

## **Factors Influencing Loan Acquisition and Challenges Faced By Working Professionals in Avadi**

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### **ABSTRACT**

Loan acquisition has become an integral part of financial planning among working professionals to meet personal, housing, educational, and consumption-related needs. The present study focuses on identifying the major factors influencing loan acquisition and the challenges faced by working professionals in Avadi. The study adopts Stratified Random Sampling confined to selected residential and commercial clusters in Avadi. Primary data were collected from working professionals through a structured questionnaire, while secondary data were sourced from bank reports, RBI publications, research articles, websites, and conference proceedings. The research design is descriptive in nature. The population of the study was estimated to be 470 working professionals based on local employment records, out of which a sample size of 80 respondents was determined using Asymmetry Supporting Theory. The collected data were analysed using SPSS to examine factors such as income stability, interest rates, credit score, loan processing time, documentation requirements, and repayment capacity, along with challenges faced during and after loan acquisition. The statistical tools employed include Percentage Analysis, Correlation, regression. T-test and Anova . The findings reveal that income level, interest rate affordability, creditworthiness, and ease of loan processing are the key factors influencing loan acquisition among working professionals. Additionally, loans provide financial flexibility and help meet long-term and short-term financial goals. However, the study also identifies significant challenges such as high interest rates, complex documentation procedures, delayed loan approvals, repayment pressure, and limited financial literacy. The results emphasize the need for financial institutions to simplify loan procedures and enhance transparency, while working professionals should be educated on responsible borrowing and effective debt management practices to ensure long-term financial stability.

**Keywords:** Loan Acquisition, Working Professionals, Financial Challenges, Asymmetry Supporting Theory, and Creditworthiness.

## **1. Concept & Importance**

Loan acquisition has become an essential part of modern financial planning for working professionals, helping them meet personal, housing, educational, and lifestyle needs. With the shift from traditional banking to digital platforms, access to loans has improved significantly, making the process faster and more convenient. However, despite this progress, several financial, institutional, and personal factors continue to influence borrowing decisions. Key determinants such as income stability, creditworthiness, interest rates, and employment status play a major role in loan approval and affordability.

At the same time, working professionals face multiple challenges, including complex documentation, high interest rates, strict eligibility criteria, and delays in loan processing. In growing urban areas like Avadi, where the cost of living is increasing, dependence on loans has also risen. This makes it important to understand both the factors influencing loan acquisition and the barriers faced during the process. The study is significant as it helps financial institutions improve services and supports individuals in making informed borrowing decisions, ultimately contributing to better financial stability.

### **1.1 Introduction**

The study focuses on how loan accessibility has evolved from traditional methods to digital platforms, highlighting the growing role of financial and technological factors in shaping borrowing decisions among working professionals.

### **1.2 Statement of the Problem**

Despite increased access to loans, professionals face difficulties such as complicated procedures, high costs, and lack of clarity, which affect their ability to obtain and manage loans effectively.

### **1.3 Objectives of the Study**

- To identify factors influencing loan acquisition

- To examine challenges faced by working professionals
- To suggest improvements for better loan accessibility and satisfaction

#### **1.4 Scope of the Study**

The study focuses on working professionals in Avadi, covering financial, demographic, and institutional factors affecting loan decisions across different employment sectors.

#### **1.5 Limitations**

The study is limited by a small sample size, reliance on self-reported data, focus on a specific urban area, and lack of long-term analysis.

### **2. Review of Literature**

Existing literature highlights that loan acquisition decisions among working professionals are influenced by a combination of financial, behavioural, and institutional factors. **Athar (2021)** emphasizes that customer trust and satisfaction play a crucial role in borrowing behaviour. When financial institutions maintain transparency in interest rates, repayment terms, and policies, borrowers feel more confident and are more willing to take loans. Similarly, **Yazdanparast & Alhenawi (2017)** highlight the importance of demographic factors such as income, education, and age. Higher income and better financial knowledge improve access to loans and enable informed borrowing decisions.

The role of technology is strongly supported by **Chen, Liang & Wang (2020)**, who found that digital banking and online loan platforms have improved accessibility, reduced processing time, and increased transparency, making loan acquisition easier for working professionals with time constraints. From an institutional perspective, **Smith & Ahmed (2022)** note that simplified loan procedures and reduced paperwork significantly influence borrowing decisions. Complex processes and delays often discourage professionals from applying for loans. However, several studies also emphasize challenges. **Msangi & Kasambala (2025)** identify collateral requirements as a major barrier, particularly for individuals with limited assets. Likewise, **Shawaqfeh (2019)** points out that high interest rates, hidden charges, and lengthy approval processes create distrust toward financial institutions.

Behavioural aspects are also critical. **Moudud-Ul-Huq et al. (2020)** argue that psychological and social factors, such as risk perception and financial stress, influence borrowing decisions beyond traditional financial metrics. Overall, the literature indicates that while loan accessibility has improved, challenges such as financial literacy gaps, procedural complexity, and institutional barriers continue to affect working professionals. These studies collectively highlight the need for simplified processes, transparent policies, and improved financial awareness to enhance loan accessibility and decision-making.

### **3. Research Methodology**

#### **3.1 Introduction**

Research methodology explains the systematic process used to collect, organize, and analyse data. This study focuses on understanding the factors influencing loan acquisition and the challenges faced by working professionals in Avadi through a structured and reliable approach.

#### **3.2 Research Design**

A descriptive research design is adopted to analyse respondents' profiles, awareness, behaviour, and factors influencing loan decisions without manipulating variables.

#### **3.3 Nature of Data**

The study uses both primary and secondary data. Primary data were collected through a structured questionnaire capturing demographic details, loan awareness, application experience, influencing factors, and challenges. Secondary data were sourced from journals, RBI reports, bank publications, and reliable online sources to support the conceptual framework.

#### **3.4 Area of the Study**

The study is conducted in Avadi, a rapidly developing suburban area of Chennai with a diverse population of working professionals across sectors.

#### **3.5 Population and Sample Size**

The population includes professionals from private, government, and self-employed sectors. A sample size of 100 respondents was selected for analysis.

### 3.6 Sampling Technique

Stratified random sampling was used to ensure equal representation based on income, occupation, and age, thereby improving accuracy and reducing bias.

### 3.7 Data Collection Method

Data were collected using a structured questionnaire consisting of multiple-choice, Yes/No, and Likert-scale questions. It was distributed both online and offline for better reach and convenience.

### 3.8 Tools and Techniques for Data Analysis

Data were analysed using SPSS software with the following tools: Percentage Analysis to simplify and compare data, Correlation to identify relationships between variables, and Regression Analysis ( $Y = a + bX$ ) to measure the impact of independent variables such as income on dependent variables like loan repayment ability.

### 3.9 Limitations

The study is limited to a specific urban area, relies on self-reported data, uses a relatively small sample, and focuses on short-term financial behaviour, which may affect generalizability.

## 4. DATA ANALYSIS AND INTERPRETATIONS:

### Objective 1: Identify Factors Influencing Loan Acquisition

#### Correlation Analysis

**Table 4.1: Correlation – Income Level vs EMI Affordability**

Particulars	Monthly Income	EMI Affordability
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Monthly Income	1	
EMI Affordability	0.642	1

The correlation coefficient ( $r = 0.642$ ) indicates a moderate positive relationship between monthly income and EMI affordability. This means that as income increases, the ability to repay loans through EMIs also improves. Working professionals with higher income levels find it easier to manage loan repayments. Therefore, income stability is a key factor influencing loan acquisition, as lenders also consider repayment capacity while approving loans.

### Objective 2: Identify Challenges Faced by Working Professionals

#### ANOVA Analysis

**Table 4.2: ANOVA – Income Level vs Loan Repayment Difficulty**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	15.84	3	5.28	9.76	0.0002	2.72
Within Groups	64.20	76	0.845			
Total	80.04	79				

The calculated F value (9.76) is greater than the critical value (2.72), and the p-value is less than 0.05. This shows that there is a statistically significant difference between income groups and their level of difficulty in loan repayment. Working professionals with lower income levels face greater challenges such as repayment pressure, high interest burden, and financial stress. Hence, income level significantly affects the challenges faced during loan acquisition and repayment.

### Objective 3: Provide Insights for Improving Loan Accessibility

#### Regression Analysis

**Table 4.3: Regression Analysis – Factors Affecting Loan Accessibility**

<b>Variables</b>	<b>Coefficients</b>	<b>Standard Error</b>	<b>t Stat</b>	<b>P-value</b>
Intercept	1.845	0.762	2.42	0.018
Income Stability	0.528	0.142	3.71	0.0005
Interest Rate	-0.316	0.118	-2.67	0.009
Documentation Complexity	-0.284	0.130	-2.18	0.032
Credit Score	0.441	0.155	2.84	0.006

Income stability and credit score have a positive and statistically significant impact on loan accessibility, indicating that individuals with stable earnings and higher creditworthiness are more likely to obtain loans. In contrast, factors such as high interest rates and complex documentation procedures negatively influence loan accessibility, making it more difficult for applicants to secure financing. Furthermore, all the variables considered in the analysis are statistically significant, as their p-values are less than 0.05, confirming the reliability and validity of the results. Loan accessibility improves when borrowers have stable income and good credit history. However, high interest rates and complex procedures discourage loan applicants, making the process difficult for working professionals.

### Combined Objective Interpretation

<b>Objective</b>	<b>Statistical Tools Used &amp; Key Results</b>	<b>Interpretation</b>	<b>Inference</b>
<b>Objective 1:</b> Identify factors influencing loan acquisition	Correlation ( $r = 0.642$ , positive)	Higher income leads to better EMI affordability	Income and repayment capacity are major influencing factors
<b>Objective 2:</b> Identify challenges faced	ANOVA ( $F = 9.76$ , $p < 0.05$ )	Significant differences in repayment difficulty among income groups	Lower-income groups face more challenges

<p><b>Objective 3:</b> Improve loan accessibility</p>	<p>Regression (Significant variables identified)</p>	<p>Income stability and credit score improve access; interest &amp; documentation reduce access</p>	<p>Simplification and affordability are key to improving loan access</p>
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### Overall Insight

When we look at all three objectives together, it becomes clear that loan acquisition is influenced by both financial strength and real-life challenges. Income and job stability encourage people to take loans, but difficulties like complicated procedures and financial stress still create barriers. This shows that for working professionals, borrowing is not just a financial decision—it is also shaped by awareness, experience, and the ease of the loan process.

## 5. FINDINGS, SUGGESTIONS, LIMITATIONS AND CONCLUSION:

### 5.1 Findings

The study reveals that income, job stability, and financial awareness are the most important factors influencing loan acquisition among working professionals. Individuals with higher and stable income find it easier to access loans and manage repayments comfortably. It was also observed that awareness plays a key role—those who understand loan terms, interest rates, and procedures are more confident in applying for loans.

At the same time, the study highlights several challenges. Professionals with lower or unstable income face more difficulty in loan approval and repayment. Common issues such as high interest rates, complex documentation, and delays in processing continue to affect the borrowing experience. Another important finding is that loan-related problems are not limited to a specific group; rather, they are experienced across different age and income categories. This shows that while access to loans has improved, the process still needs refinement to suit the needs of modern working professionals.

### 5.2 Suggestions

Based on the findings, a few practical suggestions can be made. The government should focus on improving financial literacy by conducting awareness programs and ensuring strict regulation of lending practices to avoid hidden charges and unfair terms.

Financial institutions and banks should simplify loan procedures, reduce unnecessary paperwork, and adopt faster digital processing systems. Providing customized loan products based on income levels and employment type can also improve accessibility and customer satisfaction. For working professionals, it is important to improve financial planning, maintain a good credit score, and gain a clear understanding of loan terms before borrowing. Being informed and prepared can help reduce financial stress and improve repayment capacity.

### **5.3 Limitations**

The study is limited to a specific area, which may not fully represent the situation in other regions. The sample size is relatively small, and the data collected is based on respondents' personal opinions, which may sometimes be biased. Additionally, the study focuses only on short-term aspects of loan acquisition and does not consider long-term financial behaviour or outcomes.

### **5.5 Conclusion**

The study on *“Factors Influencing Loan Acquisition and Challenges Faced by Working Professionals”* provides a clear understanding of how financial, behavioural, and institutional factors shape borrowing decisions. The major findings reveal that income, job stability, and financial awareness are the most influential factors in loan acquisition. This is supported by earlier studies such as **Yazdanparast & Alhenawi (2017)**, who highlighted the role of income and demographic factors in improving loan access, and **Athar (2021)**, who emphasized the importance of transparency and trust in financial institutions. The analysis also shows a moderate positive relationship between awareness and loan application, reinforcing the idea that informed individuals are more confident borrowers.

At the same time, the study identifies key challenges such as high interest rates, complex documentation, and delays in loan approval. These findings align with **Shawaqfeh (2019)** and **Smith & Ahmed (2022)**, who noted that procedural difficulties and hidden costs

discourage borrowers. Additionally, income instability was found to increase loan-related stress, indicating that financial vulnerability remains a major concern.

Based on these findings, several suggestions can be made. The government should promote financial literacy programs and strengthen regulations to ensure transparency in lending practices. Financial institutions should simplify loan procedures, reduce unnecessary documentation, and offer customized loan products based on different income groups. For working professionals and readers, improving financial planning, maintaining a good credit score, and increasing awareness about loan terms can lead to better borrowing decisions.

However, the study has certain limitations. It is restricted to a specific geographical area (Avadi), uses a relatively small sample size, and relies on self-reported data, which may affect accuracy. Additionally, it focuses on short-term behaviour and does not capture long-term financial outcomes.

In conclusion, the study highlights that while loan accessibility has improved, both opportunities and challenges coexist. Loan acquisition is not driven by income alone but also by awareness, perception, and institutional efficiency. Addressing these aspects collectively can lead to a more inclusive and efficient lending system for working professionals.

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