

# Customer Awareness and Satisfaction Towards Nbfcs Services: with Special Reference to Mysore District

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## ABSTRACT

Non-Banking Financial Companies (NBFCs) have emerged as crucial alternatives to the traditional banking sector, offering prompt and efficient services with simplified formalities to meet diverse financial needs. This paper assesses the level of customer awareness and satisfaction regarding NBFC services in Karnataka, specifically within the Mysore district. Utilizing primary data collected from 110 NBFC customers via a structured questionnaire, the study analysed the impact of demographic factors on both awareness and satisfaction. Findings reveal that while awareness of services like gold loans is high, knowledge regarding loans for Small and Medium Enterprises (SME) is significantly low. The study concludes that there is no significant difference between customer awareness levels about various NBFC services and their demographic characteristics. Similarly, customer satisfaction levels do not significantly differ based on demographic factors, with the notable exception of occupation, where satisfaction levels vary significantly between business and other occupational groups. These insights underscore the need for targeted awareness campaigns and tailored service delivery by NBFCs to enhance overall customer engagement and satisfaction.

**Keywords:** Customer satisfaction, Service quality, Non-Banking Financial Companies (NBFCs).

## 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

1. Revathy, K., & Murugesan, D. (2025) This analytical assessment focuses on retail lending practices of NBFCs in Chennai and their impact on customer experience and loyalty. It examines factors such as loan product offerings, service quality, customer relationship management, and technological adoption. The findings suggest that customers perceive "Technological Adoption" more favourably than "Cost of Borrowing." A strong positive correlation was observed between customer experience and loyalty, with "Technological Adoption" being the most influential retail lending practice. The study recommends that NBFCs prioritize transparency, simplified processes, and technology integration to improve customer satisfaction and strengthen their competitive position.
2. Kumar, S., & Singh, R. K. (2025) This research investigates customer satisfaction and retention strategies at Muthoot Finance, emphasizing that a satisfied customer is more likely to return and become a brand advocate. It notes that with increasing competition, the quality of customer experience is a significant contributor to retention and loyalty. The review highlights that businesses are increasingly relying on technology and data analytics to quantify customer sentiments, gather feedback, and turn insights into actionable plans for retention. It discusses theories like the commitment-trust theory, which posits that strong trust and commitment lead to loyalty, and the importance of minimizing switching barriers.
3. Kumar, A. K., & Suresh, S. B. (2025) This paper examines the role of Electronic Customer Relationship Management (E-CRM) practices in NBFCs, particularly focusing on selected NBFCs in Mysuru. It highlights that E-CRM is a strategic tool for tracking and evaluating customer interactions throughout their lifecycle, aiming to enhance customer connections, boost sales, and increase customer retention. For customer-driven NBFCs, E-CRM assists in gaining a deeper understanding of consumer needs, increasing client satisfaction, automating responses, improving conversion rates, and individualizing financial services. The review concludes that the success of E-CRM relies on robust infrastructure, e-commerce capabilities, and cost reduction through higher productivity and automation. It emphasizes that effective CRM practices lead to increased customer loyalty and a stronger competitive position.
4. Rajan, S., & Singh, P. D. (2024) this research focuses on customer satisfaction in NBFCs, with a specific emphasis on Muthoot Finance, considering the growing digital usage, evolving customer demands post-pandemic, transparency issues, and rising competition. The literature review acknowledges that research on NBFCs is still somewhat restricted compared to the banking sector, despite customer satisfaction being a widely examined concept in finance. It highlights that recent research indicates digital financial services have enhanced customer satisfaction by increasing access, decreasing wait times, and providing fast transactions. However, issues like high interest rates, hidden costs, and strong repayment methods can lead to dissatisfaction, especially when customers are

uninformed about terms. The study also notes that competitive landscapes from FinTech firms and traditional institutions pose customer retention challenges for NBFCs, emphasizing the need for improved offerings and boosted client confidence

5. Pathak, S., & Pal, S. (2024) This study investigates how NBFCs in Maharashtra can utilize Information and Communication Technology (ICT) to enhance customer happiness and engagement. It focuses on the impact of ICT adoption on the expansion and sustainability of NBFCs, emphasizing improved customer satisfaction, increased market reach, and operational efficiency. The review indicates that while technology can greatly benefit NBFCs, adopting it isn't always feasible for everyone, and challenges exist. It highlights how digital platforms and advanced technologies are transforming business tasks and enabling new competitors to enter the financial services industry.
6. Shivanand, C. S., & Shinde, S. (2021) This research attempts to gauge customer perception of various aspects of service quality offered by NBFCs in the Mumbai region, including existing, new, and financially adept stakeholders. It notes that many NBFCs face significant competition due to a negative market perception, often attributed to closures, poor credit-to-deposit ratios, operational procedures, and debt recovery measures. The study strongly suggests that service quality is crucial in establishing a positive mindset among consumers. It identifies core aspects of customer satisfaction based on the service delivery process rather than just human aspects. Key service quality parameters positively influencing customer feedback include financial service and counselling, friendliness of staff, counter service, speed of services, reliability of accounting procedures, and complaint handling. The study found that a significant percentage of respondents were satisfied or highly satisfied with their NBFCs.
7. Islam, M. M., Hasan, M. K., & Chowdhury, M. A. (2023) This literature review investigates the effects of service quality dimensions on customer satisfaction for Non-Banking Financial Institutions (NBFI) in an emerging economy (Bangladesh). Utilizing a revised SERVPERF model, the findings reveal that assurance, reliability, responsiveness, and tangibility significantly impact customer satisfaction. However, accessibility and empathy did not show significant effects in this context. The review argues that NBFIs have struggled to attract and satisfy customers by focusing on high-quality service, which is crucial for building customer confidence. Reliability, specifically the willingness to deliver promised services accurately and consistently, is highlighted as a critical variable. Tangibility, encompassing physical aspects like office layout and staff appearance, is also found to positively influence satisfaction. This underscores the importance of both tangible and intangible service quality aspects for NBFCs.
8. Cini, K. S., & Jayakumar, M. (2019) This paper assesses customer awareness and satisfaction with NBFC services in Thrissur district, Kerala, India. It identifies NBFCs as vital alternatives to banks, offering prompt and efficient services with fewer procedural formalities, particularly catering to the unbanked and underprivileged. The study's key finding is that there is no significant difference between the level of awareness about various services offered by NBFCs and the demographic characteristics of the respondents (gender, age, education, and income). Similarly, customer satisfaction levels did not significantly differ based on these demographics. This implies that awareness and satisfaction might be influenced more by service attributes and trust rather than demographic profiles alone. The study emphasizes that NBFCs are recognized for their customer-centric services, simplified procedures, and competitive rates, making them a crucial part of the Indian financial system.

### **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 has fixed and cumbersome procedures. In this context, NBFCs have 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 Karnataka 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. In spite 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 pauperizing attempt to assess the level of awareness and satisfaction of NBFC services in Karnataka.

### **OBJECTIVES OF THE STUDY**

1. To analyze the impact of demographic factors on awareness level of customers on various services offered by NBFCs in Mysuru.
2. To analyze the impact of demographic factors on satisfaction level of customers towards various services offered by NBFCs in Mysuru.

### **HYPOTHESES OF THE STUDY**

1. H<sub>0</sub>: There is no significant difference between the overall awareness level and gender of the respondents.
2. H<sub>0</sub>: There is no significant difference between the overall awareness level and age of the respondents.
3. H<sub>0</sub>: There is no significant difference between the overall awareness level and qualification of the respondents.
4. H<sub>0</sub>: There is no significant difference between the overall awareness level and occupation of the respondents.
5. H<sub>0</sub>: There is no significant difference between the overall awareness level and income of the respondents.
6. H<sub>0</sub>: There is no significant difference between overall satisfaction level and gender of the respondents.
7. H<sub>0</sub>: There is no significant difference between overall satisfaction level and age of the respondents.
8. H<sub>0</sub>: There is no significant difference between overall satisfaction level and qualification of the respondents.
9. H<sub>0</sub>: There is no significant difference between overall satisfaction level and occupation of the respondents.
10. H<sub>0</sub>: 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 in water-tight compartments. These NBFCs cater to the needs of the unbanked and under privileged citizens. Thus, NBFCs are an unavoidable part of Indian

Variables	Categories	N	Mean	SD	F value	P value	Decision
<b>Gender (Independent Sample T test)</b>	Male	67	19.10	2.230	.179	.858	>0.05 AcceptH01: (No significant difference)
	Female	43	19.19	2.471			
<b>Age (One way ANOVA)</b>	Below 20	9	18.78	2.819	2.168	0.078	>0.05 AcceptH02: (No significant difference)
	21-30	19	18.37	2.006			
	31-40	43	19.44	2.074			
	41-50	21	18.48	2.316			
	Above50	18	20.17	2.618			
	Total	110	19.14	2.317			
<b>Qualification (One way ANOVA)</b>	Upto SSLC	23	18.57	2.063	1.670	.178	>0.05 AcceptH03: (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			
<b>Occupation (One way ANOVA)</b>	Govt.	43	19.77	2.359	2.133	.100	>0.05 AcceptH04: (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			
<b>Income (One way ANOVA)</b>	10000-20000	26	19.46	2.284	.337	.798	>0.05 AcceptH05: (No significant difference)
	20000-30000	36	18.86	2.320			
	30000-40000	16	19.19	2.073			
	Above40000	32	19.16	2.516			
	Total	110	19.14	2.317			

**Significance level at 5%**

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 Mysore district of Karnataka only. The selected sample focuses only on the Systematically Important Non- Deposit taking NBFCs' customers.

## RESEARCH METHODOLOGY

The study is being mainly undertaken based on primary data collected through structured questionnaire.

The sampling units consist of NBFCs customers in Mysore 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

Source: 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
<b>Gender</b> (Independent Sample T test)	Male	67	39.78	3.406	.069	.945	>0.05 AcceptH06: (No significant difference)
	Female	43	39.72	4.474			
<b>Age</b> (One way ANOVA)	Below 20	9	40.67	3.571	.364	.834	>0.05 AcceptH07: (No significant difference)
	21-30	19	38.95	3.689			
	31-40	43	39.81	3.881			
	41-50	21	40.05	4.455			
	Above50	18	39.67	3.498			
	Total	110	39.75	3.839			
<b>Qualification</b> (One way ANOVA)	Upto SSLC	23	38.30	4.685	1.701	.171	>0.05 AcceptH08: (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			
<b>Occupation</b> (One way ANOVA)	Govt.	43	39.79	4.033	3.887	.011	>0.05 Reject H09: (significantly different)
	Private	29	39.66	3.457			
	Business	18	41.94	3.351			
	Others	20	37.85	3.543			
	Total	110	39.75	3.839			
<b>Income</b> (One way ANOVA)	10000-20000	26	40.08	3.654	1.277	.286	>0.05 Accept H10: (No significant
	20000-30000	36	38.81	4.302			
	30000-40000	16	39.75	3.679			
	Above40000	32	40.56	3.435			



	Total	110	39.75	3.839			difference)
Significance level at 5%							

Source: Primary data

## RESULTS OF HYPOTHESES TESTING

H06, H07, H08 and H010 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 are significant differences between the overall satisfaction level of the respondent and the occupation. Post hoc test is conducted to find out group wise differences.**

**TABLE 3: MULTIPLE COMPARISONS WITH REGARDS TO OCCUPATION** Tuckeys post hoc test and its results are as follows:

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

**Result: 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 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 Karnataka. 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 and other groups.

## 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 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 Karnataka. 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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