A STUDY ON CUSTOMER PERCEPTION TOWARDS SERVICE QUALITY MEASURED OF NBFC'S OPERATING IN MUMBAI REGION

Sanoj Kumar- Director (IC)
Pramod Ram Ujagar Tiwari Saket Institute of Management,
Kalyan (East)-421306

Abstract:

The scarcity of a higher number of financial institutions and the growing financial needs of huge population of the world demanded an alternative and supportive set of financial institutions which would complement the existing banking system. This lead in to the development of shadow banking throughout the world which increased the accessibility to financial services leading in to improved competition in the system and eventually diversified the entire financial system. The Non Banking Financial Companies (NBFC) an integral part of Shadow banking careered initially to the needs of the borrowers who were either inaccessible to the regular banking system or not considered suitable for credit by the banks. It has been over the past fee decades that the NBFC's are prone to huge changes, volatility and turbulence owing to multiple factors including regulatory environment in place, market dynamicity and most importantly public sentiments. Even though the market dynamics and regulatory environment cannot be controlled what lies as a biggest challenge which can be worked upon by the NBFC's is the public perception about them among the major stakeholders in NBFC's business which is the customers. Most of the NBFC's are facing a huge competition in the market due to the growing negative perception in the market which is attributed to closing down of many NBFC's in the market because of bad credit to deposit ratios, operational procedures followed by them and debt recovery measures are affecting the perception of NBFC's among the consumers in many areas. More importantly the service quality measured practiced in the NBFC's can be hugely influential in establishing a positive mindset among the consumers. Mumbai being the financial capital of the country is not only a home to major banks but also to NBFC's operating in the country. Any change in perception or sentiment about these companies which happens in the market definitely affects the perception elsewhere. So it is quintessential to understand the perception of the customers with relation to multiple service quality measurements, about the NBFC's in the Mumbai Region. In this research paper the researcher would attempt to understand the perception of both existing, new and other stakeholders in NBFC business on the basis of primary data collected on several service quality measures and the results would be helpful in not only understanding the existing perception about NBFC's but also would be beneficial is deciding a path for the NBFC's to decide on their future course of action.
Keywords: NBFC, Perception, Operations, Debt, Credit

Introduction:

The growing interconnectedness among the banking sector and the need for a complementary financial system and the growing influence of Shadow banking has relatively increased the growing attention towards Non Banking Financial companies (NBFC's). Among the different components of Shadow banking the importance of NBFC's have seen to be relatively high which has led to increased attention among the researchers as well as the industry stakeholders and policy makers. The growing unique consumer segments which were not considered before in India specifically has made the importance of NBFC grow to leaps and bounds in the previous years. Majority of Indian population which were previously catered to by chit funds, gold loan companies and unorganized financial intermediaries have been largely brought out in to a streamlined financial system through the NBFC's over the past few years. Not only the hugely under banked rural population, but a larger proportion of urban population has been increasingly being serviced through the shadow banking system. The Key success factors of NBFC's operating in India as per a research report published by PWC (2016), includes a wider and effective reach in the market, better and customized product lines as compared to the existing banking systems, lower costs as comparable to include emerging market's customers, managing lower NPA's and reduction of bad debts, increased coordination and understanding of consumer segments at a ground level, better focus on new consumer segments such as passenger and commercial finance, personal and housing segments which were the key foray of commercial banks, higher credit penetration among the target consumers and eventually leading in to an overall better economic condition.

NBFC's through their consistent efforts have made themselves an integral constituent of the heterogeneous lot of financial companies proving financial intermediaries. With their endeavor to provide better services to the under privileged sector and small borrowers have turned themselves in to engines of growth and have become and unavoidable and integral part of India's financial growth story. In spite of the growing trend there seems to be am increasing worry among the financial service experts and academics on the future of NBFC's and their reduced impact among the target consumer segments, the same which were included by these companies to be apart of the streamlined financial service industry. The growing discomfort in the markets towards the NBFC owing to multiple reasons including rising interest rates and higher acquisition costs caused by a stricter regulatory environment have made the NBFC's concentrate more on managing themselves rather than being taking an integral part of including more customers in to main stream financial services. To add to the owes the closure and failure of many NBFC's in the previous years have added up to the customers not looking them as a natural choice and choosing them only in case of not being qualified to transact with the existing banks. The reasons attributed to the failure include regulatory norms being very strict to be adhered to, the growing dynamicity in the market and growing negative perception among the target consumers on the NBFC's. It is imperative for the NBFC's to work on these factors to leverage their business for eh future as well as sustain the turbulent times. The most important stakeholders in the NBFC business which is the customers and their perception is one area where the NBFC's can start working initially as it is relatively tough to work on the regulatory environment or the changing dynamics of the market. And it has been understood that the service quality measurements go a long way in developing perception about how the NBFC's fare relative to the competition.

In this research paper the researcher would attempt to gauge the perception of customers on different aspects of service quality, which includes not only the existing and new customers of NBFC's but also important stakeholder customers who know the operations of NBFC's and those who are financially adept. The market chosen for the study is Mumbai region which is the financial capital of the country and has a lot bearing on the perception and sentiment of the financial companies operating in the country. Being a home to not only the existing banks but also to a host of Non banking financial companies the customers and stakeholders being catered in this market would surely be a representative sample of the customers and NBFC's elsewhere in the country and understanding their perception would be helpful in understanding the current status of service quality being maintained by NBFC's and also would help in deciding the future course of action for the NBFC's operating in India.

The entire research is based upon primary data collected from 345 respondents who are customers presently, previously or similar financial institutions. The research methodology would include developing hypothesis related to service quality and perception about NBFC's and then using statistical methods to validate the hypothesis to arrive at conclusions.

Literature review:

It has been noted that even the earliest researchers conducted on financial intermediaries have been clearly able to establish the fact that the financial intermediaries are indeed acquiring importance in developing economies owing to their capabilities of performing multifarious activities for the development process. Their role has not only been limited to purchase primary securities from borrowers and issuing them to lenders rather they are involved in sponsoring, encouraging financial momentum in the market also being able to discriminate among industries there by affecting the sectoral balance (Joshi,1965). Being an integral part of financial service industry the aspects of service quality have a greater impact in NBFC business and is highly relevant. Whenever the customer expectations are exceeded in usage of goods and service it related to better quality form a customer's perspective (Parasuraman et al., (1985); Gronroos, (1990); Zeithaml et al., (1990). When a service being delivered in accordance to consumer expectations and eventually qualifies itself to be a superior quality of service which would eventually enhance the competitive advantage of business (Ranganathan and Ganapathy,2002) and finally it helps in developing a positive perception and retaining consumers in the long run (Zhu and Lin, 2010).

Organizations especially in service industries have started pursing the concepts of service quality which leads in to improving the customer's trust in them being able to deliver what is expected and ultimately influencing the intention of the consumers to use the service (Shamdasani et al., 2008). Service quality is usually based upon two major components which are functional and technical. The functional component relating majorly to the service provider's behaviour, attitude competency levels and speed of service being delivered by them. On the other hand, the technical

component consists of the out come of the service being provided (Gronroos,1991). One of the most influential and effective models developed on service quality is the SERVQUAL model developed by Parasuraman et al (1998). This model us built upon five important service quality attributes which are

- Tangibles
- Reliability
- Responsiveness
- Assurance
- Empathy

Many researchers have corresponding views relating to service quality measurements over the years have taken this model as a reference point. Inspite of its wider acceptance the model is not devoid of critics too who feel that the model does not include the behavioral aspects and includes only the delivery process (Baker and Lamb, 1993; Richard and Allaway, 1993). The satisfaction of these service quality standards would make customer satisfaction as a reality. As when the service quality increases the level of satisfaction increases and the customer ends up in developing positive perception upon the service providers and eventually increase the perception of customer service (Oliver (1980); Asubonteg et al., (1996); Gilmore, (1997); Kandampully, (1997); Colgate and Stewart, (1998); Durvasula et al., (1999)). Apart from the generic researches on service quality there have been contemporary researches conducted on service quality in banking services. Service quality elements including core service/product, human and non-human elements, social responsibility and servicescape have been identified as important aspects un banking services (Sureshchander et al.,2001). In another research conducted by Sureshchander et al., (2003) the customers also look at technical aspects of service quality. They found that the core aspects of customer satisfaction were based upon the service delivery process more than the human aspects as such. The use of technological systems and technical best practiced ensured that the customers chose the banks of their choice and this in a way lead in to a positive perception about the bank leading in to expressing a positive word of mouth (Bedi, 2010).

It ahs also been established that there are multiple factors which are responsible for affecting the consumer attitudes as well as perceptions regarding the service quality provided in banking services. A performance based approach called as the SERVPREF was established by Cronin and Taylor (1992) which was considered more appropriate in case of assessing service quality in banking sector. The authenticity of this model was verified when it was used effective in the Indian banking sector (Angur et al., 1999). These and subsequent researchers have been able to establish the importance of service quality as a measure of customer satisfaction and leading to development of customer perception regarding a service and in case of NBFC business this becomes even more relevant consideringthe service quality parameters as a measure of consumer perception.

Research Objective:

The primary objective of this research is to find out the consumer perception of service quality parameters in NBFC's in Mumbai region as as to understand what is the present perception levels and what they do improve further to establish better growth and sustainability.

Research Methodology:

In order to validate the objectives, the following hypotheses have been developed and statistical testing is being done on the data collected from 385 respondents who are customers of various NBFC's in Mumbai region. The following are the hypothesis being developed.

H1: NBFC's are a tool for financial development

H2: There is a positive correlation between the quality of services offered by NBFC and customer satisfaction.

To satisfy the objectives a questionnaire was developed and the following are the major findings pertaining to the questions developed to validate the hypothesis.

1. When the respondents were asked about the most important benefit being derived from a NBFC, Economic Development is the first and most important benefit. As endorsed by 30% of the respondents. 26% feel increase in

wealth and availability of easy finance. 17% of the respondents feel that NBFC's Provide easy loans for people who don't have a good credit track.

2. Service Quality Parameters:

On the basis of financial service and counselling being provided as a service quality parameter, more than 50% of the respondents have a positive feedback and 17% do not have a good feedback. Almost 26% of the respondents have a neutral opinion.

On he basis of friendliness of staff and counter service being provided as a service quality parameter, more than 50% of the respondents have a positive feedback regarding the same and 17% do not have a good feedback. Almost 30% of the respondents have a neutral opinion.

On the basis of speed of the services being provided as a service quality parameter, more than 50% of the respondents have a positive feedback and 17% do not have a good feedback. Almost 26% of the respondents have a neutral opinion.

On the basis of reliability of the accounting procedures being followed, 50% of the respondents have a good feedback regarding the same and 17% do not have a good feedback. Almost 26% of the respondents have a neutral opinion.

On the basis of complaint handling procedures followed as a service quality parameter, 50% of the respondents have a good feedback and 17% do not have a good feedback. Almost 30% of the respondents have a neutral opinion.

On the basis of overall satisfaction about the NBFC's that they are associated with, 57% are either highly satisfied with the performance of the NBFC's and a mere 17% of them are either dissatisfied or highly dissatisfied with the NBFC's. Almost 26% of them have a neutral opinion.

On the basis of giving a positive reference about the NBFC to their friends and family based on their past experience, 44% of the respondents would not refer the NBFC whereas only 35% of them say that they would refer the NBFC. 22% of the respondents are neutral about their view.

Hypothesis validation:

H2: NBFC's improves the financial status of consumers

One-Sample Test

	Test Value = 0					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
According to you what is the most important benefit from an NBFC?	41.587	344	.000	2.34783	2.2368	2.4589

It is seen that at a 5% level of significance the hypothesis is rejected.

Hence we can conclude that NBFC's do not improve the financial status of the consumers significantly.

H2: There is a positive correlation between the quality of services offered by NBFC and customer satisfaction.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent

Financial Advice and Counselling * What is level of Satisfaction with reference to an NBFC?	345	100.0%	0	0.0%	345	100.0%
Friendliness of Staff and Counter services * What is level of Satisfaction with reference to an NBFC?	345	100.0%	0	0.0%	345	100.0%
Speedy Procedure * What is level of Satisfaction with reference to an NBFC?	345	100.0%	0	0.0%	345	100.0%
Reliability of accounting * What is level of Satisfaction with reference to an NBFC?	345	100.0%	0	0.0%	345	100.0%
Complaint handling * What is level of Satisfaction with reference to an NBFC?	345	100.0%	0	0.0%	345	100.0%

Financial Advice and Counselling * What is level of Satisfaction with reference to an NBFC?

Crosstab

Count

		What is level of Satisfaction with reference to an NBFC?					Total
		HIGHLY SATISFIED	SATISFIED	NEUTRAL	DISSATIS FIED	HIGHLY DISSATI SFIED	
Financial Advice and Counselling	VERY GOOD	75	0	0	0	0	75
	GOOD	0	120	0	0	0	120
	NEUTRAL	0	0	90	0	0	90
	POOR	0	0	0	45	0	45
	VERY POOR	0	0	0	0	15	15
Total		75	120	90	45	15	345

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1380.000[a]	16	.000
Likelihood Ratio	1001.618	16	.000
Linear-by-Linear Association	344.000	1	.000
N of Valid Cases	345		

a. 7 cells (28.0%) have expected count less than 5. The minimum expected count is .65.

Friendliness of Staff and Counter services * What is level of Satisfaction with reference to an NBFC?

Crosstab

Count

		What is level of Satisfaction with reference to an NBFC?					Total
		HIGHLY SATISFIED	SATISFIED	NEUTRAL	DISSATISFIED	HIGHLY DISSATISFIED	
Friendliness of Staff and Counter services	VERY GOOD	30	30	0	0	0	60
	GOOD	15	60	45	0	0	120
	NEUTRAL	15	30	45	15	0	105
	POOR	15	0	0	30	0	45
	VERY POOR	0	0	0	0	15	15
Total		75	120	90	45	15	345

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	572.878[a]	16	.000
Likelihood Ratio	359.141	16	.000
Linear-by-Linear Association	120.391	1	.000
N of Valid Cases	345		

a. 7 cells (28.0%) have expected count less than 5. The minimum expected count is .65.

Speedy Procedure * What is level of Satisfaction with reference to an NBFC?

Crosstab

Count

		What is level of Satisfaction with reference to an NBFC?					Total
		HIGHLY SATISFIED	SATISFIED	NEUTRAL	DISSATISFIED	HIGHLY DISSATISFIED	
Speedy Procedure	VERY GOOD	15	45	0	0	0	60
	GOOD	45	0	60	0	0	105
	NEUTRAL	0	60	0	30	0	90
	POOR	15	0	30	0	15	60
	VERY POOR	0	15	0	15	0	30
Total		75	120	90	45	15	345

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	421.153[a]	16	.000
Likelihood Ratio	509.799	16	.000
Linear-by-Linear Association	54.896	1	.000
N of Valid Cases	345		

Crosstab

Count

		What is level of Satisfaction with reference to an NBFC?					Total
		HIGHLY SATISFIED	SATISFIED	NEUTRAL	DISSATI SFIED	HIGHLY DISSATISFIED	
Reliability of accounting	VERY GOOD	75	0	0	0	0	75
	GOOD	0	120	0	0	0	120
	NEUTRAL	0	0	90	0	0	90
	POOR	0	0	0	45	0	45
	VERY POOR	0	0	0	0	15	15
Total		75	120	90	45	15	345

a. 6 cells (24.0%) have expected count less than 5. The minimum expected count is 1.30.

Reliability of accounting * What is level of Satisfaction with reference to an NBFC?

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1380.000[a]	16	.000
Likelihood Ratio	1001.618	16	.000
Linear-by-Linear Association	344.000	1	.000
N of Valid Cases	345		

a. 7 cells (28.0%) have expected count less than 5. The minimum expected count is .65.

Complaint handling * What is level of Satisfaction with reference to an NBFC?

Crosstab

Count

		What is level of Satisfaction with reference to an NBFC?					Total
		HIGHLY SATISFIED	SATISFIED	NEUTRAL	DISSATI SFIED	HIGHLY DISSATISFIED	
Complaint handling	VERY GOOD	30	30	0	0	0	60
	GOOD	15	60	45	0	0	120
	NEUTRAL	15	30	45	15	0	105
	POOR	15	0	0	30	0	45
	VERY POOR	0	0	0	0	15	15
Total		75	120	90	45	15	345

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	572.878[a]	16	.000
Likelihood Ratio	359.141	16	.000
Linear-by-Linear Association	120.391	1	.000
N of Valid Cases	345		

a. 7 cells (28.0%) have expected count less than 5. The minimum expected count

is .65.

The data analysis shows that at a 5% level of significance the hypothesis is rejected. Hence we can conclude that there is no positive correlation between the quality of services offered by NBFC and customer satisfaction.

Conclusion:

On the basis of the data analysis and hypothesis validation the following are the action points for NBFC to ensure improve their perception among their consumers to ensure long term growth and sustainability.

- As it has been found from the data collected that Economic development and wealth creation are the major benefits expected by the consumers from NBFC's it is essential that NBFC's should focus more on extending the benefits to customers by their innovative and prompt services to improve upon these parameters.

- With relation to service quality ratings which are the primary measures of perceptiontaken up for the study, even though relatively higher number of customers seems satisfied with the service quality parameters, there are a considerable amount of customers who are not satisfied. This should be sorted by providing better training to the employees of the NBFC's in order to improve the service quality ratings leading tobetter customer satisfaction and better perception.

References:

1. M.S. Joshi, "Financial Intermediaries in India" , University of Bombay, Series In Monetary and International Economics, No. 8, 1965

2. Angur, M.G., Nataraajan, R. and Jahera, J.S., Jr. (1999) 'Service quality in the banking industry: an assessment in a developing economy', International Journal of Bank Marketing, Vol. 17, No. 3, pp.116–123.

3. Baker, J.A. and Lamb, C.W., Jr. (1993) 'Measuring architectural design service quality', Journal of Professional Services Marketing, Vol. 10, No. 1, pp.89–106.

4. Bedi, M. (2010) 'An integrated framework for service quality, customer satisfaction and behavioral responses in Indian banking industry – a comparison of public and private sector banks', Journal of Services Research, Vol. 10, No. 1, pp.157–172.

5. Berry, L.L., Zeithaml, V.A. and Parasuraman, A. (1985) 'Quality comes in services, too', Business Horizon, Vol. 28, pp.44–52.

6. Durvasula, S., Lysonski, S. and Mehta, S.C. (1999) 'Testing the SERVQUAL scale in the business-to-business sector: the case of ocean freight shipping service'. Journal of Services Marketing, Vol. 13, No. 2, pp.132–150.

7. Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985) 'A conceptual model of service quality and its implications for future research', Journal of Marketing, Vol. 4, No. 4, pp.41–50.

8. Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988) 'SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality', Journal of Retailing, Spring, Vol. 64, pp.12–40.

9. Ranganathan, C. and Ganapathy, S. (2002) 'Key dimensions of business-to-consumer websites', Information and Management, Vol. 39, pp.457–465.

10. Shamdasani, P., Mukherjee, A. and Malhotra, N. (2008) 'Antecedents and consequences of service quality in consumer evaluation of self-service internet technologies', The Service Industries Journal, Vol. 28, No. 1, pp.117–138.

11. Sureshchandar G.S., Rajendaran, C. and Anantharaman, R.N. (2003) 'Customer perceptions of service quality in banking sector of a developing economy: a critical analysis', International Journal of Bank Marketing, Vol. 21, No. 5, pp.233–242.

12. Sureshchandar G.S., Rajendaran, C. and Kamalanabhan, T.J. (2001) 'Customers' perception of service quality – a critique', Total Quality Management, Vol. 12, No. 1, pp.111–124.

13. Zeithaml, V.A., Parasuraman, A. and Berry, L.L. (1990) Delivering Quality Service, Free Press, New York, NY.