THE LENDING PULSE: A GROUND-LEVEL STUDY OF PERSONAL LOAN USAGE IN TIRUMANGALAM

[1]Anantha Jothi R, [2]Muthulakshmi V and Jaisun M[3]

[1]III-BBA, [2]Ph.D. Research Scholar (Full-Time) and Assistant Professor[3]
Department of Business Administration,
V.H.N. Senthikumara Nadar College (Autonomous), Virudhunagar,
(Affiliated to Madurai Kamaraj University, Madurai).

Corresponding Author's mail ID : muthulakshmisms2019@gmail.com

ABSTRACT

In recent years, personal loans have become one of the most preferred modes of borrowing in India, primarily due to their flexibility, minimal documentation, and swift disbursal processes. According to a 2023 report by TransUnion CIBIL, the personal loan segment in India has seen a Compound Annual Growth Rate (CAGR) of over 25%, with Tier II and Tier III towns showing rapid uptake. This shift highlights a growing credit demand in semi-urban areas like Tirumangalam, where individuals increasingly turn to personal loans for diverse needs such as healthcare, education, home improvement and emergency expenses. This study aims to explore the personal loan landscape at the grassroots level. The research delves into 150 borrowers' socio-economic profiles, reasons for availing loans, sources of credit, repayment behaviour, problems faced in obtaining personal loans and their satisfaction levels. The findings reflect a rising awareness of digital lending platforms, changing attitudes toward credit and the need for borrower-centric services. The study concludes with practical recommendations to enhance credit accessibility, financial literacy and trust in personal lending, thereby ultimately contributing to better financial inclusion in semi-urban India.

Keywords: Personal loans, Financial inclusion, Credit patterns, Tirumangalam, Household finance, Debt management.

INTRODUCTION

In the evolving financial landscape of India, the demand for unsecured credit has surged reshaping traditional borrowing behaviour, especially in non-metropolitan regions. Personal loans, once perceived as a last resort for financial emergencies,

have now gained mainstream acceptance due to the ease of access, flexibility in usage, and improved reach of financial institutions. The growing penetration of digital technology, expanding middle-class aspirations, and rising consumer awareness have collectively fuelled this trend. Today, individuals seek personal loans not only for emergencies but also to fulfil lifestyle needs, invest in education, fund for medical treatments, or renovate homes. Tirumangalam, a semi-urban town in Tamil Nadu, offers a unique ground for examining this trend. With changing income patterns, increased exposure to financial products, and the influence of urban proximity, the borrowing habits of its residents are undergoing a significant shift. The research aims to identify gaps in current lending practices and suggest measures to enhance accessibility, awareness, and borrower confidence. Such micro-level assessments are crucial in shaping inclusive and responsive financial policies in India's growing credit economy.

Kaur and Reddy (2021) emphasized the role of informal lenders and local agents in credit sourcing, particularly among low-income groups, showing the multiplicity of sources used in semi-urban contexts. Gupta and Narayan (2022) provided evidence that repayment defaults are lower when borrowers are given proper guidance and awareness about loan terms, suggesting the value of borrowers' education. Their research also pointed to increased borrowers' satisfaction when supported by transparent communication and structured loan products. They further observed that mobile-based loan applications have improved access in rural and semi-urban regions, though limited financial literacy still poses a barrier. Additionally, they noted that borrowers often report issues related to hidden charges, unclear interest rates and loan terms that are not well explained during the disbursal process – factors that lead to mistrust and repayment challenges.

Sharma and Banerjee (2022) highlighted that, despite the digital transformation in the lending ecosystem, trust in traditional banks continues to surpass that of fintech firms, underscoring the need for more credible and user-friendly digital lending platforms. Sharma and Banerjee (2023) further emphasized that borrowers, especially in semi-urban and rural areas, often face difficulties in meeting documentation requirements due to lack of awareness, limited digital access, or an absence of formal credit history. These hurdles delay or prevent loan approvals, increasing dissatisfaction.

Sahoo and Pattanaik (2023) conducted a micro-level study on household borrowing patterns in semi-urban India and found that income, education, and employment status significantly influence borrowing decisions. Their findings underline the importance of profiling borrowers' backgrounds to understand their credit behaviour. They also reported that medical and educational expenses are key drivers of borrowing and that awareness of digital lending options is notably higher among younger borrowers.

The ICRA Analytics Report (2023) revealed that average loan ticket sizes have increased in semi-urban towns, indicating changing economic profiles and growing credit demand. It also noted that repayment patterns are closely linked to income stability, reflecting the financial discipline of borrowers. The TransUnion CIBIL report (2023) highlighted that Tier II and III cities contributed over 55% of new personal loan accounts, mainly driven by younger borrowers availing credit for diverse needs like home renovation, education, and medical emergencies. This report also confirmed a surge in digital adoption and changing attitudes toward borrowing, particularly among the 25–40 age group.

These studies validate the need to study the socio-economic dimensions, behavioural factors and challenges faced by personal loan borrowers in Tirumangalam. Hence, the present study is planned to analyse the socio-economic background of borrowers, examine the purposes and sources of personal loans, assess repayment behaviour and satisfaction levels, explore awareness and usage of digital lending platforms and identify the challenges or problems encountered during the loan application and disbursal process.

RESEARCH METHODOLOGY

This research study uses a descriptive research design to explore and analyse the patterns and practices of personal loan usage in Tirumangalam town, Tamil Nadu. To ensure representation across various socio-economic segments, a stratified random sampling method was employed. Although no formal statistical test was used for sampling frame validation, care was taken to ensure proportionate representation across demographic groups. The sample size for the study is 150 respondents who have availed personal loans. These 150 respondents were personally identified and approached in the actual field area (Tirumangalam). The researcher interacted

with local community members and loan agents to identify the relevant respondents who have taken personal loans. Data for the study was collected through a structured questionnaire that included both closed- and open-ended questions. Primary data was gathered through field surveys and interview conducted in Tirumangalm during the period of January to March 2025, while secondary data was sourced from relevant reports, academic journals, and credible online platforms. The collected data was analysed using statistical tools such as percentage analysis, Chi-square test, ANOVA, and regression analysis with the help of SPSS software.

Table 1: Demographic profile of respondents

Demographic Variable	Category	Frequency	Percentage (%)
Age Group	18-25 years	33	22
	26-35 years	45	31
	36-45 years	39	25
	Above 45 years	33	22
Gender	Male	90	60
	Female	60	40
Educational level	Below HSC	35	23
	UG/PG	103	69
	Others	12	8
Employment status	Private sector	59	39
	Government job	13	9
	Self-employed	46	31
	Others	32	21
Monthly Family Income	Below ₹15,000	39	26
	₹15,001 - ₹30,000	61	41
	₹30,001 - ₹50,000	36	24
	Above ₹50,000	14	9

Source: Primary data

Demographic profile of the respondents shows that the respondents are predominantly male (60%), aged between 26-35 years (31%) and most hold UG or PG degrees (69%). A large portion of them are employed in the private sector (39%), with monthly incomes ranging between ₹15,001 - ₹30,000 (41%). This indicates that the working middle class forms the bulk of personal loan borrowers in Tirumangalam.

Table 2: Purpose of availing personal loans

Purpose	No. of Respondents	Percentage (%)
Medical expenses	44	29
Education	31	21
Home renovation	36	24
Emergency needs	24	16
Others (Business expansion, personal events, lifestyle purchase)	15	10

Source: Primary data

The table 2 clearly depicts that medical expenses (29%) and home renovation needs (24%) are the primary reasons for availing personal loans,

followed by educational (21%) and emergency requirements (16%). This shows that personal loans are often used to manage essential and unforeseen financial needs.

A study by Home Credit India found that borrowing for consumer durables (smartphones, appliances) surged to 37% of loan use by 2024. Residential renovation and lifestyle purchases are also emerging trends among emerging Indian middle classes. Mirroring broader consumer behaviour, it is observed that loans for lifestyle and renovation purposes are increasing beyond traditional emergency use.

Table 3: Source of personal loans

Source	No. of Respondents	Percentage (%)
Bank	54	36
NBFCs	39	27
Digital lending/ Fintech Apps	29	19
Private money lenders	17	11
Friends / Relatives	11	7

Source: Primary data

From the above table, it is inferred that traditional banks (36%) remain the dominant and trusted source of personal loans as many borrowers perceive banks as safer due to their long-standing presence and transparent documentation processes. According to the RBI Financial Stability Report (2024), scheduled commercial banks held over 53% of personal loan

portfolios in semi-urban and rural areas, underscoring their dominant role in retail lending.

NBFCs (27%) have emerged as strong alternative for borrowers with limited credit history, informal income or need for faster processing. In financial year 2025 (FY 2025), personal loan disbursement value rose from Rs.10.7 lakh crore to Rs.14.6 lakh crore, but year on-year growth slowed significantly from 25% in FY2024 to 9.1% in FY2025, indicating a moderation in credit demand. The share of NBFCs increased from 27.6% in 2023 to 36.4% in 2025, while SMEs and small-ticket loans gained volume share, reflecting a shift in borrowing patterns. Consistent with national patterns, our study also notes increasing reliance on NBFCs and fintech platforms in semi-urban borrowing, echoing this rise in NBFC share from 27% to 36% in FY25.

Fintech platforms (19%) have also seen rapid adoption due to their app-based interface, minimal documentation and 24x7 availability. Younger borrowers (especially in the 25-40 age range) with digital literacy are more inclined toward these platforms. KPMG India Fintech Survey (2024) reported that over 70% of digital borrowers prefer fintech apps for speed and ease, though concerns remain about transparency and data privacy.

Despite the growth of formal lending channels, informal lenders (11%) continue to serve as a last resort for borrowers who lack proper documentation, formal employment or urgent credit needs. Kaur and Reddy (2021) emphasized that informal lenders dominate around 10-15% of personal loan share in semi-urban towns, often due to urgency of funds.

Borrowing from friends and relatives reflects reliance on informal social networks. Such borrowing involves no interest, mutual trust and flexible repayment, but may be limited in amount and availability.

Table 4: Amount of personal loan borrowed by the respondents

Amount of Loan	No. of Respondents	Percentage (%)
Upto ₹.1,00,000	41	27
₹.1,00,001 to ₹.1,50,000	64	43
₹.1,50,001 to ₹.2,00,000	32	21
Above ₹.2,00,000	13	9

Source: Primary data

It is apparent from the above table that nearly 43% of the respondents have availed personal loan ranging between ₹.1,00,001 to ₹.1,50,000, followed by 27% of the respondents have availed personal loan upto ₹.1,00,000, 21% of the respondents have availed personal loan amount ranging between ₹.1,50,001 to ₹.2,00,000 and 9% of the respondents have availed personal loan above ₹.2,00,000.

Table 5: Chi-square test - Gender (vs) Purpose of loans

Purpose of loan	Male	Female
Medical expenses	24	20
Education	21	10
Home renovation	23	13
Emergency needs	11	13
Others (Business expansion, personal events, lifestyle purchase)	10	5

Source: Primary data

Chi-square test result: $\chi^2 = 4.87$, p-value= 0.30 (not significant). The chi-square result shows that there is no statistically significant relationship between gender and the purpose for availing a personal loan. This suggests that borrowing needs are consistent across genders in Tirumangalam.

Table 6: ANOVA - Monthly income (vs) Repayment behaviour score

Monthly income group	Mean repayment score	Standard deviation
Below ₹15,000	2.8	0.5
₹15,001 - ₹30,000	3.5	0.7
₹30,001 - ₹50,000	4.0	0.6
Above ₹50,000	4.5	0.4

Source: Primary data

ANOVA test result: F = 12.45, p-value = 0.0002 (significant). Based on the ANOVA test result, it shall be concluded that there is a significant difference in repayment behaviour based on income levels. Higher income groups tend to show better repayment discipline, indicating a positive relationship between income and financial responsibility.

Table 7: Regression Analysis - Awareness (vs) Usage of digital lending platforms

Predictor variable	Dependent variable	R-square	F-value	p-value
Awareness score	Digital lending usage score	0.62	35.6	0.0001

Source: Primary data

There is a strong positive relationship between digital awareness and the usage of digital lending platforms. About 62% of the variance in digital platform usage can be explained by the level of awareness among borrowers. This emphasizes the importance of improving financial and digital literacy to boost digital lending adoption.

Table 8: Problems or challenges faced by respondents while availing personal loan

Problems or Challenges	No. of Respondents	Percentage (%)
Lengthy and complicated documentation process	31	21
High interest rates	36	24
Delay in loan disbursal	48	32
Inadequate financial literacy	23	15
Collateral requirements	12	8

Source: Primary data

The above table depicts the various challenges faced by borrowers while availing personal loans in the study area. The most commonly reported issue by 32% of the respondents is delay in loan disbursal, followed by high interest rates faced by 24% of the respondents. Lengthy and complicated documentation process is another problem experienced by 21% of the respondents, followed by inadequate financial literacy faced by 15% of the respondents and lastly collateral requirements was an issue for 8% of the respondents.

DISCUSSION

This study reveals that personal loan borrowers in Tirumangalam are mostly young to middle-aged males with at least undergraduate education, reflecting the rising middle-class aspirations in India. Similar observations were made by Sahoo and Pattanaik (2023), who emphasized the growing demand for credit among educated youth in semi-urban regions, especially for life-enhancing needs rather than just emergencies. Loans are mainly used for medical needs, home renovation, and education, which correlates with the national trend reported by Home Credit India (2024), showing that lifestyle-driven borrowing (such as appliances, renovations, education) now accounts for a significant portion of loan usage. This shift suggests that personal loans are increasingly seen as a tool for upward mobility. Banks remain the primary source of personal loans, but digital lending platforms are gaining popularity. While formal lending is on the rise, informal credit sources like local money lenders still exist, particularly for borrowers lacking

formal documentation or credit scores. Kaur and Reddy (2021) noted that informal lenders often fill gaps by formal financial systems, especially in areas with limited financial awareness or digital access.

A notable finding from this study is that the most common challenge faced by borrowers is the delay in loan disbursal. This aligns with the study by Sharma and Banerjee (2023) who observed that inefficient processing, unclear terms and lack of transparency are the prime factors in both traditional and digital lending, ultimately affecting borrower satisfaction. Statistical tests in this study show no major gender difference in loan purposes, which supports the findings of Sahoo and Pattanaik (2023) who concluded that borrowing patterns are becoming more gender-neutral in semi-urban India. The analysis also reveals better repayment behaviour among higher-income groups, echoing the conclusions of ICRA Analytics (2023), which emphasized the link between income stability and repayment discipline. Furthermore, the study finds a strong correlation between digital awareness and digital lending platform usage.

Overall, these findings reflect a shift toward more responsible and diverse borrowing behaviour in semi-urban regions like Tirumangalam, with a gradual yet steady movement toward formal and digital credit ecosystems. This trend underscores the importance of building a digital-first, financially inclusive environment. The study concludes that personal loans are now integral to personal financial planning for semi-urban households, primarily used for healthcare, education, and home renovation. As Sundararaman (2023) highlighted, personal loans are increasingly seen as strategic tools for managing aspirations and life goals, not just emergencies.

Borrowers exhibit a growing inclination toward formal financial institutions and fintech platforms, although income levels significantly influence repayment behaviour, and digital awareness boosts loan adoption. Addressing operational challenges such as loan processing delays is vital in improving borrower satisfaction and trust. Hence, this study recommends the Designing borrower-friendly loan products, expanding financial education programs and building secure and user-friendly digital lending platforms. These measures are in line with recommendations by NABARD (2024) for improving financial inclusion in semi-urban and rural India. A deeper focus on education, financial counselling, and

digital empowerment can promote more sustainable borrowing practices and bridge the credit accessibility gap in India's evolving credit economy.

REFERENCES

1) Gupta R and Narayan P (2022). Impact of digital lending and borrower education on loan repayment behavior in semi-urban India. *Journal of Financial Services Research*, 45(3):215–232.

2) Gupta P and Narayan S (2022). Financial awareness and its role in responsible borrowing: Evidence from India's personal loan segment. *Asian Journal of Finance and Banking*, 12(3):78-92.

3) Home Credit India (2024). Emerging personal loan trends among India's middle-class borrowers: Rise in lifestyle and renovation-based credit demand, Home Credit Research Report, 12:22-28.

4) ICRA Analytics (2023). Trends in personal loan growth and repayment patterns across semi-urban India [Report]. ICRA Analytics Limited.

5) Kaur S and Reddy K (2021). Role of informal lenders in credit sourcing among low-income groups in India. *Indian Journal of Economics and Business*, 20(2):55–72.

6) KPMG India (2023). Changing credit behaviour in urban and semi-urban India: A focus on lifestyle financing, *KPMG Financial Insights Journal*, 18:45-52.

7) NABARD (2024). State of Financial Inclusion in Rural and Semi-Urban India. National Bank for Agriculture and Rural Development.

8) Sahoo P and Pattanaik S (2023). Household borrowing behavior in semi-urban India: A micro-level analysis. *Economic and Political Weekly*, 58(12):46–54.

9) Sharma M and Banerjee R (2022). Digital lending adoption in India: Trust issues and challenges. *South Asian Journal of Business and Management Cases*, 11(1):67–78.

10) Sharma R and Banerjee A (2023). Barriers to access in retail lending: A study of documentation-related challenges among low-income borrowers in India. *Journal of Financial Inclusion Studies,* 15(1):45-59.

11) Sundararaman, K. (2023). Credit and Aspirations: Personal Loans in Emerging Middle-Class India. *Journal of Consumer Finance*, 18(4):112–125.

12) TransUnion   CIBIL   (2023).
Personal Loan Insights Report:
Growth trends in Tier II and III
cities [Report]. TransUnion CIBIL
Limited.