



# A Study On Challenges Faced By Rural Home Loan Borrowers In Coimbatore District

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## **Abstract:**

Access to affordable housing finance remains a significant challenge in rural India, particularly for the Economically Weaker Sections (EWS) and Low-Income Groups (LIG). Despite government initiatives like Pradhan Mantri Awas Yojana (PMAY), rural borrowers face difficulties due to lack of formal income documentation, high credit risks, and limited banking infrastructure. This study, conducted in Coimbatore District, Tamil Nadu, examines the interest rates, fees, and challenges faced by borrowers in obtaining home loans. Using chi-square and ANOVA tests, the findings reveal that occupation influences loan application experiences, while age significantly impacts the understanding of loan terms and approval complexity. Older borrowers struggle more with these processes compared to younger ones. The study suggests enhancing financial literacy, simplifying loan procedures, and providing personalized support to improve accessibility. By adopting these measures, financial institutions can bridge the housing finance gap in rural areas.

## **Keywords:**

Housing finance, Affordable housing, Rural India, Economically Weaker Sections (EWS), Low-Income Groups (LIG), Loan application process, Financial institutions, Housing loan challenges

## **INTRODUCTION**

Housing is a fundamental human need, yet access to affordable housing remains a significant challenge, particularly in rural India. Despite various government initiatives like Pradhan Mantri Awas Yojana (PMAY) and efforts by financial institutions, a substantial portion of the rural population, especially those in the Economically Weaker Sections (EWS) and Low-Income Groups (LIG), struggle to secure adequate housing finance. The lack of formal income documentation, high credit risk, and limited banking infrastructure further hinder their ability to obtain home loans. This article explores the challenges faced by rural borrowers in accessing housing finance, examines the role of housing loan institutions, and highlights the urgent need for innovative financial solutions tailored to the unique realities of rural housing.

## **LITERATURE SURVEY**

**Kumar M., Kumar S., Hamid M. A., & Pandey S. (2022).** Comparative analysis of the financial performance of selected Indian housing finance companies. The research aims to assess key financial parameters, including capital adequacy, asset quality, management capability, earnings quality, and liquidity ratio. Specifically, the study focuses on evaluating these five components of the CAMEL model at HDFC, HUDCO, and LIC.

**Singh, N. (2021)** The study offers valuable insights into how demographic factors, such as a young population, influence housing finance trends in India. It highlights the significance of addressing the needs of various customer segments. Since India's independence, the evolution of housing policy, including housing finance, has progressed through several distinct phases. It is commonly recognized that Indian housing policy has undergone three major shifts: initially, the government acted as a provider of housing, then as an enabler, and now as a facilitator of housing.

**Akbar S., Barua D. (2021).** This report presents a comparative analysis of the financial performance of Non-Banking Financial Institutions (NBFIs) in Bangladesh. The primary objective of the study is to support the growth and prosperity of this sector, ultimately helping both investors and management make informed decisions. The report reveals that the Earnings Per Share (EPS) and overall financial performance of NBFIs show an upward trend. However, the current ratio and capital ratio display a fluctuating trend, indicating that these indicators could potentially decline at any time.

## RESEARCH METHODOLOGY

### AREA OF THE STUDY

The study will focus on rural areas of Coimbatore District, Tamil Nadu, where rural home loan borrowers are likely to face different challenges compared to urban borrowers.

### SAMPLING TECHNIQUE

A **convenience sampling** method will be used due to the ease of access to respondents and the rural home loan borrowers

### SAMPLE SIZE

A sample size of 155 respondents is recommended. This size will provide a balance between manageability and the ability to perform statistically significant analysis, given the diversity in demographic factors like age, income, and education within Coimbatore.

### DATA COLLECTION

Data collection methods involve the process of gathering the necessary information once the researcher has determined the type of data required for the study. In this research, data was collected using a structure questionnaire.

### RELIABILITY TEST

The study employed Cronbach's Alpha to evaluate the reliability of the questionnaire. A strong internal consistency was demonstrated by the resulting Cronbach's Alpha of 0.802 across the 29 items. This value signifies that the items are closely related and measure the same underlying concept, thus confirming the reliability of the data for subsequent analyses.

### Objective of the study

- To study the interest and other fees charged in connection to housing loan.
- To study and evaluate the problems faced by the borrowers in procurement of housing loan.

## ANALYSIS AND INTERPRETATION

### CHI SQUARE ANAYSIS

### HYPOTHESIS

**H<sub>0</sub>** There is a no signification association between occupation and interest and other fees charged in connection to housing loan

**H<sub>1</sub>** There is a signification association between occupation and interest and other fees charged in connection to housing loan

TABLE 4.4.1

Occupation	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Professional	19	2	7	0	5	33
Self-employed	24	17	8	0	2	51
Salaried	19	12	12	3	8	54
Others	9	4	2	0	2	17
<b>Total</b>	<b>71</b>	<b>35</b>	<b>29</b>	<b>3</b>	<b>17</b>	<b>155</b>

## CHI – SQUARE TEST

Factor	Calculation value	Degree of freedom	Table value	Result
Pearson Chi-Square	19.483 <sup>a</sup>	12	0.078	<b>Rejected</b>

## INTERPRETATION:

The Pearson Chi-Square test returned a value of 19.483, based on 12 degrees of freedom. The critical table value for comparison was 0.078. Since the calculated value is greater than the table value, we reject the null hypothesis. This suggests that the observed differences are statistically significant. Therefore, there is enough evidence to conclude a significant relationship between the variables under study.

TABLE 4.4.2

Occupation	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Professional	7	8	13	5	0	33
Self-employed	17	13	15	4	2	51
Salaried	8	17	18	9	2	54
Others	5	2	4	4	2	17
<b>Total</b>	<b>37</b>	<b>40</b>	<b>50</b>	<b>22</b>	<b>6</b>	<b>155</b>

## CHI – SQUARE TEST

Factor	Calculation value	Degree of freedom	Table value	Result
Pearson Chi-Square	13.926 <sup>a</sup>	12	0.605	<b>Accepted</b>

**INTERPRETATION:**

The Pearson Chi-Square test produced a calculation value of 13.926 with 12 degrees of freedom. The table value for comparison is 0.605. Since the calculated value is less than the table value, the null hypothesis is not rejected. This suggests that there is no significant relationship between the observed frequencies. In conclusion, there is insufficient evidence to claim a significant relationship between the variables

**ANOVA****HYPOTHESIS**

**H<sub>0</sub>** there is a no significant difference between age and problems faced in procurement of housing loan

**H<sub>1</sub>** there is a significant difference between age and problems faced in procurement of housing loan

**TABLE4.5.1**

Factors	Age	Mean	Std. Deviation	F	Sig.
Problems Faced in Procurement of Housing Loan [Difficulties in understanding the loan terms and conditions]	20-30 years	1.67	0.857	7.308	0.000
	30-40 years	2.02	1.406		
	40-50 years	2.40	1.317		
	Above 50 years	3.11	1.231		
	Total	2.13	1.273		
Problems Faced in Procurement of Housing Loan [loan approval was complicated and time consuming.]	20-30 years	2.23	0.921	4.173	0.007
	30-40 years	1.87	0.894		
	40-50 years	2.15	1.051		
	Above 50 years	2.78	0.808		
	Total	2.17	0.966		
Problems Faced in Procurement of Housing Loan [loan disbursement after approval]	20-30 years	2.27	1.050	1.223	0.303
	30-40 years	2.51	1.079		
	40-50 years	2.65	0.802		
	Above 50 years	2.33	1.085		
	Total	2.45	1.007		
Problems Faced in Procurement of Housing Loan [Eligibility criteria for loan approval were too strict and difficult]	20-30 years	2.35	1.064	0.371	0.774
	30-40 years	2.33	1.187		
	40-50 years	2.53	1.240		
	Above 50 years	2.56	0.705		
	Total	2.41	1.110		
Problems Faced in Procurement of Housing Loan [lack of transparency in the loan approval process.]	20-30 years	2.13	1.205	2.377	0.072
	30-40 years	2.58	1.323		
	40-50 years	2.80	1.381		
	Above 50 years	2.22	1.166		
	Total	2.45	1.300		

**INTERPRETATION**

1. The data shows a significant difference (p-value = 0.000) across age groups regarding the understanding of loan terms. The younger group (20-30 years) reported the least difficulty (mean = 1.67), while those above 50 years reported the highest (mean = 3.11). This suggests that older individuals may struggle more with understanding the terms and conditions of loans compared to younger borrowers.
2. There's a significant difference (p-value = 0.007) in the perceptions of loan approval complexity among age groups. The 20-30 year olds rated it lower (mean = 2.23), while those above 50 years rated it the

highest (mean = 2.78). This indicates that older individuals tend to find the loan approval process more complicated and time-consuming than younger individuals.

3. The p-value for this factor (0.303) is greater than 0.05, which indicates no significant difference between age groups in their experience with loan disbursement. The mean scores across all age groups are fairly close, suggesting that the disbursement process is similarly challenging for all age groups.

4. The p-value (0.774) indicates no significant variation in age groups' perceptions of the strictness of eligibility criteria. The mean scores are similar across age groups, with a slight increase in difficulty as age rises, but this difference is not statistically significant.

5. The p-value (0.072) suggests a marginally significant difference across age groups. While the younger group (20-30 years) reported less concern (mean = 2.13), the older groups (40-50 years and above 50 years) found the process less transparent, with higher mean scores (2.80 and 2.22, respectively). This points to a perception that older individuals may feel there is less transparency in the loan approval process.

## FINDINGS

1. The first chi-square test (p-value = 0.134) indicates no significant association between occupation and the clarity of the loan application process. This suggests that respondents from different occupations generally had similar experiences in understanding the process.

2. The second chi-square test (p-value = 0.004) shows a significant association between occupation and another aspect of the loan application process, suggesting that respondents' perceptions vary significantly based on their occupation.

3. A significant difference exists across age groups (p-value = 0.000). Older individuals (above 50 years) struggle more with understanding loan terms than younger individuals.

4. The difference is also significant (p-value = 0.007), with older individuals perceiving the approval process as more complicated and time-consuming than younger individuals.

## SUGGESTIONS

1. Understanding the application process across occupations, financial institutions should focus on making the process universally clearer for all applicants. Enhancing digital tools, providing multilingual support, and offering in-person assistance can help address concerns from different occupational groups.

2. Individuals find the approval process more complicated, so banks should introduce guided support, including personalized customer service or dedicated loan officers to assist older applicants. Digitalization should be complemented by in-person assistance for those less familiar with online procedures.

## CONCLUSION

The study highlights key differences in how individuals perceive the loan application and procurement process based on occupation and age. While occupation does not significantly affect the clarity of the application process, it influences other aspects of loan experiences. Age plays a crucial role in determining difficulties, particularly in understanding loan terms and navigating the approval process. Financial institutions should focus on improving clarity, simplifying processes, and increasing transparency, particularly for older borrowers. By implementing targeted strategies, banks can enhance customer satisfaction and streamline the housing loan process for all applicants.

## REFERENCE

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