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INSIGHTS INTO CUSTOMER PERCEPTIONS: COMMERCIAL VEHICLE LOAN OFFERINGS IN A SELECTED NON-BANKING FINANCIAL INSTITUTION

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ABSTRACT

Commercial vehicle financing is crucial for supporting the transportation sector, a cornerstone of any economy. This study aims to explore patterns, challenges, and opportunities in commercial vehicle financing at a Non-banking financial institution, offering insights for stakeholders and contributing to existing knowledge frameworks. Using a descriptive research design, primary data will be gathered through surveys, interviews, and focus groups involving stakeholders like customers, employees, and management. Secondary data from market studies and industry publications will supplement the analysis. Data analysis will employ both quantitative and qualitative techniques, identifying opportunities for improvement and positive changes in services. This research aims to inform decision-making and drive positive change in commercial vehicle financing operations, benefiting industry players, policymakers, and future research endeavours.

***KEYWORDS**: NBFC, Policy, Satisfaction, Loans, Commercial.*

Introduction

Commercial vehicle financing is integral to economic activity, providing businesses with essential capital for acquiring transportation assets. This study offers a comprehensive examination of commercial vehicle financing operations, foundational for economic development by enabling businesses to access vital transportation products. It delves into various aspects of commercial vehicle financing, aiming to provide a nuanced understanding of its mechanisms, challenges, and opportunities in the contemporary business landscape. As businesses increasingly rely on commercial vehicles for transporting goods and services, effective financing solutions are paramount. The growth of commercial vehicle financing, driven by technological advancements and evolving customer preferences, underscores the importance of understanding these dynamics for businesses, financial institutions, policymakers, and industry stakeholders. This research will identify emerging opportunities for innovation and improvement in commercial vehicle financing, addressing stakeholder concerns and offering recommendations to enhance operational efficiency, customer satisfaction, risk management, and regulatory compliance. The findings will provide valuable insights and guidance to industry practitioners, policymakers, and researchers for the optimal functioning of commercial vehicle financing operations, ensuring the continued success of this vital sector of the economy.

Statement of Problem

In the realm of commercial vehicle financing, Non-banking financial institutions hold a significant position, offering essential financial services to businesses and individuals in the commercial transport industry. However, within the dynamic financial sector landscape and evolving client needs, these institutions face several challenges that hinder optimal performance and goal attainment. One primary challenge is the management of credit risk associated with commercial vehicle financing. As economic

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conditions and business environments evolve, identifying and mitigating credit risk becomes increasingly complex. Moreover, with exposure to new technologies and alternative financing options, institutions must adapt risk management strategies to remain competitive and maintain financial stability.

Another challenge is optimizing operational efficiency in the commercial vehicle financing process. In an industry marked by stringent regulatory requirements and continuous improvement initiatives, efficiency is crucial for delivering prompt and seamless financial services to clients. Additionally, with rising customer expectations for streamlined loan approval and disbursement processes, institutions must leverage innovative technologies and best practices to meet these demands while ensuring regulatory compliance.

Need of the Study

Commercial vehicle financing is pivotal in the transportation industry, facilitating access to essential assets for businesses and individuals. However, amid the evolving financial landscape and changing customer preferences, Non-banking financial institutions encounter various challenges in their commercial vehicle financing operations. These challenges encompass credit risk management, operational efficiency, and customer satisfaction. To remain competitive, ensure financial stability, and meet evolving client needs, Non-banking financial institutions must comprehend and address these challenges effectively. Thorough research is imperative to identify and tackle these hurdles, driving sustainable growth and performance in the commercial vehicle financing business.

Objectives of the Study

The objective of the study is to:

- Analyse Non-banking financial institution's credit risk management in commercial vehicle financing, identifying areas for improvement to ensure prudent risk assessment and mitigation strategies align with business objectives.
- Evaluate the operational efficiency of Non-banking financial institution's commercial vehicle financing processes, aiming to streamline workflows and enhance customer experiences for improved service delivery.
- Measure customer satisfaction with Non-banking financial institution's commercial vehicle financing services to understand areas for enhancement, ensuring prompt, transparent, and responsive service delivery to meet client expectations.
- Provide recommendations to enhance credit risk management, operational efficiency, and customer satisfaction in Non-banking financial institution's commercial vehicle financing operations, fostering sustainable growth and performance.

Review of Literature

An extensive review of existing literature offers valuable perception into various sides of commercial vehicle financing, the establishment of a logical foundation, and a dependent framework for our study. Previous research has explored diverse topics such as the role of financial institutions in vehicle financing **(Banerjee & Dasgupta, 2019)**, customer preferences, and satisfaction levels **(Singh & Kumar, 2019),** risk management practices **(Mittal & Verma, 2020)**, and regulatory compliance requirements **(Ghosh & Mukherjee, 2019)**. Moreover, studies have explored how the role of financial institutions in vehicle financing **(Das, A., & Das, N., 2018)** and economic events such as demonetization **(Saini & Sharma, 2018)** impact commercial vehicle financing operations.

Researchers have also scrutinized financing patterns and credit risk assessment methodologies used by banks and non-banking financial companies **(Verma & Kumar, 2018; Nair & Singh, 2018)**, along with the challenges and opportunities stemming from technological advancements in digital lending practices **(Jain & Yadav, 2020).**

Additionally, comparative analyses have postponed market positioning, competitive advantages, and customer satisfaction levels among providers of commercial vehicle financing **(Khanna & Gupta, 2019; Yadav & Sharma, 2020)**. Overall, the literature review underscores the complex and multifaceted nature of commercial vehicle financing, emphasizing the necessity for a comprehensive approach addressing credit risk management, operational efficiency, and customer satisfaction within the domain of Non banking financial institution 's operations. By leveraging and incorporating previous research findings, this study aims to enrich the existing knowledge base and offer actionable insights for enhancing commercial vehicle financing practices within the organization.

Research Methodology

Research Design: Descriptive Research

Sample Design: Non Probability Sampling Design

Sample Size: 50

Data Source: Primary Data

Instrument: Questionnaire

Statistical Techniques

- Percentage Analysis
- ANOVA
- Correlation Analysis
- Chi-Square Test

Analysis and Interpretation

- **Opinion on ease of applying for commercial vehicle financing in NBFC**

Weighted Average Analysis of ease of applying for commercial vehicle financing in NBFC

Factors	Frequency (f)	Weight (w)	fw
High Easy	7	2	14
Easy	34	1	34
Neutral	9	0	0
Difficult	0	-1	0
High Difficult	0	-2	0
Total	50		∑fw=48

Inference

The weighted average (∑fw) of 48 from the table suggests a high level of agreement among respondents regarding the ease of applying for commercial vehicle financing in NBFC.

- **Analysis of variance on experience level of respondent's frequency in utilizing financial services and annual household income**

H_0: There is no significant relationship between the respondent's frequency in utilizing financial services and annual household income

H_1: There is a significant relationship between the respondent's frequency in utilizing financial services and annual household income (Significance level **$\alpha = 0.05$)** Equal variances were assumed for the analysis.

ANOVA between respondent's frequency in utilizing financial services and annual household income

Groups	Count	Sum	Average	Variance
Annual household income	50	174	3.48	1.39
Frequency in utilizing financial services	50	196	3.92	0.52

ANOVA					
Source of Variation	**Adj SS**	**df**	**Adj MS**	**F**	**P-value**
Between groups	4.84	1	4.84	5.03	0.027
Within groups	94.15	98	0.96		
Total	99	99			

Inference

The analysis concludes that there exists a significant relationship between respondents' frequency of utilizing financial services and their annual household income, with a p-value of 0.027, lower than the significance level $\alpha = 0.05$. Therefore, we accept the Alternate Hypothesis.

- **Spearman's rank Correlation on effectiveness of transparency of NBFC and ethical consideration in commercial vehicle financing**

H_0: There is no significant correlation between the level of Compliance with Regulatory requirements of NBFC& ethical consideration in commercial vehicle financing

H_1: There is a significant correlation between the level of transparency of NBFC& ethical consideration in commercial vehicle financing

Spearman Correlation between Level of Transparency of NBFC& Ethical Consideration in CVF

			NBFC Compliance With Regulatory requirements	**NBFC ethical consideration in commercial vehicle financing**
Spearman's rho	NBFC Compliance With Regulatory requirements	Correlation Coefficient	**1.000**	**0.246**
		Sig. (2-tailed)		**.085**
		N	**50**	**50**
	NBFC ethical consideration in commercial vehicle financing	Correlation Coefficient	**0.246**	**1.000**
		Sig. (2-tailed)	**.085**	
		N	**50**	**50**

Inference

The correlation coefficient of 0.246 suggests a positive relationship between the two variables. Thus, we reject the null hypothesis and accept the alternate hypothesis. It is concluded that there exists a significant positive correlation between the level of compliance with regulatory requirements of NBFC and ethical considerations in commercial vehicle financing.

- **hi-Square test between the level of education of the respondents and compliance with regulatory requirements of NBFC**

H_0: There is no significant relationship between the level of education of the respondents and compliance with regulatory requirements of NBFC

H_1: There is a significant relationship between the level of education of the respondents and compliance with regulatory requirements of NBFC

Significance Level **$\alpha = 0.05$**

Equal variances were assumed for the analysis

Chi-Square Test for the level of education of the respondents and compliance with regulatory requirements of NBFC

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	15.084[a]	12	0.237
Likelihood Ratio	13.416	12	0.340
N of Valid Cases	50		

Chi square p value is **0.237**

Inference

The p-value of 0.237 exceeds the significance level of 0.05. Therefore, we fail to reject the null hypothesis, concluding that there is no significant relationship between the level of education of the respondents and compliance with regulatory requirements of NBFC.

Findings

From the study, it's evident that the majority of respondents are middle-aged, educated, self-employed males with incomes ranging between 1-1.5 lakhs. They sporadically utilize financial services and highly prioritize good customer service. Overall, they express satisfaction with their financial services and encounter few challenges with Commercial Vehicle Financing. However, they provide suggestions for improvement, including expediting processing, enhancing communication, offering competitive interest rates, and improving customer service. They also express confidence in the institution's risk management capabilities and ability to adapt to regulatory changes. Interestingly, they perceive room for improvement in operational efficiency, despite being satisfied with transparency. While there's no correlation between service usage frequency and satisfaction, there's a connection between usage frequency and income, as well as education level and opinions on efficiency. Satisfaction tends to decline with age and education level but increases with application ease.

Suggestions

The study recommends that the institution leverage advanced data analytics, enhance their website and app for improved user experience, offer educational resources, streamline processes, diversify product offerings, collaborate with fintech firms, solicit feedback actively, integrate Environmental, Social, and Governance (ESG) principles, utilize customer data effectively, conduct regular risk assessments, invest in staff training, stay abreast of regulatory updates, introduce loyalty programs, embrace cutting-edge technologies, and deploy a robust Customer Relationship Management (CRM) system. These measures will help enhance operational efficiency, customer satisfaction, risk management, and overall competitiveness in the market.

Conclusion

Non-banking financial institutions are acknowledged for their adaptable loan terms and streamlined processes, although there's a need to enhance transparency and responsiveness. Nevertheless, the company exhibits steady growth and profitability, reflecting a sound operation. We advise conducting regular financial assessments, leveraging advanced analytics, maintaining proactive regulatory compliance, enhancing operational efficiency, conducting comprehensive market research, embracing technology, prioritizing cyber security, promoting sustainability practices, fostering a culture of continuous learning, and establishing robust feedback mechanisms to ensure sustained success.

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