



Customer Perception toward Non-Banking Financial Companies: A Study of Customers in Areekode, Malappuram District

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ABSTRACT

This study examines customer perception toward non-banking financial companies (NBFCs), with particular attention to customer awareness, investment preferences, factors influencing investment decisions, service satisfaction, employee attitude, and perceived differences between NBFCs and commercial banks. The study is based primarily on primary data collected through a structured questionnaire from 100 NBFC customers in the Areekode area of Malappuram district. Percentage analysis was used to summarize the responses. The findings indicate that 63% of respondents were aware of various NBFC activities. Return (52%) and safety (40%) were the most frequently reported factors influencing investment decisions. Fixed investment schemes were selected by 70% of respondents, while 20% preferred recurring plans and 10% cumulative plans. Regarding general service satisfaction, 40% reported a moderate level, 34% a high level, and 18% a very high level. Forty-six percent of respondents considered NBFC services better than commercial banks, whereas 36% did not. Advertisements were the most frequently identified source of investment advice (30%). The study

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concludes that return, safety, service quality, and customer confidence are important dimensions of customer perception toward NBFCs. The findings are limited to the selected respondents and geographical area and should therefore not be generalized beyond the study population.

Introduction

Non-banking financial companies (NBFCs) constitute an important component of the Indian financial system. The original study describes NBFCs as institutions engaged in financial activities such as lending and advances, investment, hire-purchase and related financial services, while operating within the regulatory framework of the Reserve Bank of India (RBI). NBFCs have historically served customer segments that may not always be adequately served by conventional banking channels.

Customer perception is particularly important to NBFCs because investment and borrowing decisions depend not only on financial returns but also on perceived safety, accessibility, service quality, convenience, and confidence in the institution. The original project therefore focused on how customers perceive NBFC services, what influences their investment decisions, and how they compare NBFC services with commercial banks.

The study was conducted among 100 NBFC customers in the Areekode area of Malappuram district. It considered demographic characteristics, investment avenues, purposes of investment, influencing factors, sources of investment advice, reasons for investing in NBFCs, perceptions of interest rates, investment types, loan facilities, service satisfaction, employee attitude, comparisons with commercial banks, awareness of NBFC activities, and sources of dissatisfaction.

Problem Statement

The original study identifies competition among NBFCs and between NBFCs and banks, difficulties in mobilizing resources, and the importance of customer acceptance and preference as the central context for examining customer perception. Understanding customer perception is consequently relevant to evaluating the factors associated with investment decisions and service satisfaction.

Objectives

1. To understand customer awareness of various non-banking financial activities undertaken by NBFCs.
2. To identify the factors that influence customers to invest in NBFCs.



3. To examine customer satisfaction with NBFC services in comparison with commercial banks.
4. To identify respondents' purposes for investment decisions in NBFCs.
5. To identify respondents' preferred types of investment plans in NBFCs.
6. To identify factors that cause dissatisfaction with NBFCs.
7. To assess respondents' satisfaction with the attitude of NBFC employees toward customers.

Review of Literature

Daya (1993) reported that the growth of leasing companies in India during the 1970s and 1980s was influenced by investor sentiment, policy uncertainty, and profitability expectations.

Sriram (1995) discussed limitations in existing sources of finance for finance companies and considered alternative financing instruments relevant to NBFCs.

Bhattacharya (1997) described the role of NBFC services in India and noted that the sector faced both opportunities and challenges in expanding its role in financial services.

Jain (1998) examined the implications of stringent norms relating to deposit acceptance by NBFCs and their effects on NBFC operations and lending.

Mehra (1999) identified access to low-cost funds, securitization, marketing capability, interest-rate risk management, non-performing assets, and alternative investments as important considerations for NBFC performance.

Selvaraj (2000) examined the prospects and problems of NBFCs under financial-sector reforms and highlighted the effects of regulatory changes on their functioning.

Gayathri (2000) reported rapid growth of NBFCs in the 1990s, particularly in connection with customer orientation, simplified sanction requirements, and attractive returns, while also noting sustainability concerns.

Garg (2001) identified financial management, corporate governance, and information-system issues as important dimensions of NBFC management and emphasized asset-liability and risk-management strategies.

Akhan (2010) discussed the Indian financial system and the role, classification, management, and risk-related aspects of NBFCs.



Mishra and Tandon (2011) examined customer perceptions of retail banking services and factors influencing customer choice of banks and products.

Sharma and Goel (2012) discussed the functioning and reforms of NBFCs and the range of financial services offered by the sector.

Sornaganesh and Soris (2013) conducted a fundamental analysis of selected NBFCs using indicators such as investments, loans, growth, return, and risk.

Kumar and Agarwal (2014) examined trends in non-banking financial institutions and highlighted their role in providing a wide range of financial services.

Puliani and Puliani (2014) provided a reference-oriented treatment of NBFC terminology, operations, and regulatory directions.

Balwindersigh and Sonsi (2015) examined customer satisfaction and factors affecting satisfaction in the urban non-banking financial sector using a qualitative approach.

Method

Research Design

The study used a descriptive research approach to examine customer perception toward NBFCs. The analysis was based mainly on primary data collected from respondents through a structured questionnaire. Secondary information was obtained from published reports, journals, and periodical books as described in the original project.

Participants and Sampling

The sample consisted of 100 NBFC customers selected from the Areekode area of Malappuram district, Kerala. The original project does not specify a probability-sampling procedure; therefore, the sample should be treated as a selected local sample rather than as a statistically representative sample of all NBFC customers.

Instrument and Data Collection

A structured questionnaire was used to collect information relating to demographic characteristics, investment patterns, awareness, reasons for investment, influencing factors, service satisfaction, employee



attitude, and comparisons with commercial banks. The original project also states that interviews and personal observation were used.

Data Analysis

Percentage analysis was the principal analytical technique reported in the original study. Results were originally presented using tables, pie diagrams, and bar diagrams. In this article, the principal numerical results are presented in APA-style tables.

Limitations

- The findings depend on the responses provided by the sampled respondents.
- The study was conducted within a limited period.
- The geographical coverage was restricted to the selected area.
- Self-reported responses may contain inaccurate or biased information.

Results

The results below reproduce the frequencies and percentages reported in the original project. Percentages are based on the stated sample of 100 respondents.

Table 1. Demographic Characteristics of Respondents

Variable	Category	n	%
Gender	Male	60	60
Gender	Female	40	40
Age	Below 25 years	21	21
Age	25–35 years	20	20
Age	35–45 years	25	25
Age	45–55 years	19	19
Age	55 years and above	15	15
Education	School level	22	22
Education	Graduate level	26	26
Education	Postgraduate level	19	19
Education	Professional	13	13



	qualification		
Education	Others	20	20
Occupation	Business	23	23
Occupation	Employed	25	25
Occupation	Professional	14	14
Occupation	Retired from service	16	16
Occupation	Others	22	22
Monthly income	Below ₹10,000	11	11
Monthly income	₹10,000–₹15,000	27	27
Monthly income	₹15,000–₹20,000	18	18
Monthly income	₹20,000–₹25,000	16	16
Monthly income	Above ₹25,000	28	28
Marital status	Married	72	72
Marital status	Unmarried	28	28

Table 2. Investment Preferences and Influencing Factors

Measure	Category	n	%
Investment avenue	Gold/Silver	21	21
Investment avenue	Bank deposit	17	17
Investment avenue	Government securities	22	22
Investment avenue	Post office bank account	40	40
Purpose	Save for the future	74	74
Purpose	Supplement current income	4	4
Purpose	Tax planning	7	7
Purpose	Meet contingencies	10	10
Purpose	Diversified investment	5	5
Influencing factor	Return	52	52
Influencing factor	Safety	40	40
Influencing factor	Liquidity	2	2
Influencing factor	Accessibility	2	2



Influencing factor	Service	4	4
Influencing factor	Products offered	0	0
Advice source	Advertisement	30	30
Advice source	Friends/relatives	24	24
Advice source	Company representatives	10	10
Advice source	Investor forum	4	4
Advice source	Direct marketing associates/brokers	14	14
Advice source	Market information	18	18
Reason for investing in NBFCs	Safety	64	64
Reason for investing in NBFCs	Attractive interest rate	20	20
Reason for investing in NBFCs	Liquidity	5	5
Reason for investing in NBFCs	Accessibility	2	2
Reason for investing in NBFCs	Loan facility	9	9

Table 3. Service and Investment Perceptions

Measure	Category	n	%
Competitive interest rate	Very high	3	3
Competitive interest rate	High	32	32
Competitive interest rate	Normal	48	48
Competitive interest rate	Low	12	12
Competitive interest rate	Very low	5	5
Type of NBFC investment	Cumulative	10	10
Type of NBFC investment	Fixed	70	70
Type of NBFC investment	Recurring	20	20
Loan against deposits	Yes	84	84
Loan against deposits	No	16	16

General service satisfaction	Very high	18	18
General service satisfaction	High	34	34
General service satisfaction	Moderate	40	40
General service satisfaction	Low	6	6
General service satisfaction	Very low	2	2
Employee attitude	Very good	20	20
Employee attitude	Good	36	36
Employee attitude	Normal	40	40
Employee attitude	Bad	2	2
Employee attitude	Very bad	2	2
Compared with commercial banks	Better than commercial bank	46	46
Compared with commercial banks	Not better than commercial bank	36	36
Compared with commercial banks	Equal to other bank	18	18
Awareness of NBFC activities	Yes	63	63
Awareness of NBFC activities	No	37	37
Dissatisfying factor	Safety of investment	30	30
Dissatisfying factor	Service/interest rate	48	48
Dissatisfying factor	Other	22	22

Key Findings

1. Sixty-three percent of respondents reported awareness of various NBFC activities.
2. Return (52%) and safety (40%) were the most frequently reported factors influencing investment decisions.
3. Seventy percent of respondents preferred fixed investment schemes, followed by recurring (20%) and cumulative (10%) schemes.
4. Forty percent of respondents reported moderate satisfaction with NBFC services; 34% reported high satisfaction and 18% very high satisfaction.



5. Forty-six percent of respondents considered NBFC services better than commercial banks, while 36% did not.
6. Advertisements were the most frequently reported source of investment advice (30%), followed by friends and relatives (24%).
7. Safety was the most frequently stated reason for investing in NBFCs (64%), followed by attractive interest rates (20%).
8. Forty-eight percent of respondents reported a normal opinion regarding the competitiveness of interest rates.
9. Forty-eight percent identified service/interest rate as a dissatisfying factor, while 30% identified investment safety.
10. Most respondents reported a neutral-to-positive assessment of employee attitude, with 40% describing it as normal, 36% as good, and 20% as very good.

Discussion

The findings indicate that customer perception toward NBFCs is closely associated with financial considerations and service experience. Return and safety were the two most frequently identified investment-decision factors, while safety was also the most frequently stated reason for investing in NBFCs. This suggests that respondents considered both expected financial benefit and security of funds when making investment decisions.

The results also show that customers used multiple information sources when considering NBFC investments. Advertisements were the largest reported source of advice, followed by friends and relatives and market information. This pattern indicates the importance of information and communication in shaping customer awareness. At the same time, 37% of respondents reported that they were not aware of various NBFC activities, suggesting that awareness was not uniform across the sample.

Customer evaluations of services were mixed. While a combined 52% reported high or very high satisfaction with NBFC services, 40% reported moderate satisfaction. Similarly, 46% considered NBFC services better than commercial banks, while 36% did not and 18% considered them equal. These results show variation in customer perceptions rather than a uniform preference.



The original project recommends strengthening customer confidence, improving customer engagement, providing reasonable returns, and maintaining goodwill. These recommendations are consistent with the study's descriptive findings, particularly the prominence of safety, return, service quality, and customer confidence in respondents' perceptions.

Conclusion

This study examined customer perception toward NBFCs among 100 respondents in Areekode, Malappuram district. The results show that customers' investment decisions were primarily associated with return and safety, while awareness, service satisfaction, employee attitude, and comparisons with commercial banks also contributed to the overall perception of NBFCs. Fixed investment schemes were the most frequently selected type of NBFC investment. Although many respondents reported satisfaction with NBFC services and considered them comparable with or better than commercial banks, the data also indicate concerns regarding safety and service/interest rates.

The study suggests that NBFCs should pay attention to customer confidence, service quality, transparent communication, and reasonable returns. However, because the research is based on 100 respondents from one geographical area and uses descriptive percentage analysis, the findings should be interpreted as evidence about this sample rather than as representative estimates for all NBFC customers in India.

Practical Implications

- NBFCs may strengthen customer communication regarding products, services, risks, and terms.
- Customer feedback mechanisms and periodic customer surveys may help identify service-related concerns.
- Greater attention to perceived safety and service/interest-rate concerns may support customer confidence.
- Clear and accessible information may help address the awareness gap identified among a portion of respondents.
- Future studies can use larger and geographically diverse samples and inferential statistical techniques to test relationships among customer characteristics, investment factors, and satisfaction.



Data Reporting Note

The original project contains a few internal inconsistencies between some table values and their accompanying narrative interpretations. For example, the investment-avenue table reports 40% for post office bank accounts, whereas the accompanying interpretation states 36%; the article therefore uses the numerical table value (40%) as the source record. Similar wording differences occur in the original findings and recommendations. No unsupported numerical values have been introduced in this article.

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