CONSUMER PERCEPTION TOWARDS LOAN SCHEME OF SHRIRAM FINANCE

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Abstract

Traditionally, India has had a bank-dominated financial sector. Even so, there have always been NBFCs. As they are being financial intermediaries engaged in the activity of bringing the saving and the investing community together. In this role they are perceived to be playing a complimentary role to banks rather than competitors, as it is a known fact that majority of the population in the country do not yet have access to mainstream financial products and services including a bank account and therefore the country needs institutions beyond banks for reaching out in areas where banks presence may be lesser. Thus NBFCs especially those catering to the urban and rural poor namely NBFC-MFIs and Asset Finance Companies have a complimentary role in the financial inclusion agenda of the country. Further, some of the NBFCs have also carved niche business areas for them within the financial sector space and are also popular for providing customized products like of loans to finance the purchase of new and pre-owned passenger and commercial vehicles. This includes three wheelers, four wheelers, used and new cars. Executives are stationed at the showrooms of various passenger and commercial vehicle dealers. They are responsible for every stage of the loan, right from bringing in the customer, credit verification and loan origination to recovery of the loan. The NBFCs however is not a risk free finance offered to poor.

Against this background, a need is felt to study the attitude and satisfaction of rural and urban borrowers under the NBFCs finance from Thoothukudi District. Further the results of the study revealed that basic demographic and socioeconomic factors does not have significant impact on consumers' attitudes towards vehicle loans.

Key words: customers attitude,lending practice,complimentary role.

I INTRODUCTION

Recent years have witnessed significant increase in financial intermediation by the Non Banking Financial Companies. This is reflected in the proposal made by the latest Working Group on Money Supply for a new measure of liquidity aggregate incorporating NBFCs with public deposits worth Rs.20 crores and above. For regulatory purposes , NBFCs have been classified into 3 categories: (a) those accepting public deposits, (b) those not accepting public deposits but engaged in financial business and (c) core investment companies with 90 per cent of their total assets as investments in the securities of their group/ holding/subsidiary companies. Some of the well known non-banking finance corporations are SBI Capital Markets, Mahindra Finance, Sundaram Finance, and Infrastructure Leasing and Finance Corporation, Shriram finance. The major function of financial intermediaries is to transfer the savings of surplus units to deficit units; hence, they can play a useful role in the economy of the country. To the extent that they help in monetizing the economy and transferring unproductive financial assets into productive assets, they contribute to the country's economic development. In fact, the nature and diversity of financial institutions themselves have become measures of economic development of a country. In short, NBFCs bring the much needed diversity to the financial sector thereby diversifying the risks, increasing liquidity in the markets thereby promoting financial stability and bringing efficiency to the financial sector particularly poor people prone to some drawbacks in formal financial system. The NBFCs however is not a risk free finance offered to poor. The NBFCs however is not a risk free finance offered to poor

1.1 OBJECTIVES OF THE STUDY

- To evaluate the NBFC's complementary role to bank.
- To ascertain customers' profile of Shriram Finance limited in Thoothukudi.
- To find out various leading factors influencing the customers in selection of Shriram finance.
- To study the problems faced by customers of Shriram Finance.
- To analyze satisfaction level of customers of Shriram Finance.

1.2 HYPOTHESES TO BE TESTED

The following are the null hypotheses analysed in this study

- There is no significant relationship between income of the respondents and problem faced in availing loan.
- There is a correlation between the reason for availing loan and complimentary role of financial loan by Shriram Finance Limited.

1.3 SCOPE OF THE STUDY

This study gives importance to personal, vehicle, household appliances loan customers' preference towards Shriram finance company.The study is based on the data provided by the respondents of urban borrowers belonging to the Thoothukudi on the basis of NBFCs through a structured questionnaire covering preference, individual level awareness, opinion, attitude, factors influencing, selection of NBFCs and level of satisfaction of borrowers.

1.4 PERIOD OF THE STUDY

The researcher herself carried out the field work for this study. It was conducted during the period from December 2018 to March 2019. The researcher has used questionnaire method for collecting the data from the customers who have availed loan from Shriram Finance. Care was taken to ensure completeness and accuracy during the study.

1.5 RESEARCH METHODOLOGY

Methodology is an essential aspect of any research. It enables the investigator to look at the research problem in a systematic, meaningful and orderly way. Methodology comprises of sources of data collection, sampling design, research design and techniques used to analyze the data.

1.6 SAMPLING DESIGN

With the view to study, 100 respondents have been selected. The researcher has adopted simple random sampling technique for the collection of data from the respondents.

1.7 RESEARCH DESIGN

The study has pre-determined objectives and methodology; it is both descriptive and analytical in nature. Apart from this, the study observes customer's attitude towards loan scheme of Shriram finance limited with special reference to Thoothukudi.

1.8 COLLECTION OF DATA

The study uses both primary and secondary data. A well structured schedule was used to collect primary data from the respondents. The questionnaire consists of three important parts. The first part covers the demographic profile of the respondents. The second part of the schedule includes factors influencing customers to choose Shriram finance limited. The third part of the questionnaire includes the satisfaction level of customers. The secondary data was collected through newspapers, journals, books, magazines and internet.

1.9 PILOT STUDY

A pilot study was conducted among 30 respondents form the sampling frame and this was undertaken to verify the ease and utility of the questionnaire. Based on the pilot study, modifications, additions and deletions were carried out. The final draft was prepared to collect the data.

1.10 PROCESSING OF DATA

After the completion of the data collection, the filled up questionnaires were edited properly. Codification was done to the responses collected. For further processing a master table was prepared to sum up all the information collected. With the help of master table, frequency tables were prepared for further analysis.

1.11 FRAME WORK OF ANALYSIS

The data collected were analysed with the help of the following tools.

- Multiple regression
- Percentage Analysis
- One way Anova Analysis
- Two way Anova Analysis

1.12 LIMITATIONS OF THE STUDY

The present study is subject to the following constraints and limitations. The followings are the limitations of the study.

- Sample size is restricted only to 100 respondents
- Area of the study is restricted to Thoothukudi alone.

II. REVIEW OF LITERATURE

Berekela Abraham Diro, SureshVadde (2014) determines the effects of microloans on the livelihood of beneficiaries. Microloan programs reduce poverty by improving socio-economic situation of low income and poor people based on voluntary participation. The livelihood status of the people who availed the loan facility has improved in the long run.

Arpita Sharma's (2014) study revealed that, agriculture financing by cooperative credit societies have been important sources of credit to farmers. Farming was carried out in a traditional way as the credit needs of the farmers were limited and was met by the money lenders, relatives, and friends and to some extent by Taccavi loans from government. RBI's Loan regulation for NBFCs 2012 included that the RBI grew uncomfortable with the high growth rate of Loans for NBFCs. Latest guidelines for NBFCs include transparency in interest rates, due diligence in understanding the repayment capacity of the borrower, etc. from this BankBazar.com, the vital information has been disclosed about the Gold Loan regulation for NBFCs.

Amiya Kumar Mohapatra (2014) viewed that agricultural co-operative credit societies have been played a vital role in meeting the credit needs of rural farmers and artisan protecting from the clutches of money lenders. The legal entities provided credit and credit linked facilities to the small and marginal farmers at a relatively lower cost with minimum formalities.

Abhijit Sarkar's (2014) study revealed that most important pre-request for significant progress in the agricultural sector was the availability of credit through institutional or non-institutional sources leading to

higher investment in agricultural. Cooperatives, Scheduled commercial banks and Regional Rural Banks advanced credit for the development of agricultural and allied sectors.

Suresh (2015) study on impact of micro finance on SHGs in Karnataka concludes that, there is a vast scope for micro entrepreneurial activities in rural as well as urban areas. Women share in rural employment has increased significantly. More and more SHGs have to be developed to support the neglected groups leading to balanced socioeconomic development of the country.

Laldinliana(2012), in his article entitled "Consumer Behaviour Towards Two wheelers and Four wheelers, A Study on Rural and Urban," expressed that consumer behavior towards two wheelers and four wheelers is influenced by the factors like price appearance, promotion, word of mouth, after sales service and the durability. Similarly the behavior is also influenced by their income level and financial services available from companies.

www.autojdpower.com (2012) article entitled , "Auto Financing Tips," has focused on three keys to successful auto financing namely determine what fits to your budget, stay focused and protect your credit. It is also suggested in the article that as a customer and as a borrower one should check interest rates 38 his credit score and financi ng options with some intensity. It is also noticed from the article that currently more than one in five vehicle buyers secure financing with assistance from the dealer. The auto loan financing market is booming increasingly crowded.

www.apanapaisa.com (2012) article entitled "Car Loans in India –Auto Loan on
New or Used Cars," has defined vehicle loan or car loan as any finance availed for the purchase of a brand new or used car. The article also focuses on the attention of the borrowers towards understanding of car loan application process, knowing car loan documentations, knowing car loan EMI(principal and interest)calculation and arriving at a decision making to raise loan.
www.get approved.com/finance/car (2012)article entitled "know the Facts 0%
Financing," the truth behind 0% financing, it is stated that in the article that ,offering of 0% financing may inflate the price of vehicle to make up for lost finance charges a reputable dealer allow a customer to negotiate the best possible deal before the 0% with 0% financing the customer choice of vehicle options can be greatly limited.

www.getwwwapproved.com (2012),article entitled "Car Finance Guide," has highlighted on car finance options such as consumer loan, stated that a consumer loan is a flexible option for financing your next motor vehicle. The another option given in the article that chattel mortgage allows your business to obtain a business use car loan, businesses like sole traders, partnership and large corporations obtain guaranteed car finance for a motor vehicle. The next option has expressed CHP for vehicles. Car hire purchase (CHP) essentially means that a finance company buys a vehicle for a customer and then grants the client use and custody of the motor vehicle on an contractually stated payment plan, an article also expressed option of innovated lease for cars, A innovated lease is an agreement where your employer leases a vehicle on your behalf, while you make the payments towards the vehicle. In this regard article stated that loan approval process; it includes quoting, application stage, lender selection, approval and settlement.

www.cars direct.com (2012),article entitled, "How to Research and Apply for Business Auto Loan" focuses on tips for business car loan, it includes banking advisor, get the business car loan first, know your score, be wary of additional fees, longer term payment can cost ,know the APR (annual percentage rate) 0% down is not as it seems.Article also stated that commercial car loan with no collateral and business car loans with bad credit.

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 .

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

The demographic data presented in the table 1 indicates that 28 percent of the respondents
 fall in the age category of upto 30 years, 33 percent of the respondents are in the age group of 30 to 40 years,
 whereas 27 percent of the respondents came in the age group of 40 to 50years, 7 percent belong to age. 82

percent of the respondents were male & 18 percent were female. Educational profile of the respondents indicates that Illiterate are 8 percent,27 percent are high school,2 percent are intermediate,38 percent are degree holders and 25 percent are masters degree.The analysis also reveals that 21.7 percent of the respondents had a monthly income of below Rs. 15000, 21.7 percent fell in the income category of 15001 to 25000 whereas majority of the respondents i.e. 18 percent were in the bracket of 25001 to 35000 & only 13.3 percent had a monthly income of Rs.35001 to 45000 and above 45000.The information related to location indicates that 73.3 percent of the respondents are from Urban and 26.7 percent are from rural .

Table 2 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 3 - 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	4	6.7
Personal	20	33.3
Total	60	100.0

Table 4 - 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 5 - 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 6 - 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 7 – 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 7 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 8 – 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 6 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 9– 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	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	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	15	2.27	1.033		
	Total	55	2.09	1.143		

Table 9 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 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.

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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