A STUDY ON INVESTORS' PERCEPTION TOWARDS BANKING AND NON- BANKING FINANCIAL COMPANIES

(WITH SPECIAL REFERENCE TO CHIT FUND COMPANIES)

[1]Nahas Sha AA

[1]Assistant Professor (in contract), EMEA College of Arts and Science, Kondotty, Kerala, India

Abstract

The study investigates the factors which are discriminating the preference of the people regarding Bank and NBFC's and the most considerable factor in the preference. Data for the study has been collected from 400 respondents from the Kerala. Discriminant analysis has been used to analyze the data. The study found that Region, Return, Safety, Liquidity, Income, Urgency are the factors which discriminate more .The people in the rural may more benefited by the services of NBFC.

Key words: Bank and NBFC, Discriminant Analysis, Investor Perception

Introduction

A **bank** is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses. Due to their critical status within the financial system and the economy generally, banks are highly regulated in most countries. Most banks operate under a system known as fractional reserve banking where they hold only a small reserve of the funds deposited and lend out the rest for profit. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords.

A **Chit fund** is a kind of savings scheme practiced in India. A Chit fund company means a company managing, conducting or supervising, as foremen, agent or in any other capacity, Chit fund schemes may be conducted by organised financial institutions or may be unorganised schemes conducted between friends or relatives. There are also variations of chits where the savings are done for a specific purpose. Chit funds also played an important role in the financial development of people of south Indian state of Kerala, by providing easier access to credit. In Kerala, chitty (chit fund) is a common phenomenon practiced by all sections of the society. A company named Kerala State Financial Enterprise exists under the Kerala State Government, whose main business activity is the chitty.

Review of Literature

Geetha, S. N., & Vimala, K. (2014) discussed how demographic variable influence the investment decision and how Information technology has also deeply influenced the operations of financial markets. They claim that household saving and investment is of importance for several reasons. They found that national level, house hold investment provide the main source of investment financing both for government and for the corporate sector. Rapid GDP growth leads to rising house hold income and higher the savings rate. According to them this is true for Asia as it has been elsewhere in world. But for the individual household, saving is done in order to achieve specific short –term and long - term goals, notably financial security.

Kasilingam, R., & Jayabal, G. (2009) attempts to measure the nature of perception of investors using a five-point scale. To have a better understanding, investors are segmented into three groups based on their perception by using cluster analysis. The study has used correspondence analysis, chi-square test, analysis of variance and discriminant analysis to understand the impact of perception on saving behaviour of investors and the factors which determine the perception of investors towards saving instruments.

Objectives

1. To identify the factors which are discriminating the preference of the people regarding Bank and NBFC's

2. To identify the most considerable factor in the preference

Data and Sample

Data for the study has been collected through questionnaire from 400 respondents from Kerala state. For the purpose of data collection multi stage cluster sampling method has been applied. The state has been first divided into districts and then divided into Taluks. Respondents from the selected Taluks have been collected through random sampling method. The list of house hold has been collected from Panchayath databases

Variables considered for the study

Preference

The Dependent variable taken is Preference, preferences could be conceived of as an individual's attitude towards a set of objects, typically reflected in an explicit decision-making process, so here it has taken as the dependent variable so that we can arrive at a conclusion regarding the factors which are discriminating among the investors in bank and chit fund companies.

Independent Variables;

Return

Return is the reward for sacrificing the current consumption, investors are mainly focus on return they will prefer the investment which will give them higher return, return getting from the bank and chit fund companies may differ, in order to attract the customers the companies will offer returns in such a manner to defeat the rivals.so here by doing the Discriminant analysis we can came to know whether the factor is discriminating or not.

Safety

Safety is an another important factor which will considered by every investors ,sometimes they will give more importance to this factor because even if the return is low their investment will be safe , Safety of assets is a chief concern for all investors, particularly in these uncertain economic times. So here can check this factor is discriminating or not,

Formalities

By Formalities here I mean, the banks as well as chit fund companies are having regulations and some general rules, the customers have to follow those rules ,in banks they have a lot of formalities even for opening an account which the customers do not feel good, here can check the formalities laid down by these banks and chit fund companies have discrimination or not.

Transperency

The transparency of the institution refers to the way how they are running the business in front of a society, transparency will helps them to get a stable position in the competitive environment.If the public got a feeling like these institution is transparent not hiding their financials , and if their giving chance to access their site and all will make the customers to hold on

Behaviour

Behaviour is an important factor because if the surroundings of the institution is not a customer friendly the customers wont feeling good, it's a general concept we cant say with out doing an analysis, here by can check the discrimination.

Liquidity

Liquidity refers to The ability of an asset to be converted into cash quickly and without any price discount. It is safer to invest in liquid assets than illiquid ones because it is easier for an investor to get his/her money out of the investment, here can check the discrimination of the factor among bank and chit fund companies.

Income

By this factor iam trying to find out the income of the customer is discriminating regarding the investment made in bank and chit fund companies, according to the quantum of the income of the customers the decision may differ, here we can check the discrimination of this factor

Region

Region wise also we can check ,the people from rural area may be having a different preference regarding the investment and all, the people from rural may not be aware of the innovative schemes and chances to make profit.

Reputation

Reputation of the institution will definitely influence the investors because they will be having a good impression towards the institution if it is highly reputed one there by they will trust the institution and make investment. Will it true in the case of bank and chit fund company that we can check here

Urgency

Urgency is relevant factor because people will invest in such a manner that they should get it back when ever they need it, the time duration of the investment is a considerable factor.

Retention

This factor tells about the customer retention of the institutions , if the institution is fit enough to retain the customers it can grow in a good manner. Attracting the new customers alone is not the good advantage but retaining the satisfied customers are of having greater advantage, both retention and welcoming of new cutomers are good for the institution.

Marketing

Marketing is the important factor, it has an impact in the growth of a business, an institution which has a good sense of marketing can attract as well as retain the existing customers.In this fast moving era customers are focusing on innovative applications and schemes provided by the institutions.

Contact

Contact refers to if the institution keep contact with the customers in a regular manner and informing them regarding the changes and all it will help to retain the customers. Here by can check whether these factor is discriminating among bank and chit fund companies.

Promoter

 Promoter is a person who solicits people to invest money into a corporation, usually when it is being formed ,Promoters reputation and hold in the area will influence the business of the institution,if the promoter is having good reputation the customers will get trusted the institution.

Results and Discussions

Descriptive statistics			Percent
weighted Cases			
	Valid	400	100.0
Excluded	issing or out-of-range group codes	0	.0
	At least one missing discriminating variable	0	.0
	oth missing or out-of-range roup codes and at least one ssing discriminating variable	0	.0
	Total	0	.0
Total		400	100.0

Analysis case processing summary says the valid sample size and the missing values ,here no missing values are there.

Group Statistics

Preference		Mean	td. Deviation	Valid N (list wise)	
				Un weighted	Weighted
BANK	Return	2.0526	.91127	190	190.000
	Saftey	3.0526	1.35293	190	190.000
	Formalities	3.2105	1.31567	190	190.000
	Transperancy	3.5789	1.42657	190	190.000
	Behaviour	3.0526	1.35293	190	190.000
	Liquidity	3.2105	1.03166	190	190.000
	Income	2.8947	1.32894	190	190.000
	Region	2.8947	1.14962	190	190.000
	Reputation	2.6842	1.33552	190	190.000
	Urgency	2.6316	1.16479	190	190.000
	Retention	3.3158	1.33552	190	190.000
	Marketing	3.1579	1.25889	190	190.000
	Contact	2.9474	1.43270	190	190.000
	Promoter	3.1053	1.14962	190	190.000
NBFC's	Return	3.2857	1.58565	210	210.000
	Saftey	2.6190	1.11697	210	210.000
	Formalities	2.0952	.83095	210	210.000

Transperancy	1.9048	.83095	210	210.000
Behaviour	2.2381	1.13599	210	210.000
Liquidity	2.4762	1.12335	210	210.000
Income	2.3333	1.19722	210	210.000
Region	2.2381	1.22085	210	210.000
Reputation	2.4286	1.43427	210	210.000
Urgency	2.4762	1.24976	210	210.000
Retention	2.2857	1.18924	210	210.000
Marketing	2.0000	1.04881	210	210.000
Contact	2.3333	1.06458	210	210.00
Promoter	2.4762	1.36452	210	210.000

- Group statistics says the mean & S.D of each variable under each category.
- The weighted says about the weightage under each category.
- Difference between the mean of a variable under different category says the discrimination among each category.

Here some factors are having differences in their mean values that are showing a discrimination ,that factors are

- Return
- Safety
- Income
- Region
- Urgency

These factor's mean value is showing significant differences ,it means that they are discriminating among the Bank and Chit fund companies.

Return:
Return is obviously a discriminating factor because, the investors truly are greedy for getting return which should be high, they will run for getting a high return, accordingly they will start analyzing the financial institutions which will give good return ,so this factor is discriminating among bank and chit fund companies banks may nt always give good returns because the regulations and reformations made by RBI will not give a stable return to the investors ,some times at the time of depositing the interest rate may be good after a year when he is in need of the deposit back, the rate come down and he will be a looser.

Safety: Saftey factor is also showing difference ,investors also considers the safety of their investment because they will think that even if the return is low it will be better that the invested money shouldn't be lost, so usually organized institutions will be safest one.
Income
Income is a discriminating factor because the preference of the people will change according to their income and savings, normally those who are having higher income and savings will go for investments in different risky funds and all, usually those who are from middle and lower income group are mainly depend upon the chit funds because they can join in such scheme which requires only less an average amount.

Region
Region is also discriminating here, people from rural area are more benefited   by the chitty than urban people. Rural people will be familiar with the chitty well it is an old form of investment but still popular in rural area, the

chit fund companies have grown in a good manner now, the thing is even then the chit fund companies are framing schemes for the rural people which requires only less fund.

Urgency

Urgency is another factor which is showing discrimination, the people will invest in such a manner that they will get the money whenever they met an urgency, in chitty the chit will give to the people who have urgency of fund, they will be treated first.As far as banks are concered they have their own policies they couldn't break it for only one needy customer.

Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
Return	.411	8.835	1	38	.000
Saftey	.569	1.231	1	38	.004
Formalities	.784	10.485	1	38	.062
Transparency	.843	21.063	1	38	.410
Behaviour	.899	4.280	1	38	.045
Liquidity	.592	4.604	1	38	.003
Income	.351	1.976	1	38	.001
Region	.326	3.049	1	38	.000
Reputation	.791	.338	1	38	.056
Urgency	.496	.164	1	38	.005
Retention	.851	6.660	1	38	.064
Marketing	.791	10.058	1	38	.053
Contact	.941	2.397	1	38	.130
Promoter	.939	2.458	1	38	.125

- Test of Equality of Group means has to look into significance of variables.
- Wilks' Lambda value (Lower the Wilks Lambda higher the discrimination.)

Log Determinants

Preference	Rank	Log Determinant
BANK	14	3.222

NBFC's	14	5.167
Pooled within-groups	14	.679

Region is showing a significant at one percentage level,and the value of wilk's Lambda is comparitievely lower than others so it is discriminating well.

Safety is showing significance at one percentage level, and the Wilk's Lambda is also low,Liquidity is also showing significance at one percentage level discrimination is also good, showing a lower Wilk's Lambda, Like wise Income and urgency also showing significance at one percentage level, the six factors are discriminating well. Behaviour is showing a significance at five percentage level,Return is also showing significance

The difference between Log Determinants among the group should be relatively small, here it is small. The null hypothesis is that population covariance matrices are equal across the group, Box's M should not significant to accept the null hypothesis,here it is not significant

Summary Of Canonical Discriminant Function

Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
	1.318[a]	100.0	100.0	.754

In this table two values are important one is Eigen value and the other one is Canonical correlation.

➢ Larger the Eigen value higher the discrimination, here Eigen value is larger so higher the discrimination.
➢ Canonical Correlation should be more than 0.5, which indicates higher discrimination among the groups, here it is discriminating
➢ Square of canonical correlation gives the percent of variance in dependent variable that can be explained using the independent variables, here it is 0.56 ie;56%

Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.431	26.065	14	.000

Wilks' Lambda shows the statistical significance, here it is significant .

Standardised Canonical Discriminant Function Coefficients

	Function
	1
Return	-.591

Test Results

Box's M	223.335
F Approx.	1.265
df1	105
df2	400.061
Sig.	.264

Saftey	.575
Formalities	.448
Transperancy	.244
Behaviour	.388
Liquidity	.556
Income	.654
Region	-.672
Reputation	-.230
Urgency	-.688
Retention	.012
Marketing	.152
Contact	-.035
Promoter	.307

- The standardized canonical correlation tells how well each variable is affecting   the discriminance among the group.
- Here Urgency is affecting more followed by region, income, return,   liquidity, safety

Functions At Group Centroids

Preference	Function
	1
BANK	1.177
NBFC's	-1.064

Centroid is the mid point of the group,here Bank's mid point is 1.177,and NBFC's midpoint is -1.064

Classification Results

			Predicted Group Membership		
		Preference	BANK	NBFC's	Total
Original	Count	BANK	14	5	19
		NBFC's	1	20	21

%	BANK	73.7	26.3	100.0
	NBFC's	4.8	95.2	100.0

- Classification results shows that how many are correctly classified and how many are not,
- Here Among 19 , 14 are correctly classified as Bank and 5 are incorrectly classified as NBFC"s
- Among 21,20 are correctly classified as NBFC's and 1 is incorrectly classified as Bank

Conclusion

It can be concluded that there are some significant factors are there which discriminates among the Investors in Bank and NBFCs, nbfc's are major contributors to the economy of our country, they provide various services to the needy people sometimes there will be confusion regarding the recognition of these two except the identity in issuing the cheque by commercial banks, in the current context nbfc's has an important role especially in the rural area ,here I have considered chit fund companies which are focusing mainly the rural people.

Region,Return,Safety,Liquidity,Income,Urgency are the factors which discriminate more . The people in the rural may more benefited by the services of NBFC',here I have considered Chit fund companies, it is having an advantage that the urgency of the people will get solved. All financial institutions are meant for the public ,but there are some factors which discriminates the preference of the people regarding the selection of the institutions. The success of every institution is depend upon the customer preference, so according to that it should run in order to thrive well. Chit fund companies are mainly focusing on the benefit of the rural people

Reference

Geetha, S. N., & Vimala, K. (2014). Perception of household individual investors towards selected financial investment avenues (with reference to investors in Chennai city). *Procedia Economics and Finance*, *11*, 360-374.

Kasilingam, R., & Jayabal, G. (2009). A study on the perception of investors towards small saving schemes. *Paradigm*, *13*(2), 1-12.