



A Study on Financial Performance of Small Finance Banks with Customer's Perspective and Satisfaction in Coimbatore

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Abstract: Bank is type of financial institution which provides services such as accepting deposit and providing credit facilities to their customers. Reserve Bank of India (RBI) is the governing body that has been taking care of the banking industry in our country. Over the past few years our banking industry has gone through numerous changes on such change has been in initiation Small Finance Banks. Small Finance Bank is those banks which perform basic services such as accepting deposit and lending loans to its customers. The main objective of Small Finance bank is to provide financial inclusion to disadvantaged section that are not served by other banks. This study tries to measure the awareness and perspective of customers towards selected Small Finance Bank in Coimbatore.

Keywords: Customer's perspective; In small finance bank; Satisfaction

Introduction

Banks play 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. Banks offer several non-retail and retail services to improve the standard of living of the people. In the past, due to lack of information and proper guidance, the general public could not gain the full benefits of financial services from the banking industries to improve their standard of living. It is now clear that the face of the Indian consumer is changing. This is reflected in the change of income pattern of the urban family. The change will be the consumption patterns and thus the banking habits of Indians which will now be tilted towards financial services. Banks are embracing technology to improve customer service and to design flexible and customized products (Mogaji, 2023; Ogundipe et al., 2024). Modern information

technology appears to be a boom to banks to increase the range of their products and market them more effectively and efficiently (J. Singh et al., 2022; Vives, 2019; Wang et al., 2021).

The intense competitive retail environment is compelling banks to increasingly become customer – centric (Fader, 2020; Komulainen et al., 2019). In many ways, technology has become a blessing. However, the success of banking industry depends largely on the quality of service that they provide to customers. Among this multiple entry is continuously trying to apply different competitive strategies to attract more customers at the same time very few less performers are unable to sustain in its field in turn slowly becoming a sick unit due to the high amount of nonperforming assets. At this juncture the RBI immediately apply different remedial measure to overcome the issue cash ratio, adequate ratio mergers and acquisitions policies are some of the strategically ideas to encounter the related demerits in the critical journey the one more banking baby has also been included as new financial inclusion scheme and to provide basic financial services

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to Micro Small and Medium Enterprise (MSME) with the entry like Small Finance Banks.

Objectives of the Study: To identify the financial services offered by Small Finance Banks in Coimbatore city; To study the impact of capital structure on the financial performance of Small Finance Banks; To analyze the customer's perspective towards Small Finance Banks; To evaluate the satisfaction of customers on Small Finance Banks in Coimbatore city.

Method

A systematic literature review (SLR) is a rigorous and structured research method for identifying, evaluating, and interpreting all available evidence that is relevant to a specific research question. The following is an outline of the SLR process: Formulation of Research Question; Development of Research Protocol; Literature Search; Study Selection; Assessment of Study Quality; Data Extraction; Data Analysis and Synthesis; Report Preparation. Importance of SLR: SLRs provide a comprehensive and objective summary of the evidence. SLRs help identify gaps in research and guide future research; they support evidence-based decision-making in a variety of fields, such as health, education, and public policy.

Result and Discussion

Jayadev et al. (2017), in his article "Small finance banks: Challenges" observed that. Small Finance Banks have to develop digital connectivity with their huge rural customer base for providing better services to the rural poor. As the rural poor are small value clients, banks need to adopt cost effective methods to serve their customers. Ray et al. (2021), in his paper "Small Finance Banks an innovative change in banking industry" pointed out that Small Finance Bank is an innovative development in the Indian banking industry to extend financial aids among rural and semi-urban poor. They adopt differential model of liberation apart from scheduled commercial banks to reach out to the needy customers. Small Finance Banks have to develop an adequate infrastructures and trained manpower in order to fulfill their assigned tasks.

Singh (2015), in his study "Role of Small Finance Banks in Financial Inclusion" discussed that the financial inclusion is the main purpose of conceding license to start Small Finance Banks to existing Non-banking finance companies and local area bank. These banks have to focus on lending low-value customers at the bottom level of the society. These banks are permitted to collect deposits and also perform other banking activities. Ninan (2017), in the paper "Move

towards MFI to SFB" mentioned that out of ten SFBs, eight are from microfinance institutions and this is a clear evidence of the contributions of MFIs to financial inclusion process. SFBs can serve better the un-served rural population by issuing small amounts of credits to meet their different life cycle requirements.

Table 1. Analysis of the Study

| Particulars | Frequency | Percentage |
|---------------------------|-----------|------------|
| Age | | |
| Up to 20 years | 71 | 67.60 |
| 21-30 years | 28 | 26.70 |
| 31-40 years | 4 | 3.80 |
| Above 40 years | 2 | 1.90 |
| Total | 105 | 100.00 |
| Marital Status | | |
| Unmarried | 94 | 89.50 |
| Married | 11 | 10.50 |
| Total | 105 | 100.00 |
| Gender | | |
| Female | 68 | 64.80 |
| Male | 37 | 35.20 |
| Total | 105 | 100.00 |
| Educational Qualification | | |
| School level | 1 | 1.00 |
| Undergraduate | 19 | 18.10 |
| Postgraduate | 82 | 78.10 |
| Others | 3 | 2.90 |
| Total | 105 | 100.00 |
| Occupation | | |
| Agriculture | 6 | 5.70 |
| Business/ profession | 23 | 21.90 |
| Self employed | 27 | 25.70 |
| Government/ private | 49 | 46.70 |
| Total | 105 | 100.00 |
| Monthly Income | | |
| Up to 10,000 | 29 | 27.60 |

Interpretation

The above table shows that the percentage of perception out of 105 respondents towards small finance banks is Age up to 20 years are 71(67.6), age of 21-30 years are 28(26.7), and the age of 31-40 years are 4(3.8), rest of the respondents are of the age of above 40 years is 2(1.9). Marital status 94(89.5) are unmarried, 11(10.5) are married. Gender 68(64.8) are female and 37(35.2) respondents are male. Educational qualification 1(1.0) are school level, and their educational level in Undergraduate 19(18.1), and postgraduate 82(78.1), and rest of the respondents 3(2.9) is in other categories. Occupation 6(5.7) are from agriculture, 23(21.9) respondents are business/profession, 27(25.7) in self-employed, 49(46.7) are in government/private employee. Monthly income 29(27.6) are in the range up to 10,000, and 34(32.4) in 10,000 to 20,000 income group, 16(15.2) in 20,000 to 30,000 income used, and rest of the respondents 26(24.8) are above 30,000. Size of the family

11(10.5) are up to 2 members in their family, and 74(70.5) are in 3 to 4 members, and rest of the respondents 19(18.1) are more than 4 members.

Table 2. Analysis of the Study

| Particulars | Frequency | Percentage |
|--------------------------------------|-----------|------------|
| Reason For Selecting This Bank | | |
| Services of bank | 48 | 45.7 |
| Incentives schemes | 14 | 13.3 |
| Nearness to offices/Residence | 27 | 25.7 |
| Others | 16 | 15.2 |
| Total | 105 | 100.0 |
| What type of account you are having? | | |
| Current account | 23 | 21.9 |
| Saving account | 76 | 72.4 |
| Others | 6 | 5.7 |
| Total | 105 | 100.0 |
| Do You Avail Any Loan In Your Bank | | |
| Yes | 39 | 37.1 |
| No | 65 | 61.9 |
| Total | 104 | 99.0 |

Interpretation

From the above table represents, out of 105 respondents Reason for selecting this bank 48(45.7) are in services of the bank, 14(13.3) and for selecting incentives schemes, 27(25.7) are in nearness to office /residence, 16(15.2) for other reason of the bank. What type of account you are having? 23(21.9) are haven current account, 76(72.4) are having saving account, rest of the respondents 6(5.7) are in other bank account. Do you avail any loan in your bank 39(37.1) are said they avail loan in their bank and 65(61.9) are not avail any loan in the bank.

Table 3. Analysis of the Study

| Particulars | Frequency | Percentage |
|---------------------------|-----------|------------|
| Amount of loan sanctioned | | |
| Highly Dissatisfied | 4 | 3.8 |
| Dissatisfied | 16 | 15.2 |
| Neutral | 23 | 21.9 |
| Satisfied | 38 | 36.2 |
| highly satisfied | 22 | 21.0 |
| Total | 103 | 98.1 |
| Security Of The Loan | | |
| Highly dissatisfied | 21 | 20.0 |
| Dissatisfied | 33 | 31.4 |
| Neutral | 21 | 20.0 |
| Satisfied | 26 | 24.8 |
| Highly satisfied | 4 | 3.8 |
| Total | 105 | 100.0 |

Interpretation

The above table shown Amount of loan sanctioned, out of 105 respondents, 4(3.8) are highly dissatisfied, and 16(15.2) are dissatisfied, 23(21.9) are neutral, 38(36.2)

satisfied with the process, rest of the respondents 22(21.0) are highly satisfied. Security of the loan, 21(20.0) are highly dissatisfied, and 33(31.4) are dissatisfied, 21(20.0) are neutral, 26(24.8) satisfied with process, and rest of the respondents 4(3.8) are highly satisfied.

Findings of the Study

Hence the most of respondents are in the age of 21-30 years is 28(26.7). Hence the majority of respondents from the marital status are 94(89.5) unmarried persons. Hence the majority of the respondents in gender are female 94(89.5). Hence the majority of respondents from the educational qualification is postgraduate 82(78). Hence the most of respondents in employees occupation are from government and private job 49(46.7). Hence the most of respondents in monthly income are 34(32.4) Rs. 10,000 - 20,000. Hence the majority of respondents in Size of the family are 3 to 4 members 74(70.5). Hence the most of respondents in Reason for selecting this bank is 48(45.7) services of the bank. Hence the majority of respondents from what type of account you are having 76(72.4) is in Savings accounts. Hence the 65(61.9) majority of the respondents are said they are not avail any loan facilities in their bank. Hence 38(36.2) the majority of respondents are satisfied with the loan sanctioned process. Hence 33(31.4) the most of respondents are dissatisfied with the security of the loan.

Suggestions

The bank should amalgamate that branch which turns up with demarked margin business. Such way restrains expenses in significant way; The banks should lean-to high cost deposits. The banks should strive for better deposit mix there by sinking the cost of deposit and increase profitability. High springy advances should be belligerently marketed to progress earning/income. Unify awareness programmers to train the people, exclusively under honored and ignorant population, about the disposal and advantages of banking services. Offer different types of deposits at attractive rates of interest to outfit the needs of different classes of customers. Channelize exertions towards organizing more low cost CASA deposits, in order to expand the profitability of the bank.

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 overlap in purpose mostly in increasing contact to banking amenities there are many key differences. The study examined the effect of capital structure on financial performance of Small Finance Banks in Coimbatore. The panel regression results exhibited that there was a positive relationship between capital structure and profitability of Small Finance banks. From this study it indicates that there is a significant impact of capital structure on financial performance of Small Finance Banks. So the researcher concluded that Small Finance Banks should use an optimum mix of equity as well as debt while designing the capital structure and financial activities as it provides an important implication on profitability. This implies that the board of directors needs to consider this impact in their financing or capital structure decisions.

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Author Contributions

Conceptualization, methodology, validation, formal analysis, investigation, resources, data curation, writing – original draft preparation, writing – review and editing, visualization, N. M. H. All authors have read and agreed to the published version of the manuscript.

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Conflicts of Interest

The authors declare no conflict of interest.

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