Total 46.609 | 1 62 63 | .051 .751 | .068 | .795 |

INTERPRETATION

The Analysis of Variance (ANOVA) results provide insights into customer perceptions of various aspects of vehicle loan services. For the statement "The interest rate offered by the loan provider was reasonable," the F-value is 0.213 with a significance (Sig.) value of 0.646, indicating no statistically significant difference in perceptions across groups. Similarly, "The documentation process was simple and hassle-free" (F = 0.104, Sig. = 0.749), "I received my loan approval within a reasonable time" (F = 0.012, Sig. = 0.913), "The staff was professional and courteous during the loan process" (F = 0.051, Sig. = 0.822), and "I was informed about all charges" (F = 0.068, Sig. = 0.795) all show high p-values, suggesting consistent satisfaction levels among respondents for these aspects. However, the statement "The loan terms and conditions were explained clearly" has an F-value of 3.750 and a Sig. value of 0.057, which is marginally above the conventional threshold of 0.05. This suggests a potential difference in perceptions that may warrant further investigation to ensure clarity and understanding of loan terms among all customer segments.

FINDINGS

Demographic Profile of Respondents: The majority of respondents were male (62.5%) and well-educated, with 35.9% holding a bachelor's degree and 34.4% possessing a master's degree or higher. Age-wise, the largest group was in the 45–54 range (28.1%), followed by 25–34 (26.6%) and 18–24 (23.4%). This suggests a predominantly male, educated, and middle-aged demographic availing vehicle loans.

Factors Influencing Loan Provider Choice: Processing time (28.1%) was the most critical factor for respondents when selecting a loan provider, followed by brand reputation (25.0%) and customer service (21.9%). Interest rate was a key consideration for 14.1%, while loan tenure flexibility was the least influential at 10.9%. This indicates that speed and reputation are more critical factors in choosing a loan provider than financial terms or flexibility.

Sources of Information: Respondents primarily learned about their loan provider through online searches (34.4%), followed by word of mouth (28.1%) and bank staff (26.6%). Only 10.9% discovered their provider through advertisements, highlighting the importance of digital channels and personal recommendations in attracting customers.

Interest Rate Perception: Approximately 37.5% of respondents disagreed that the interest rate offered by the loan provider was reasonable, indicating dissatisfaction with the loan terms. Meanwhile, 31.3% agreed, and 31.3% remained neutral, suggesting mixed perceptions about the cost of borrowing..

SUGGESTION

To enhance the vehicle loan experience, financial institutions should prioritize the integration of digital technologies, transparent communication, and personalized services. Implementing online application platforms with electronic document submission and e-signature capabilities can significantly reduce processing times and improve customer satisfaction. Utilizing AI-powered tools for document verification and real-time status updates further streamlines the process and keeps customers informed. Transparent communication is vital; providing clear, jargon-free explanations of loan terms, interest rates, and associated fees builds trust and reduces misunderstandings. Offering personalized support through various channels, such as chatbots, email, and phone, ensures that customers can easily access information and assistance when needed. Additionally, offering flexible and competitive loan terms tailored to specific demographics, such as first-time buyers or small business owners, can increase appeal and satisfaction. Regularly reviewing and adjusting loan offerings based on market trends and customer feedback ensures that products remain relevant and competitive.

IV. CONCLUSION

The evaluation of customer experiences with vehicle loan services underscores the critical importance of streamlining loan accessibility, offering flexible repayment options, and enhancing customer support. Challenges such as documentation hurdles, processing delays, and hidden charges have been identified as significant pain points that can erode customer trust and satisfaction. Conversely, benefits like flexible repayment terms, digital loan processing, and proactive customer assistance contribute positively to the customer experience. The integration of technology, including online applications, mobile banking, and digital support services, plays a pivotal role in elevating the overall customer journey. By addressing these areas, financial institutions can not only improve customer satisfaction but also foster greater trust and loyalty, positioning themselves competitively in the evolving landscape of vehicle financing.

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