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CUSTOMER'S PERSPECTIVE AND SATISFACTION TOWARDS SMALL FINANCE BANKS IN COIMBATORE

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ABSTRACT

SFBs are commonly known as finance banks. Small Finance Banks are regulated by the Reserve Bank of India (RBI), meaning they must follow specific rules and regulations. Small Finance Banks are not-for-profit organizations owned by the government or state governments, who also own all other commercial banks in India. The Reserve Bank of India gives the Small Finance Banks special privileges, such as lower interest rates than other banks can offer their customers regarding loans made within their jurisdiction (this allows them access). Small Finance Banks are not allowed to lend money to large corporations; they can only lend money to small businesses. It was done by the government so that these types of financial institutions would not compete for the same customers as commercial banks.

1.INTRODUCTION

Banks plays a significant role in the economic development of our country. Thus the significance of commercial banks in the growth of economic development has been mentioned frequently by economic thinkers and policy creators of the country. Commercial banks played a vital role in the growth of Indian economy and considered as the life blood of the financial structure. The changes after globalization and liberalization process had a profound and significant impact on the financial system, particularly on the banking sector. The fast changes had fundamentally and audibly changed the operational environment of the banking sector and their services. "It is rightly said that change is the only constant factor in an offer to develop sound and proficient banking system in India at par with international banking standards and practices".

2.RESEARCH OBJECTIVES

- To identify the services offered by Small Finance Banks in Coimbatore city.
- To analyze the customer's perspective towards Small Finance Banks.
- To evaluate the satisfaction of customers on Small Finance Banks in Coimbatore city.

3.STATEMENT OF THE PROBLEM

There are studies, which examined the level of satisfaction in public and private sector banks. However, these studies have ignored the customer's perspective and their level of satisfaction towards Small Finance Banks. Similarly this study carried out to analyse the financial performance by considering the capital structure as a key factor. In order to find out the answers for the above questions, the researcher has undertaken the study with specific objectives. It is hoped that the present study will contribute towards a better understanding of the financial performance along with its services rendered by the Small Finance Banks in Coimbatore. This will also bring out Customer's perspective and level of satisfaction about Small Finance Banks in Coimbatore city.

4.SCOPE OF THE STUDY

There are a lot of changes happening in all the sectors of our economy, especially financial sector. Recently Central Government and RBI have sanctioned opening up of new forms of financial institutions such as Payment Banks and Small Finance Banks. The main aim of served by these banks are towards small and marginal farmers, micro and small business units, and unorganized sector firms. Small Finance Banks are the one of the new initiative by the RBI in order to provide the financial assistance to the underserved people of the community. This will leads to the financial inclusion which ultimately directs to the economical development of the country.

5.REWIEW OF LITERATURE

Todd H Baker, Kathryn Judge(2020)Columbia Law and Economics Working Paper, Small businesses are among the hardest hit by the COVID-19 crisis. Many are shuttered, and far more face cash flow constraints, raising questions about just how many will survive this recession. The government has responded with a critical forgivable loan program, but for many of these businesses, this program alone will not provide the cash they need to retain workers, pay rent, and help their business come back to life when Americans are no longer sheltering in place. This essay calls on regulators to find new and creative ways to work with existing intermediaries, including banks and online lenders, who have the infrastructure and tools needed to help small businesses get the additional loans they need to survive and thrive. Leveraging existing institutions could enhance the speed, scale, and scope of the government's response, all critical virtues in the efforts to support small business.

Mr. Prakash (2021) International Journal of Mechanical Engineering, The purpose of this research is to look into the effect of financial leverage on the financial performance of small Indian banks. Return on assets and return on equity are the dependent variables in this research. The independent variables in this study are debt ratio, debt to equity ratio, interest coverage ratio, and cash coverage ratio. From 2017 through 2021, a sample of six small financial banks was used. Secondary data is the type of information that is utilised. Purposive sampling was used to collect data. The panel data regression data analysis model was utilised. According to the findings, the debt ratio has a beneficial impact on both the return on assets and the return on equity.

Manasa Gopal, Philipp Schnabl (2022)The Review of Financial Studies, We document that finance companies and FinTech lenders increased lending to small businesses after the 2008 financial crisis. We show that most of the increase substituted for a reduction in bank lending. In counties in which banks had a larger market share before the crisis, finance companies and FinTech lenders increased their lending more. We find no effect of reduced bank lending on employment, wages, and new business creation by 2016. Our results suggest that finance companies and FinTech lenders are major suppliers of credit to small businesses and played an important role in the recovery from the 2008 financial crisis

6.DATA ANALYSIS AND INTERPRETATION

6.1. CORRELATION

6.1.1 AGE AND MONTHLY INCOME OF THE RESPONDENT

Correlations

		Age of the respondent	Monthly Income
Age of the respondent	Pearson Correlation	1	.107
	Sig. (2-tailed)		.268
	N	110	110
Monthly Income	Pearson Correlation	.107	1
	Sig. (2-tailed)	.268	
	N	110	110

INTERPRETATION

Based on the given correlation table, the Pearson correlation coefficient between age of the respondent and monthly income is 0.107. The correlation coefficient indicates a weak positive correlation between age and monthly income. However, the p-value of 0.268 (two-tailed) suggests that this correlation is not statistically significant at the 5% level.

Age of the respondents and Monthly income has a positive correlation.

6.1.2 HOW LONG YOU HAVE BEEN CUSTOMER IN THIS BANK AND REASON FOR SELECTING THIS BANK

Correlations

		How long you have been customer in the bank	Rason for selecting this bank
How long you have been customer in the bank	Pearson Correlation	1	.128
	Sig. (2-tailed)		.183

	N	110	109
Rason for selecting this bank	Pearson Correlation	.128	1
	Sig. (2-tailed)	.183	
	N	109	109

INTEPRETATION

Based on the given correlation table, the Pearson correlation coefficient between How long you have been customer and reason for selecting this bank is 0.128. The correlation coefficient indicates a weak positive correlation between How long you have been customer and reason for selecting this bank. However, the p-value of 0.183 (two-tailed) suggests that this correlation is not statistically significant at the 5% level.

How long you have been customer in this bank and Reason for selecting this bank has a positive correlation.

6.2 ONE WAY ANNOVA

AGE OF THE RESPONDENT AND HOW LONG YOU HAVE BEEN CUSTOMER IN THE BANK

Bayesian Estimates of Coefficients[a,b,c]

Parameter	Posterior Mode	Mean	Variance	95% Credible Interval Lower Bound	Upper Bound
How long you have been customer in the bank = Below 1 year	1.241	1.241	.009	1.058	1.425
How long you have been customer in the bank = 1 - 3 year	2.817	2.817	.004	2.689	2.944
How long you have been customer in the bank = 3 - 6 year	4.000	4.000	.015	3.761	4.239
How long you have been customer in the bank = More than 6 year	4.000	4.000	.063	3.506	4.494

a. Dependent Variable: Age
b. Model: How long you have been customer in the bank.
c. Assume standard reference priors.

Bayesian Estimates of Error Variance[a]

Parameter	Posterior Mode	Mean	Variance	95% Credible Interval Lower Bound	Upper Bound
Error variance	.243	.253	.001	.193	.331

a. Assume standard reference priors.

INTERPRETATION:

The above table shows Bayesian Anova analysis with 95% Creditable interval. Age of the respondents and How long you have been customer in the bank made as comparison. As the lower bound is 0.193 & Upper bound is 0.331.

7. FINDINGS

7.1 CORRELATION

1. Age of the respondents and Monthly income of the respondents has a positive correlation.
2. How long you have been customer in this bank and Reason for selecting this bank has a positive correlation.

7.2 ONE WAY ANNOVA

1. Bayesian Anova analysis with 95% Creditable interval. Age of the respondents and How long you have been customer in the bank made as comparison. As the lower bound is 0.193 & Upper bound is 0.331.

8. SUGGESTIONS

Today's consumers are progressively more and more self-assured. Bank have been conditioned by digital services like Netflix, Amazon, and Google to find what they want, whenever they need – so much so that we earn for and expect it. Be it penetrating for a product or service, or changing the settings on our own account or service plan – the ability to do-it-ourselves is not only convenient and efficient, it's empowering, so bank give 24*7 give financial support to their customer. 54% of all support inquiries come in on nights and weekends. Having a self-service support centre ensures these off-hour inquiries don't become missed opportunities. A self-service approach increases engagement, enhances the consumer experience, and reduces support calls.

9. CONCLUSION

The main purpose behind having Small Finance Banks is to enlarge access to financial services in rural and semi-urban areas. These banks can do virtually everything that an ordinary commercial bank can do, but at a much smaller scale. The primary motive of Small Finance Bank is to offering of basic banking amenities of accepting deposits and lends loans to underserved sections of customers, including small business units, small and marginal farmers, micro and small industries, and even for the unorganized sectors.

While both payments banks and Small Finance Banks may have some overlay in purpose mostly in increasing contact to banking amenities there are many key differences. Main differentiation is that a payments bank has a limit of 1 lakh on deposit per account; Small Finance Banks do not have limit. Payments banks cannot lend, while Small Finance Banks can give loans. Based on the analysis researcher concluded that customer perception and satisfaction are positively significant.

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