CUSTOMERS ATTITUDE TOWARDS NBFCs COMPLEMENTARY ROLE TO BANK IN LENDING PRACTICES

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Abstarct **-Non-Banking Financial Companies (NBFC) are foundations that offer financial services and banking facilities without meeting the legitimate meaning of a Bank. They are covered under the Banking guidelines set by the Reserve Bank of India and banking services like loans, credit facilities, retirement planning, investing and stocking in money market. Anyway they are confined from taking any form of deposits from the overall population. These organizations assume a significant function in the economy, offering their services in urban as well as rural areas, generally giving credits considering development of new ventures. NBFCs likewise give a wide scope of financial advices like chit- reserves and advances. Thus it has become a significant piece of our country's Gross Domestic Product and NBFCs alone include for 14% raise in Gross Domestic Product of our nation. A great many people lean toward NBFCs over banks as they discover them protected, productive and fast in helping with money related necessities. Besides, there are different loan products accessible and there is flexibility and transparency in their services.. There are countless NBFCs working in our nation however here's a glance at the current top 5 NBFCs that are to analysed for its customers attitude on the lending practices**
Keywords**: customers attitude, lending practice, complementary role, consumer durable goods, innovative financial products .**

I. INTRODUCTION

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 of India, they are fast emerging as an important segment of Indian financial system. It is a heterogeneous group of institutions (other than commercial and co-operative banks) performing financial intermediation in a variety of ways engaged in the business of loans and advances, acquisition of shares, stock, bond sire-purchase, Insurance business, or chit business: but does not include any institution whose principal business is that includes agriculture or industrial activity; or the sale, purchase or construction of immovable property. A non-banking company which is an organization and which has its key business of accepting deposits under any plan of course of action or some other way, or lending in any way is additionally a non-banking financial company (residuary non-banking organization). These organizations assume a significant part in giving credit to the unorganized sector and to the small borrowers who are neglected by the banks at the neighborhood level. NBFCs have ended up being engines of development and are vital piece of the Indian monetary framework, improving rivalry and expansion in the money related area, spreading hazards explicitly now and again of financial distress and have been progressively perceived as complementary of banking system at competitive prices. They raise funds from the public, directly or indirectly, and lend them to ultimate spenders.

They advance loans to the different wholesale and retail traders, small-scale businesses and self-employed people. Hence, they have widened and broadened the scope of products and services offered by a financial sector. Steadily, they are being perceived as complementary to the banking sector in spite of the fact that they are not better than private banks as far as yet they are to their customer-oriented services; simplified procedures; alluring rates of return on deposits; flexibility and idealness in meeting the credit needs of determined areas; and so on.

I.A. STATEMENT OF THE PROBLEM

India's financial services sector is included of banks as well as non-banking financial companies. The part of NBFCs is essential to the economy, similar to a effective intermediaries has been well recognized for its strong customer relationships, excellent understanding of regional dynamics, well-developed collection systems and personalized services. In this function, they are perceived to be playing a complimentary role to banks rather than being competitors, reaching out in areas where banks have a restricted presence. Simultaneously, NBFCs anyway isn't a risk free finance offered to poor. The risks included identifies with installment of somewhat high interest rate contrasted with the rate charged by the formal financial system.

Against this background, a need is felt to study the customers' attitude on the lending practices of NBFC, Problems faced before and after availing loan and the level of NBFCs complimentary role to bank in Thoothukudi .

I.B OBJECTIVES OF THE STUDY

- To study the position of selected NBFCs with reference to lending practices of Thoothukudi.
- To ascertain the customers profile of the selected NBFCs of Thoothukudi.
- To study the problems faced in NBFCs by the customers of Thoothukudi.

I.C SIGNIFICANCE OF THE STUDY

The following are the significance of the study

- To test the significant variation between Monthly income and the problems faced in availing loan before and after
- To test the significant difference between The Reasons for availing loan and the complementary role of financial company

I.D.SCOPE OF THE STUDY

This study gives importance to all the borrowers' preference towards NBFCs .The study is based on the data provided by the respondents of borrowers belonging to Thoothukudi on the basis of NBFCs through a structured questionnaire covering preference, individual level awareness, opinion, attitude, factors influencing, selection of NBFCs ,problems faced and level of satisfaction of borrowers.

II. METHODOLOGY

The study has pre-determined objectives and methodology, it is both descriptive and analytical in nature. Apart from this, the study observes the customers' attitude on the lending practices of NBFC, Problems faced before and after availing loan and the level of NBFCs complementary role to bank.

II.A.SOURCE OF DATA

The present study is based on the primary data collected from the Borrowers of NBFCs of Thoothukudi . Literature survey consists of different thesis literatures like books, published articles and websites.

II.B. SAMPLING PROCEDURE OF THE STUDY

A sample of 60 customers were approached for the study adopting random sampling technique. The information has been collected through structured questionnaire. Since the NBFCs refused to provide the list of customers, the questionnaires were got filled up from the customer personally visiting to the bank premises.

II.C.FRAMEWORK OF ANALYSIS

Statistical tool SPSS 20.0 is used to classify and analyze the data collected in the survey undertaken. For the purpose of analysis the tools include inferential statistics, ANOVA, t-Test and Multiple Regression.

II.D. LIMITATION OF THE STUDY

The study is limited to Personal, Vehicle and Consumer Durable goods under the NBFCs in Thoothukudi District only.

III. RESULTS AND DISCUSSION

In the study, frequency infers the respondents' demographic profile ,Mostly preferred finance company,reasons for the purpose of taking loan, amount of borrowings,rate of interest, steps taken on default customer by lending institution. One way Analysis of variance has been used to find out the relationship between Monthly income and problems faced in availing loan. the relationship between the Reasons for availing loan and complimentary role of financial company. Multiple regression analysis has been used to find out the ability of four control measures (Number of innovative financial products, Customer friendly reputation, Speed, Convenience) to predict levels of reliability on the finance company services are good compared to bank .

IV. DATA ANALYSIS

TABLE 1

Demographic Profile of Respondents

Characteristics		No. of Respondents	Percentage
Total No. of Respondents		60	100
Gender	Male	49	82
	Female	11	18
	Total	60	100

Age	Upto 30	17	28
	30 to 40	20	33
	40 to 50	16	27
	50 to 60	4	7
	Above 60	3	5
	Total	60	100
Qualification	Illiterate	5	8
	High School	16	27
	Intermediate	1	2
	Degree	23	38
	Masters Degree	15	25
	Total	60	100
Monthly Income	Below Rs.15000	13	21.7
	Rs.15001 to Rs.25000	13	21.7
	Rs.25001 to Rs.35000	18	30.0
	Rs.35001 to Rs.45000	8	13.3
	Above Rs.45000	8	13.3
	Total	60	100.0
Location			
	Urban	44	73.3
	Rural	16	26.7
	Total	60	100.0

Source: Primary data

TABLE II
Mostly preferred Financial Company

Financial Company	No.of Respondents	Percentage
Sriram	14	23.3
Mahindra	5	8.3
Bajaj	24	40.0
Sundaram	2	3.3
Cholamandalam	15	25.0
Total	60	100.0

TABLE III
Reasons for the purpose of taking loan

Reasons	No. of respondents	Percentage
Business	1	1.7
Consumer Durable Goods	4	6.7
Vehicle	31	51.7
Gadgets	20	33.3
Personal	4	6.7
Total	60	100.0

TABLE IV
Amount of Borrowings

Amount	No. of respondents	Percentage
Upto Rs.2 Lakhs	21	35.0
Rs.2 Lakhs to Rs.5 Lakhs	23	38.3
Rs.6 Lakhs to Rs.10 Lakhs	13	21.7
Above Rs.10 Lakhs	3	5.0
Total	60	100.0

TABLE V
Rate of Interest

Rate	No. of respondents	Percentage
6% - 11%	26	43.3
8% - 11.25%	21	35.0
10% - 13%	11	18.3
15%	2	3.3
Total	60	100.0

TABLE VI
Steps taken on Default customer by lending institution

Steps	No. of respondents	Percentage
By sending Legal Notice	32	53.3
By Filing a Suit	1	1.7
By Personal Follow up	27	45.0
Total	60	100.0

TABLE VII
Multiple regression on services of financial company

Variables	Unstandardized Coefficients		Standardized Coefficients	t value	Sig. value
	B	Std. Error	Beta		
(Constant)	1.488	0.467		3.186	0.003*
Number of innovative financial products	-0.084	0.156	-0.093	-0.540	0.591
Customer friendly reputation	-0.144	0.179	-0.123	-0.807	0.424
Speed	-0.065	0.146	-0.070	-0.443	0.660
Convenience	0.377	0.140	0.407	2.697	0.010*

* Significant at 5% level

Dependent Variable : My finance company services are good compared to bank

Independent Variables : Number of innovative financial products, Customer friendly reputation, Speed, Convenience

R value : 0.368

R square value : 0.135

Adjusted R square value : 0.062

F statistics (4,47) : 1.837

Sig. value of ANOVA : 0.042

*Significant at 5% level

Table VII assesses the ability of four control measures (Number of innovative financial products, Customer friendly reputation, Speed, Convenience) to predict levels of reliability on the finance company services are good compared to bank using multiple regression.

R square value (0.135) indicates the amount of variability explained by the independent variables for 13.5 per cent of variance in the dependent variable and the remaining 86.5 per cent is by some other unknown variable and the problem is not taken into account. The value of F (4,47) = 1.837 and p = 0.042 ($p<0.05$) indicates that the model is statistically significant at 5 per cent level and ensures the regression fit.

p=0.001 ($p<0.05$) shows that there is a statistically significant difference between the variables and this indicates all the independent variables (Number of innovative financial products, Customer friendly reputation, Speed, Convenience) have influence on the services of finance company. Therefore, the finance company services are good compared to bank depends on its Number of innovative financial products, Customer friendly reputation, Speed and Convenience

Table VIII

One Way ANOVA test on Monthly income and problems faced in availing loan

Null Hypothesis: There is no significant difference between Monthly income and the problems faced in availing loan before and after

Variables	Values	N	Mean	Std. Deviation	F value	Sig. value
Problems faced – before availing loan	Below Rs.15000	9	29.2222	4.14662	1.048	0.395
	Rs.15001 to Rs.25000	12	26.3333	5.22813		
	Rs.25001 to Rs.35000	9	28.5556	3.71184		
	Rs.35001 to Rs.45000	8	25.3750	5.95069		
	Above Rs.45000	7	28.2857	3.98808		
	Total	45	27.4889	4.73201		
Problems faced – after availing loan	Below Rs.15000	10	29.2000	4.82586	0.180	0.947
	Rs.15001 to Rs.25000	11	29.0909	6.23626		
	Rs.25001 to Rs.35000	12	28.4167	4.48144		
	Rs.35001 to Rs.45000	6	29.6667	4.71876		
	Above Rs.45000	7	27.7143	2.56348		
	Total	46	28.8043	4.68387		

Table VIII shows the relationship between Monthly income and problems faced in availing loan. As per the acceptance of null hypothesis ($p>0.05$), the variables of Problems faced – before availing loan and Problems faced – after availing loan are not significantly associated with the Monthly income. It is clear from the analysis that the Monthly income does not influence the problems faced in availing loan before and after.

Table IX

Reasons for availing loan and complimentary role of financial company

Null Hypothesis: There is no significant difference between The Reasons for availing loan and the complimentary role of financial company

Variables	Factors	N	Mean	Std. Deviation	F value	Sig. value
My finance company services are good compared to bank	Business	1	2.00	.	0.286	0.886
	Consumer durable goods	4	2.50	1.732		
	Vehicle	31	1.90	1.136		
	Gadgets	4	2.00	.000		
	Personal loan	18	1.83	1.150		
	Total	58	1.93	1.122		
Lending practices are better than those of other bank	Business	1	2.00	.	0.521	0.720
	Consumer durable goods	4	2.50	.577		
	Vehicle	31	1.90	.790		
	Gadgets	4	2.50	1.000		
	Personal loan	20	2.15	1.496		
	Total	60	2.07	1.071		

Quality of service is higher than other bank	Business	1	2.00	.	0.583	0.676
	Consumer durable goods	4	2.75	1.500		
	Vehicle	31	1.97	1.224		
	Gadgets	4	1.75	.500		
	Personal loan	15	2.27	1.033		
	Total	55	2.09	1.143		

Table IX shows the relationship between Reasons for availing loan and complimentary role of financial company. As per the acceptance of null hypothesis (p>0.05), the variables of Business Consumer durable goods,Vehicle,Gadgets,Personal loan are not significantly associated with the Reasons for availing loan. It is clear from the analysis that the Reasons for availing loan does not influence the complimentary role of financial company.

V. CONCLUSION

NBFCs have turned out to be engines of growth and are integral part of the Indian financial system, enhancing competition and diversification in the financial sector, spreading risks specifically at times of financial distress and have been increasingly recognized as complementary of banking system at competitive prices. The competitive environment is augmented by lending practices and quality of services compared to bank.NBFCs frame a well thought customer oriented product planning and pricing strategy with a commitment to add value to customers. This approach enables NBFCs legitimize their presence amidst volatile, and competitive environment.

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