

Customer Awareness and Satisfaction of NBFC Services with Special Reference to Thrissur District

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Abstract

NBFCs have become impeccable alternatives to the Banking sector for fulfilling a wide range of financial needs of the society. They offer prompt as well as efficient services without much procedural formalities. This paper is an attempt to assess the level of awareness and satisfaction of NBFC services in Kerala with special reference to Thrissur district. The study highlights that there is no significant difference between level of awareness about various services offered by NBFCs and the demographics of the respondents. The level of satisfaction and demographic characteristics excluding occupation of the respondents also show the same trend.

KEYWORDS: Non-Banking Financial Companies (NBFCs), customer awareness

INTRODUCTION

Non -Banking Financial Companies (NBFCs) are financial intermediaries that supplement the banking services. RBI Act section 45(f) defines a Non-banking financial company as “a financial institution which is a company and which has as its principal business the receiving of deposit under any scheme or arrangement or in any other manner, or lending in any other non-banking institution notified by the Reserve Bank”.

Non-Banking Finance Companies (NBFCs) are Financial Institutions involved chiefly in the business of accepting deposits as well as providing advances and credits. NBFCs are integral component of financial system, promoting competition, delivery of customized services, diversification and spreading of risks during financial distress. NBFCs are diverse groups of financial institution that reach out to the financial needs of unbanked sectors of the economy. These institutions are recognized for their customer centric services, simplified procedures, competitive rates and readiness in meeting financial requirements of the society.

The Reserve Bank regulates and supervises three categories of NBFIs, viz. All-India Financial Institutions (AIFIs), Primary Dealers (PDs) and NBFCs. Based on deposit mobilization, NBFCs are classified into two major categories: NBFCs-D (deposit taking) and NBFCs-ND (non-deposit taking). NBFCs-ND were sub-divided into two categories in 2006 - Systemically Important Non-Deposit taking NBFCs (NBFCs-ND-SI) and other Non -Deposit taking NBFCs (NBFCs-ND) based on asset size. NBFCs with an asset size greater than `1 billion were considered as NBFC-ND-SI. The threshold for recognition of NBFCs-ND-SI was increased to 5 billion in 2014(RBI Bulletin October 2017)

Review of Literature

Helina (2017) carried out a study to evaluate the role played by NBFCs in complimenting banks and to ascertain the demographic profile of NBFC customers. The study reveals that there is no significant relation between reasons for choosing the select NBFCs and level of income of the customers. The study also reveals that gender of the customers and purpose of loan are not correlated.

Stephan,William(2015) tried to assess the perception of customers towards consumer loans offered by NBFCs. The results of the study reveal that perception on NBFCs is greater than other financial institutions and there is a significant relationship between brand and various factors affecting perception.

Sharma(2017) published a conceptual paper on the challenges and opportunities of NBFCs in India. The paper argues that margin pressure, competition from banks, dependence on government policies etc. are the major challenges faced by the NBFCs and customer centric performance, unmatched credit delivery mechanism etc. are the main advantages of NBFCs.

Significance of the Study

Finance is an important component for ordinary people to maintain their standard of living. Non -Banking Financial Companies (NBFC) help the people to get rid of their financial difficulties .It is flexible in its services and is a refuge to the needs of people when formal banking have fixed and cumbersome procedures. In this context, NBFCshave become a last resort to customers. NBFCs are essential social organizations rendering variety of services to the socio-economic objectives of the society. NBFCs offer different types of loans to the customers in Kerala for their socio- economic needs. In this context, the present study is very significant and relevant.

Statement of the Problem

The Indian financial system is quite weak and does not wholly come under the formal system. This is mainly because of the under developed industrial and banking sector. The banks consisting of the commercial,private and foreign banks have diversified services and products for the vast population. Inspite of this, the large number of people does not come under the formal financial system. This is mainly due to the geographical and economic inequality. It is in this context that NBFCs have taken over the role to cater to the needs of these populations. They have special features like diversified products and services and they have shown remarkable progress over the years. This paper is an attempt to assess the level of awareness and satisfaction of NBFC services in Kerala.

Objectives of the Study

1. To study the level of awareness of customers on various services offered by NBFCs in Kerala.
2. To study the satisfaction level of customers towards various services offered by NBFCs in Kerala.

Hypotheses of the study

Ho1: There is no significant difference between the overall awareness level and gender of the respondents.

Ho2: There is no significant difference between the overall awareness level and age of the respondents.

Ho3 : There is no significant difference between the overall awareness level and qualification of the respondents.

Ho4: There is no significant difference between the overall awareness level and occupation of the respondents.

Ho5: There is no significant difference between the overall awareness level and income of the respondents.

Ho6: There is no significant difference between overall satisfaction level and gender of the respondents.

Ho7: There is no significant difference between overall satisfaction level and age of the respondents.

Ho8: There is no significant difference between overall satisfaction level and qualification of the respondents.

Ho9: There is no significant difference between overall satisfaction level and occupation of the respondents.

Ho10: There is no significant difference between overall satisfaction level and income of the respondents.

Scope of the Study

The NBFCs are highly important in Indian financial system as they deliver diversified and customized financial services and products. The formal financial system is highly weak in Indian context. The services provided by formal sector are limited and are inwater-tight compartments. These NBFCs cater to the needs of the unbanked and under privileged citizens. Thus, NBFCs are an unavoidable part of Indian financial system. The study aims at highlighting the level of awareness and satisfaction of the services of NBFCs. The study was conducted among the customers of NBFCs who have availed various types of loan services. The area of the study is limited to Thrissur district of Kerala only. The selected sample focuses only on the Systematically Important Non-Deposit taking NBFCs' customers.

Methodology

The study is being mainly undertaken based on primary data collected through structured questionnaire. The sampling units consist of NBFCs customers in Thrissur district. Non probability sampling technique is adopted for the selection of sample. The total sample size is restricted to 110. Secondary data is being collected from different sources like scholarly articles, textbooks and various websites. Data were analyzed using mean, standard deviation, t test and One way Anova.

Results and Discussions

Table 1: Overall awareness level and demographics

Variables	Categories	N	Mean	SD	F value	P value	Decision
Gender (Independent Sample t test)	Male	67	19.10	2.230	.179	.858	>0.05 Accept H01: (No significant difference)
	Female	43	19.19	2.471			
Age (One way Anova)	Below 20	9	18.78	2.819	2.168	0.078	>0.05 Accept H02: (No significant difference)
	21-30	19	18.37	2.006			
	31-40	43	19.44	2.074			
	41-50	21	18.48	2.316			
	Above 50	18	20.17	2.618			

	Total	110	19.14	2.317			
Qualification (One way Anova)	Upto SSLC	23	18.57	2.063	1.670	.178	>0.05 Accept H03: (No significant difference)
	Upto HS	13	18.31	2.057			
	Upto Degree	50	19.58	2.540			
	Upto PG	24	19.21	2.064			
	Total	110	19.14	2.317			
Occupation (One way Anova)	Govt.	43	19.77	2.359	2.133	.100	>0.05 Accept H04: (No significant difference)
	Private	29	18.41	2.307			
	Business	18	18.94	2.235			
	Others	20	19.00	2.103			
	Total	110	19.14	2.317			
Income (One way Anova)	10000-20000	26	19.46	2.284	.337	.798	>0.05 Accept H05: (No significant difference)
	20000-30000	36	18.86	2.320			
	30000-40000	16	19.19	2.073			
	Above 40000	32	19.16	2.516			
	Total	110	19.14	2.317			
** significant at 1% level							
* significant at 5% level							

Source:Compiled from primary data

Results of Hypotheses Testing

H01, H02, H03, H04 and H05 were accepted at 5% level of significance, which means that there is no significant difference between overall awareness level of the respondents about the services offered by NBFCs and Demographics of the respondents.

Table 2:Overall satisfaction Level and Demographics

Variables	Categories	N	Mean	SD	F value	P value	Decision
Gender (Independent Sample t test)	Male	67	39.78	3.406	.069	.945	>0.05 Accept H06: (No significant difference)
	Female	43	39.72	4.474			
Age (One way Anova)	Below 20	9	40.67	3.571	.364	.834	>0.05 Accept H07: (No significant difference)
	21-30	19	38.95	3.689			
	31-40	43	39.81	3.881			
	41-50	21	40.05	4.455			
	Above 50	18	39.67	3.498			
	Total	110	39.75	3.839			
Qualification (One way Anova)	Upto SSLC	23	38.30	4.685	1.701	.171	>0.05 Accept H08: (No significant difference)
	Upto HS	13	39.23	2.651			
	Upto Degree	50	40.28	3.785			
	Upto PG	24	40.33	3.384			
	Total	110	39.75	3.839			
Occupation (One way Anova)	Govt.	43	39.79	4.033	3.887	.011	>0.05 Reject H09: (significantly
	Private	29	39.66	3.457			
	Business	18	41.94	3.351			

	Others	20	37.85	3.543			different)
	Total	110	39.75	3.839			
Income (One way Anova)	10000-20000	26	40.08	3.654	1.277	.286	>0.05 Accept H10: (No significant difference)
	20000-30000	36	38.81	4.302			
	30000-40000	16	39.75	3.679			
	Above 40000	32	40.56	3.435			
	Total	110	39.75	3.839			

** significant at 1% level
* significant at 5% level

Source: Compiled from primary data

Results of Hypotheses Testing

H06, H07, Ho8 and Ho10 are accepted at 5% level of significance which reveals that there are no significant differences between the overall satisfaction of the customers towards services offered by NBFCs and demographics of the respondents. Ho9 is rejected at 5% level of significance which shows that overall satisfaction level is not the same for different occupational groups of respondents.

As there is significant differences between the overall satisfaction level of the respondent and the occupation. Post hoc test is conducted to find out group wise differences.

Tuckeys post hoc test is done and the results are as follows:

Table 3 :Multiple comparisons with regard to the Occupation

(I) Occupation	(J) Occupation	Mean Difference (I-J)	Sig.	95% Confidence Interval	
				Lower Bound	Upper Bound
Government	Private	.136	.999	-2.18	2.45
	Business	-2.154	.168	-4.86	.55
	Others	1.941	.218	-.67	4.55
Private	Government	-.136	.999	-2.45	2.18
	Business	-2.289	.171	-5.18	.60
	Others	1.805	.339	-1.00	4.61
Business	Government	2.154	.168	-.55	4.86
	Private	2.289	.171	-.60	5.18
	Others	4.094*	.005	.96	7.23
Others	Government	-1.941	.218	-4.55	.67
	Private	-1.805	.339	-4.61	1.00
	Business	-4.094*	.005	-7.23	-.96

*. The mean difference is significant at the 0.05 level.

Tuckeys Post Hoc Test reveals that the overall satisfaction level is significantly different between business group and others group.

Findings

The study conducted to assess the level of awareness and satisfaction on NBFC services revealed that among 110 samples selected for the study, 67 were males and 43 were females. Majority of the respondents were from the age group 31-40. Government employees had the major share in utilizing the services of NBFCs in Kerala.50 percent of the respondents were graduates. Majority of the respondents are aware of gold loans

offered by NBFCs and they are least aware about loans provided to Small and Medium Enterprises (SME). The data analysis further reveals that there is no significant difference between level of awareness about various services offered by NBFCs and the demographics of the respondents. There is no significant difference between the level of satisfaction and demographic characteristics of the respondents except for occupation. Level of satisfaction significantly varies among business group and others group.

CONCLUSION

NBFCs due to its features and variety of services undoubtedly have a major role in the Indian financial system. NBFCs have become an alternative to the Banking services. They offer prompt as well as efficient services without much procedural formalities. The present study was conducted to assess the level of awareness and satisfaction on NBFC services in Kerala. The results of the study reveals that majority of the respondents are fully aware about gold loans while awareness about MSE finance is very low among the respondents. There is no significant difference between level of awareness about various services offered by NBFCs and the demographics of the respondents. There is no significant difference between the level of satisfaction and demographic characteristics of the respondents except for occupation. Level of satisfaction significantly varies among business group and others group.

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