JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

"Navigating Loan Repayment: Problems Faced by Small Traders in Coonoor

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Abstract

This study investigates the problems and challenges faced by small traders in obtaining and repaying loans from commercial banks in Coonoor taluk. A sample of small traders was surveyed to gather data on their experiences with credit access and repayment. The data was analyzed using multiple regression, factor analysis, one-sample t-test, and percentage analysis. The results reveal the significant factors influencing credit access and repayment challenges faced by small traders. The study's findings provide valuable insights for policymakers, bankers, and small traders, highlighting areas for improvement in credit delivery and repayment processes. The study's results can inform policy and banking practices, ultimately supporting the growth and sustainability of small traders in the region.

Introduction:

The small trader sector plays a vital role in the economic fabric of Coonoor taluk, contributing significantly to employment, income generation, and local economic growth. However, one of the major challenges faced by small traders is accessing credit from commercial banks to support their business operations and growth. Despite the importance of this sector, there is limited understanding of the specific problems and challenges faced by small traders in obtaining and repaying loans from commercial banks. This study aims to bridge this knowledge gap by conducting an empirical investigation of the challenges faced by small traders in Coonoor taluk, with a focus on their experiences with commercial banks. By exploring the complexities of credit access and repayment, this study seeks to provide valuable insights that can inform policy and banking practices, ultimately supporting the growth and sustainability of small traders in the region.

Objectives

1.To study the business profile of the small Traders in Coonoor with Socio-economics conditions of the respondents.

2.To study the Assets , Income and Expenditure Status of the respondents

3.To analyse the borrowing source and purpose of borrow of the respondents.

METHODOLOGY OF THE STUDY

The study is designed as a descriptive and analytical one. Considerable data are available both from primary and secondary data. The study is carried out with the help of sample survey. The research problem and interview schedule have been formulated and tested on the basis of the research objectives. Primary data are collected during March 2025 with the help of designed structured questionnaire. The Secondary data are also collected from the various standard text books, research articles, reports, leading newspapers, magazines journals and through websites.

SAMPLING DESIGN

The population of the current study is the small traders in Coonoor taluk. It is not feasible to collect data from the entire population. Therefore the researcher has used the sampling technique for data collection. The researcher has selected 100 sample of small traders on the basis of simple Purposive Random sampling technique.

Results and Discussions

Table-1 -Social Status of the Respondents

S.No	Name Of The Variable		No Of Respondents	Percentages
1	Gender	Male	35	70.0
		Female	15	30.0
		Total	**50**	100
2	Age	18-20	1	2.0
		20-30	8	16.0
		30-40	27	54.0
		Above 40	14	28.0
		Total	**50**	**100.0**
3	Education	Primary	10	20.0
		Secondary	17	34.0
		Diploma	11	22.0
		Bachelor's Degree	9	18.0
		Masters Degree	2	4.0
		Other	1	2.0
		Total	**50**	**100.0**
4	Religion	Hindu	36	72.0
		Muslim	9	18.0
		Christan	5	10.0
		Total	50	100.0
5	Marital status	Single	1	2.0
		Married	49	98.0
		Total	**50**	**100.0**

Table 1 Reveals the Demographic Characteristics of the Respondents.
According to the Gender the majority 70% of the respondents are male and remaining 30% are female.
On the basis of Age, Majority 54% (27 respondents) are between 30-40 years and 28% (14 respondents) are above 40 years.only one respondents 2% (1 respondent) is in the age group of 18-20 years and 16% (8 respondents) are between 20-30 years .
Based on Education, majority 34% (17 respondents) have secondary education and 20% (10 respondents) have completed primary education, 22% (11 respondents) have a diploma

Only minimum 18% (9 respondents) have a bachelor's degree and 4% (2 respondents) have a master's degree and 2% (1 respondent) have other educational qualifications.

According to the religion the majority 72% (36 respondents) are Hindu, and 18% (9 respondents) are Muslim,10% (5 respondents) are Christian.
Based on the Marital Status, The majority 98% (49 respondents) are married.

Table-2 Business Investment Wise Classification of the Respondents.

Amount of Investment	No of Respondents	Percentage
1,00,000-5,00,000	15	30.0
5,00,000-10,00,000	27	54.0
10,00,000-20,00,000	7	14.0
More than 20,000,00	1	2.0
Total	50	100.0

Source: Primary Data 2025.

According to the above table majority 54percent of the respondents are invested more then Rs.5,00,000 to rs.10,00,000 and 30 percent of the respondents are invested Less then Rs. 5,00,000.

Table-3-Nature of Ownership of the Shop

Ownership Position	No of Respondents	Percent
Own	19	38.0
Rental	31	62.0
Total	50	100.0

Source: Primary Data 2025.

The above table clearly states that majority 62 percent of the respondents are doing their business under rental buildings. Only 38 percent respondents are have their own building.

Table-4-Nature of Business

Nature of Business	No of Respondents	Percent
Retail	48	96.0
Wholesale	2	4.0
	50	100.0

Source: Primary Data 2025.

The above table clearly states that majority 96 percent of the respondents are doing their business under Retail business. Only 2 percent respondents are have their Wholesale business.

Table-5-Number of Employees wise Distribution

No of Employees	No of Shops	Percent
One	3	6.0
Two	24	48.0
Three	16	32.0
Four	5	10.0
Five	2	4.0
Total	50	100.0

Source: Primary Data 2025.

The above table clearly states that majority 48 percent of the respondents are two employees in their business.

Table-6.No of Shop Owned by the Respondents

No of Shops	No of Respondents	Percent
One	45	90
Two	5	10
Total	50	100

Source: Primary Data 2025.

This table presents a simple frequency distribution of the number of shops owned by respondents. Here's a breakdown: Most respondents own one shop: 45 respondents (90%) own a single shop. Few respondents own two shops: Only 5 respondents (10%) own two shops.

Table-7 Monthly income by the Respondents

Income(in Lakhs)	No of Respondents	Percent
1.00	8	16.0
2.00	23	46.0
3.00	15	30.0
4.00	3	6.0
5.00	1	2.0
Total	50	100.0

Source: Primary Data 2025

This table presents a frequency distribution of income levels, likely categorized into five groups (1.00 to 5.00). Here's an interpretation: Most respondents fall into categories 1-3: 46 out of 50 respondents (92%) are distributed across these categories.

Table-8 Saving Habit of the Respondents

Saving Habit	No of Respondents	Percentage
Saved	14	28.0
Not saved	36	72.0
Total	50	100.0

Source: Primary Data 2025

Based on the data provided, here's an interpretation of the saving habits of the respondents:
- 28% of respondents save: 14 out of 50 respondents have a saving habit, indicating a relatively low savings rate.- 72% of respondents don't save: 36 out of 50 respondents do not save, which could be a concern for their financial stability.

Table-9 Other Income Sources by respondent

Income Source	No. of Respondents	Percentage
Available	9	18.0
Not Available	41	82.0
Total	50	100.0

Source: Primary Data 2025

The above table explained 18% of respondents have other income sources: 9 out of 50 respondents have additional income sources beyond their primary income. 82% of respondents rely on a single income source: 41 out of 50 respondents do not have other income sources.

Table-10 Availability of Credit Sales

Availability of Credit Sales	No of respondents	Percentage
Credit sales Available	38	76.0
No credit Sales	12	24.0
Total	50	100.0

Source: Primary Data 2025

The above table clearly state the sales credit to customer 76% of respondents engage in credit sales: 38 out of 50 respondents allow customers to buy on credit.24% do not offer credit sales: 12 out of 50 respondents require immediate payment.

Hypothesis-I

Alternative: There is a significant impact of Number of Stores, Form of Business and Business Type, business capital and Experience of the respondents on Monthly Income of the respondents

Null: : There is no significant impact on Number of Stores, Form of Business and Business Type, business capital and Experience of the respondents on Monthly Income of the respondents

Multiple Regression

Table-11

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	172870070.099	5	34574014.020	.453	.808[b]
	Residual	3354863566.481	44	76246899.238		
	Total	3527733636.580	49			
a. Dependent Variable: Monthly revenue						
b. Predictors: (Constant), Number of Stores, Form of Business, Business Type, Business Capital, Business Age						

Table-12

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6524.944	7679.230		.850	.400
	Business Capital	-2445.364	1891.029	-.207	-1.293	.203
	Form of Business	-689.836	2529.634	-.040	-.273	.786
	Business Age	1226.502	1427.931	.146	.859	.395
	Number of Stores	-1256.030	4770.129	-.045	-.263	.794
a. Dependent Variable: Monthly revenue						

This table presents a regression analysis output. Here's a breakdown:

Business Capital: A one-unit increase in business capital is associated with a decrease in monthly revenue (-2445.364). However, the relationship is not statistically significant (Sig. = 0.203) . Business Age: A one-unit increase in business age is associated with an increase in monthly revenue (1226.502). However, the relationship is not statistically significant (Sig. = 0.395). The model's intercept (6524.944) represents the expected monthly revenue when all independent variables are zero.None of the independent variables have statistically significant relationships with monthly revenue.

Table-13

Monthly revenue	1.000	-.004	-.085	-.101	.080	-.072
Savings Habit	-.004	1.000	-.286	-.340	.052	-.008
Credit Sales	-.085	-.286	1.000	.748	-.183	-.154
Debtors Credit Period	-.101	-.340	.748	1.000	-.325	-.285
Loan Source	.080	.052	-.183	-.325	1.000	.144
Loan used for consumption purposes	-.072	-.008	-.154	-.285	.144	1.000

Source: Computed Value

This table presents a correlation matrix between several variables. Here's a breakdown:

1. Strong positive correlation: Credit Sales and Debtors Credit Period have a strong positive correlation (0.748), indicating that businesses offering credit sales tend to have longer credit periods for debtors.

2. Moderate negative correlations: Savings Habit and Credit Sales (-0.286), Savings Habit and Debtors Credit Period (-0.340), These suggest that businesses with a savings habit tend to offer fewer credit sales and have shorter credit periods.

3. Weak correlations: Most other correlations are weak (< 0.5), indicating limited relationships between the variables.

Insights for Business Decision-Making

1. Credit management: The strong correlation between credit sales and debtors' credit period highlights the importance of effective credit management to avoid bad debts.

2. Savings habits: Businesses with a savings habit tend to be more cautious with credit sales and debtors' credit periods, potentially reducing financial risks.

Table 14-Purpose of loan

Total Variance Explained						
	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.171	31.012	31.012	2.171	31.012	31.012
2	1.367	19.534	50.546	1.367	19.534	50.546
3	1.042	14.882	65.428	1.042	14.882	65.428
4	.833	11.903	77.332			
5	.735	10.498	87.830			
6	.646	9.225	97.055			
7	.206	2.945	100.000			
Extraction Method: Principal Component Analysis.						
a. Only cases for which Purpose of The Loan = Stock are used in the analysis phase.						

This table presents the results of a Principal Component Analysis (PCA) for cases where the purpose of the loan is specifically for stock. Here's a breakdown:

Three components extracted: The analysis extracted three components with eigenvalues greater than . which together explain 65.428% of the total variance in the data.
Component contributions:
- Component 1 explains 31.012% of the variance.
- Component 2 explains 19.534% of the variance.
- Component 3 explains 14.882% of the variance.

Data reduction: The PCA has reduced the dimensionality of the data from 7 variables to 3 components, capturing a significant portion of the variance. Component interpretation: Further analysis would be needed to interpret the meaning of each component based on the loadings of the original variables.

Table 15 :Component Score Coefficient Matrix[a]

	Component		
	1	2	3
Monthly revenue	-.077	.483	.315
Savings Habit	-.228	.103	-.612
Number of Stores	-.041	.576	.055
Credit Sales	.387	-.003	.152
Debtors Credit Period	.419	.089	.032
Loan Source	-.217	.069	.529
Loan used for consumption purposes	-.168	-.378	.423

Extraction Method: Principal Component Analysis.
Component Scores.
a. Only cases for which Purpose of The Loan = Stock are used in the analysis phase.

This table presents the component loadings for the three extracted components in the Principal Component Analysis (PCA). Here's a breakdown:

The components seem to capture distinct aspects of business operations, such as credit management, business size, and financial management.These components can be used for further analysis, such as clustering businesses or identifying patterns in financial management practices.

Table 16-Component Score Covariance Matrix

Component Score Covariance Matrix[a]			
Component	1	2	3
1	1.000	.000	.000
2	.000	1.000	.000
3	.000	.000	1.000
Extraction Method: Principal Component Analysis. Component Scores.			
a. Only cases for which Purpose of The Loan = Stock are used in the analysis phase.			

Source: Computed Value

The above table clearly explains the strong correlation between credit sales and debtors' credit period highlights the importance of effective credit management to avoid bad debts.

The limited number of respondents with other income sources suggests a potential need for financial diversification to reduce vulnerability to financial shocks and the low percentage of respondents with savings habits suggests a need for financial education or incentives to encourage saving.

The PCA results suggest that businesses should carefully manage loan utilization and consider the purpose of loans

Conclusion:

This study find that addressing loan repayment challenges is crucial for the sustainability and growth of small traders in Coonoor. By understanding the root causes and implementing effective solutions, stakeholders can empower these traders to overcome financial hurdles and thrive in the competitive market. This study highlights the loan repayment problems faced by small traders in Coonoor. By acknowledging these challenges and working together, policymakers, financial institutions, and traders can develop targeted solutions to promote financial stability In conclusion, small traders in Coonoor face significant loan repayment challenges. By fostering a supportive ecosystem and providing access to resources, we can help these traders build resilience and achieve long-term success.

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