CHAPTER V

FINDINGS,
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5.1. Introduction

The findings obtained from the statistical test performed on the hypotheses, the Structural Equation Model ‘NBFIs QUAL’ Mediated Model and Regression Model are given. Based on the findings the policy frameworks for the stakeholders are to enhance the service quality and Non-Banking Financial Institutions Services in the study area. The present research work will be useful for the stakeholders to adopt a new strategy for promoting Non-Banking Financial Institutions Services in India.

5.2. Findings and Conclusion for the Study

This chapter seeks to sum up the main findings of the study by way of the assessment of the role of Non-Banking Financial Institutions Services. It is intended to examine the result and impact of the Non-Banking Financial Institutions Services implemented under different plans to provide services of the rural people living below the poverty line in the state of Tamilnadu.

5.2.1. Findings from the Trend analysis

5.2.1.1. NBFIs Registered with the Reserve Bank

The Reserve Bank of India, having considered it necessary in the public interest, amended the Miscellaneous Non-Banking Companies (Reserve
Bank) Directions, 1977, in exercise of the powers conferred by sections 45j, 45k and 45l of the Reserve Bank of India Act, 1934, (2 of 1934) and all the powers enabling it in this behalf, prohibit MNBs from accepting deposits from public except from shareholders, which is subject to the conditions specified in the directions issued by the Reserve Bank. Any deposit accepted and held by the MNBs other than from its shareholders as on date shall be repaid on maturity and shall not be eligible for renewal. The Reserve Bank only regulates the deposits accepted by these companies, but it does not regulate their Chit Fund business, which is administered by the respective State Governments through the offices of Registrars of Chits. The Chit Funds Act, 1982 was enacted as a Central Act for ensuring uniformity in the provisions applicable to Chit Fund institutions throughout the country, and all State Governments are required to frame rules for extending the provisions of this Act to their respective jurisdictions. At present, 16 States and 6 Union Territories have adopted the Central Act and the Reserve Bank is pursuing with the State Governments of Andhra Pradesh, Arunachal Pradesh, Gujarat, Haryana, Kerala, Maharashtra, Mizoram and Nagaland for early formulation of rules under the Central Act.

4.1.1.1. Liabilities, Deposits & Borrowings

RBI’s supervision of NBFCs since the amendment to the RBI Act in 1997 has shown that these companies are in a wide range in size - from the small with just the minimum prescribed NOF of 25 lakh and assets built with this,
to the large with deposits/assets of over 500 crore (RNBCs have deposits of very large size comparable to small sized banks and stand as a distinct set of NBFCs. A size wise break up of these is furnished. It clearly evident that, the total number of NBFCs registered with the Reserve bank, consisting of NBFCs-D (deposit-taking NBFCs), RNBCs, Mutual Benefit Companies (MBCs), Miscellaneous Non Banking Companies (MNBCs) and Nidhi companies, declined from 14,077 at end-June 2002 to 12,385 at end-June 2012. The number of NBFC-D also declined from 784 at end-June 2002 to 271 at end-June 2012, mainly due to exit of many NBFCs from deposit taking activity. The annual growth rates are consistently negative from the year 2003, for both number of NBFCs registered and number of NBFCs accepting deposits. Despite the decline in the number of NBFCs, their total assets as well as net owned funds registered an increase during 2010-11, while public deposits recorded a decline. The liabilities, Deposits and Borrowings of major components of NBFCs-D are furnished. It is observed that, Asset Finance Companies (AFCs) held largest share in the Liabilities, Deposits and Borrowings consistently from the year 2006-2014, followed by loan companies, hire purchase companies and equipment leasing companies. It is mainly on account of the reclassification of NBFCs, which was initiated in December 2006.
5.2.2. Findings from the Mediating Effects on NBFIs Services

5.2.2.1. ‘NBFIs QUAL’ Public Management Service Quality

Many previous studies have examined customer satisfaction with Non-Banking service quality in many industry contexts (Broderick and Vachirapornpuk, 2002; Cristobal, 2007, Loonam and O’Loughlin, 2009; Joseph et al., 1999; Zeithaml, 2001; Jun and Cai, 2001; Yoo and Donthu 2001). This study contributes to the global body of knowledge in the area of customer evaluation of Non-Banking service quality by examining the phenomenon in the context two banks in an emerging economy, Ghana. Notably, the study found that assurance, defined to cover online security, is the most important Non-Banking service quality item, specifically, relief of customer to transact on the Non-Banking portal. This contradicts the finding of Rod, Ashill, Shao and Carruthers, (2009), who found that assurance dimension could be dropped since it was not a significant quality dimension in online banking, which they defined differently to mean the knowledge and courtesy of administrators.

Furthermore, the study provides evidence that customer satisfaction and its relative importance may significantly differ from one Non-Banking service provider to the other in the same industry context. Also, it has particularly provided insight into the effect of Non-Banking service quality on overall user satisfaction. It provides evidence that the provision of superior customer service and the giving of preferential rates for online services are
two most important factors that could influence user satisfaction with Non-Banking service quality in emerging economies like Ghana. This calls for further and future research agenda for scholars and practitioners, particularly, in examining the impact of these two most important predictors of user satisfaction in similar industry context in other emerging economies. This study, again, increases extant knowledge on the subject of customer satisfaction with Non-Banking service quality. In this study, customer satisfaction with NBSQ is described in two leading banks in Ghana, GCB and MBG; this is an important contribution to Non-Banking service quality literature and provides empirical evidence based on which debate and discussion could be made by scholars and practitioners. Furthermore, the study contributes to the literature on the difference in satisfaction based on consumer demographic variables such as gender, age, income, education and marital status. It highlights the significant demographic variables such as income that are likely to influence customer satisfaction regarding Non-Banking service quality in developing countries.

5.2.2.2. Prevent potential and existing customer switching

The difference in customer overall evaluation of Non-Banking service quality between the two banks has important implications for the management of GCB. It implies that since the Non-Banking quality of service quality meets customers’ expectation more in MBG than GCB, it can lead to potential and actual customers switching from GCB to MBG for
better Non-Banking service quality as more and more customer talk about their dissatisfaction with GCB’s Non-Banking service quality. Many studies have shown that word-of-mouth communication has the potential of, not only discouraging other customers from patronizing a product/service but also it has the ability to attract other new customer to a superior service provider (Blodgett et. al., 1995. As a result, it is recommended that to prevent customer switching, the management of GCB need to ensure that, generally, their Non-Banking service quality meets and exceeds customers’ expectation, which has the ability to increase the cost of switching to other banks like MBG for Non-Banking services.

5.2.2.3. Segmenting Customers Based on Income Earned

Since the study revealed that satisfaction differences exists among different income groups it implies that customers could be segmented based on distinct income earning groups. Again, it is recommended that management of GCB should do further studies to gather more information on income differences among their customers to have other distinct groups among the customers that could be used as basis for market segmentation.

5.2.3. Findings from Empirically Proved Conceptual Model

The conceptual research model empirically proved (figure 5.1). Thus, the present study has focused on Service Quality in Non-Banking Financial Institutions Services which is considered as an important indicator for Non-
Banking Financial Institutions Services. The researcher identify that the Customer Satisfaction is the mediating factor for the Non-Banking Financial Institutions Services in the study area. Hence Non-Banking Financial Institutions Services would be concentrated on Customer Satisfaction to improve the Service Quality for the growth of Non-Banking Financial Institutions Services.

**Figure 5.1: Empirically Proved Conceptual Model of Non-Banking Financial Institutions Services**

![Empirically Proved Conceptual Model of Non-Banking Financial Institutions Services](image)

5.3. **Strategic Management Planning for Improving the Non-Banking Financial Institutions Services**

The figure 5.2 explains that the stronger and sustainable of Non-Banking Financial Institutions Services will be declined rural poverty in India.
Where is development of Non-Banking Financial Institutions Services in rural & urban India; there will be prosperous and progress in service quality. Through Non-Banking Financial Institutions Services, stakeholder provides service will implement with effective and efficiency without any malpractices. The service quality is very important factor for the future generation of India. Below said figure that there is three ways development: Social development, Political development and Economic development.

5.4. The Scientific Contributions

The Present Empirical Study has found out that the service quality is very important for earning profits in the Non-Banking Financial Institutions in India.
5.5. **Directions for Future Research**

This study is also provides a number of avenues for further research. First, while the micro-level service quality has received sufficient attention in scientific literature, the ‘NBFIs QUAL’ model on the macro level deserves further research. Although the relationship between customer satisfaction and service quality performance has been discussed in both academic literatures, the question of whether the strategic management planning approach contributes to a better performing service quality remains highly relevant. The potential impact of service quality in Non-Banking Financial Institutions Services motivation and hence, on service quality performance that was discussed in the study from a theoretical perspective, offers interesting opportunities for empirical research. And finally, the effects of the global financial crisis on the Non-Banking Financial Institutions Services in particular, which were not in the focus of the current research, require further analysis.

5.6. **Limitations**

The research is restricted to only Chennai City in Tamilnadu. The research conducted only in the places of non-banking financial institutions at Chennai City in Tamilnadu. While collecting the data, some of the respondents were hesitant to disclose their details as there were some misrepresentations occurred in non-banking financial institutions. Since there is no much
influence of demographic variable on Service Quality in non-banking financial institutions, the demographic variable was partially omitted.

5.7. Conclusion

Non-Banking Financial Institutions are very important for the development of financial sector in India. Even though Banking Sectors are playing a vital role in mobilising the fund from the public, but NBFIs are giving a credit facilities for hire purchases and other financial activities. Hence Non-Banking Financial Institutions are growing in India very faster than the banking sector. NBFIs are contributing more in economic development in India. Thus the Government would come forward to regulate the Non-Banking Financial Institutions for welfare of the people.