

## A Study of Customer Satisfaction in Non-Banking Finance Companies (NBFCs) with Special Reference to Muthoot Finance

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### Abstract:

This research focuses on customer satisfaction in Non-Banking Financial Companies (NBFCs) with particular emphasis on Muthoot Finance. In light of growing digital usage, evolving customer demands post-pandemic, transparency issues, and competition rising, it is important to understand the drivers of customer satisfaction. Despite this, there are gaps in existing research on assessing the influence of digital transformation, quality of services, and issues of trust on customer experience. To fill these gaps, a comparative and descriptive research design is adopted. Primary data are collected from surveys (250-300 customers) and interviews (10-15 customers & employees) whereas secondary data are collected from industry reports, company reports, and regulatory documents. The method of random sampling with stratification is used for collecting a range of respondent sets. Both of quantitative method (statistical analysis of SPSS) and qualitative method (thematic analysis of response and case studies) are used for analysing the data.

The study will identify the primary factors that influence customer happiness, assess how digital services impact the customer experience, and compare Muthoot Finance to competitors like Manappuram Finance, Bajaj Finserv, and IIFL Finance. The findings will provide NBFCs with strategic insights that will help them improve their offerings, boost client confidence, and stay competitive in India's evolving financial sector.

### Introduction

In recent years, India's financial sector has experienced major shifts, and Non-Banking Financial Companies (NBFCs) have been important in filling the gap between traditional banking and the financial needs of both people as well as companies. A major NBFC among them, Muthoot Finance is best known for its gold loan services, which offer a wide variety of customer, from small business owners to those in urgent need of financing. Still, as the financial sector changes, NBFCs like Muthoot Finance's long-term success is now heavily influenced by customer satisfaction.

Customer expectations have changed recently because of shifts in customer behaviour, technological adoption, and regulations rules, while NBFCs have significantly increased financial inclusion by providing easy and fast loans. As fintech companies and digital lending sites have grown in popularity, traditional NBFCs are now challenged facing competition that makes it hard for them to keep customers happy. There is a lack of understanding about the success of digital transformation in the NBFC sector because many customer still choose traditional branch visits even after Muthoot Finance adopted digital services. Also, the demand for contactless financial services has increased because to the COVID-19 pandemic yet, nothing is known about how Muthoot Finance has adapted to these changing demands.

Another major problem in financial sector is trust and honesty. Customer have frequently raised dissatisfaction about the debt collection methods, high interest rates, and hidden costs of the NBFC sector. But, past studies have not sufficiently looked at how Muthoot Finance has taken significant steps to increase honesty and long-term customer trust. Also, due to there is a lack of comparative research compared Muthoot Finance to other well-known NBFCs like Manappuram Finance, Bajaj Finserv, and IIFL Finance, it is tough to decide how the company's customer satisfaction ratings are competitive in the financial sector.

While studying of the effect of technology advancement, increasing service demands, honesty problems, and competitive positioning, this study wants to fill these research gaps and give an in-depth analysis of customer satisfaction in Muthoot Finance. when covering these important variables, this study will give NBFCs with relevant information that will help them enhance customer service strategies, increase trust, and adapt to the developing financial sector.

## **Literature review**

In as compared to popular banking sector, research on Non-Banking Financial Companies (NBFCs) is still slightly restricted, with the fact that customer satisfaction is a concept that has been widely examined in the financial sector. Customer experience, service quality, digital transformation, and regulatory challenges faced by NBFCs have all been the subject of multiple studies over the years. However, there are still unanswered questions about how recent events—like increased competition, post-pandemic consumer expectations, technology breakthroughs, and trust issues—affect customer happiness, especially at Muthoot Finance.

### **1. Digital Transformation and Customer Satisfaction in NBFCs**

The way that financial companies communicate with their customers is evolving the result of the increasing use online customer support, mobile apps, and digital lending sites. Recent research shows that digital financial services have increased access, decreased wait times and provided fast transactions, all of which have enhanced customer satisfaction. While an important portion of Muthoot Finance's customer are in rural and semi-urban areas, and they generally prefer face to face branch visits over online services. While technological advances in NBFCs has efficiency enhanced many customer still lack knowledge of technology, based to research by **Kumar & Patel (2022)**. This causes a gap between available service and actual use. This highlights the question of how when Muthoot Finance's digital offerings satisfy the needs of a variety of customer.

### **2. Post-Pandemic Shifts in Customer Expectations**

The market for digital payments, personal financial product, and faster loan processing is increasing an outcome of the COVID-19 pandemic, that has changed customer demands for financial services. Post-pandemic customer expect more flexibility in repayment options and customer-centric digital services, according to a study by **Sharma & Verma (2021)**. We have little data to suggest that Muthoot Finance's move towards of mobile-based customer service along with online gold loans have resulted in an important rise in customer satisfaction. Many customers still struggle worries with service delays, lack of specific support, and problems in moving to digital platforms, producing a research gap in examining the effectiveness of post-pandemic services improvements.

### **3. Trust, Transparency, and Ethical Concerns in NBFCs**

Trust plays a important element in finance products and services, specially in the NBFC sector, where customers always depend on quick financing options with minimal proof. But, some of NBFCs, like Muthoot Finance, have faced customer dissatisfaction because of high rates of interest hidden costs and strong repayment methods. Many customer in the gold loan market are uninformed of the terms and repayment plans for their loans are which result in misunderstanding and dissatisfaction, based on a recent study by **Singh & Rajan (2023)**. while Muthoot Finance has managed to improve transparency, it has not been fully studied in previous research if these steps have increased consumer trust.

### **4. Competitive Landscape and Customer Retention Challenges**

Retention of customers has become more challenging for NBFCs because of tough competition from fintech firms and traditional financial institutions. Based to a study by **Das & Mehta (2023)**, business like IIFL Finance, Bajaj Finserv, and Manappuram Finance are improving customer satisfaction with specific loan products, reward programs, and increased digital experiences. Comparing studies of Muthoot Finance's customer satisfaction performance in respect to these competitors are difficult to find actually. Finding areas for growth requires understanding how customer perceive Muthoot Finance in comparison to its competitors.

## Research Gap and Need for This Study

### Research Gap

Earlier studies on NBFCs revolve around financial inclusion but are not insightful in fields of:

- 1. Digital Transformation-** Extremely little research on online service preference vs. branch visits.
- 2. Post-Pandemic Expectations** – No research on contactless, quicker loan sanction, and customized solutions.
- 3. Trust & Transparency:** Analysis of hidden fees, exorbitant interest rates, and loan recovery practices is lacking.
- 4. Comparative Analysis:** Muthoot Finance is not thoroughly compared to its competitors, including Manappuram Finance, Bajaj Finserv, and IIFL Finance.

### **Need for the study**

Understanding the customer satisfaction trend in NBFCs and addressing the gaps in digitalisation, service quality, and transparency require this study. The results will assist Muthoot Finance and other NBFCs in enhancing customer trust, service strategies, and market competitiveness.

### **Research Methodology**

The study analysis customer satisfaction at Muthoot Finance through a qualitative and quantitative methodology.

**Research Design:** A comparative analysis with competitors (Manappuram Finance, Bajaj Finserv, IIFL Finance) and descriptive research to gauge customer satisfaction.

### **Data collection**

Primary data: Interviews and surveys are examples of primary data. Surveys are carried out on a sample of 250-300

Secondary Data: Industry reports company documents, regulatory guidelines.

**Sampling Method** - Stratified random sampling to ensure varied customer base.

### **Data Analysis –**

Quantitative: Statistical analysis using SPSS.

Qualitative: Thematic study of customer feedback & case studies.

**Expected Outcomes** - Recognize the main factors of satisfaction, evaluate the impact of digital services and suggest ways to increase the trust of customers and competitiveness.

### **Objectives of the Study**

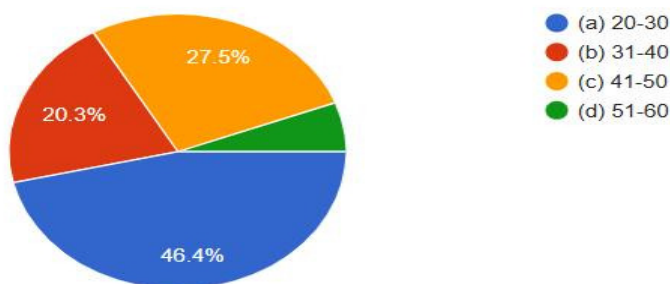
- 1.** Assessing the influence of digitalization (online gold loans, mobile applications) on the level of customer experience and convenience.
- 2.** Analysing post-pandemic changes in customer expectations for service speed, transparency, and contactless transactions.
- 3.** Trust and transparency issues to be examined include hidden charges, loan recovery practices and regulatory compliance.

**Data analysis and Interpretation**

**• Age of respondents**

Age	Number of respondents	Percentage
20-30	32	46.4%
31-40	14	20.3%
41-50	19	27.5%
51-60	4	5.8%

. Age Group

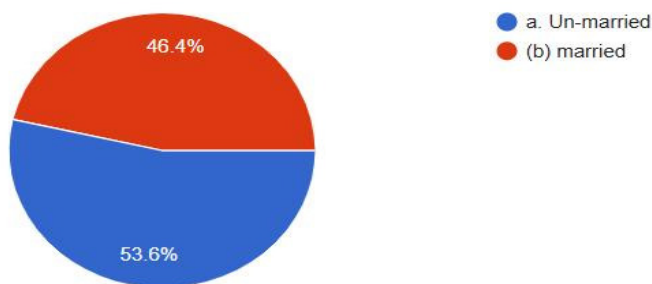


Younger customer, aged between 20 and 30, show high satisfaction levels. interaction reduces with age, suggesting that targeted strategies are needed for older customer.

**• Marital status**

Options	No. of respondents	Percentage
Un-Married	32	46.4%
Married	37	53.6%

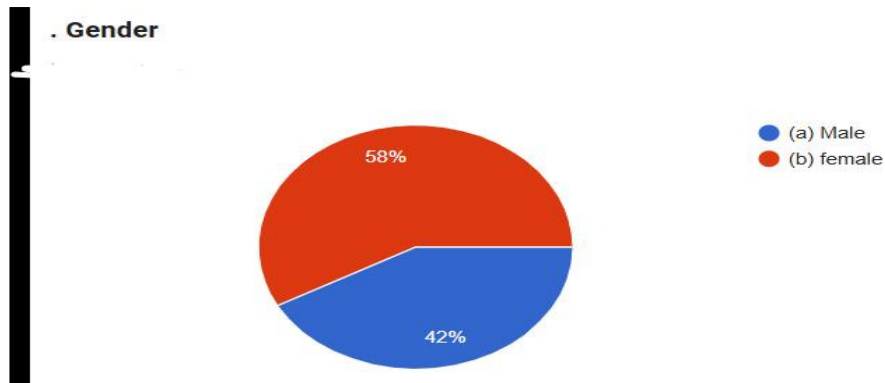
. Marital Status



Married respondents (53.6%) may more satisfied due to family-focused financial needs, while unmarried respondents (46.4%) might focus on short-term products, customised customer improvements.

**• Gender**

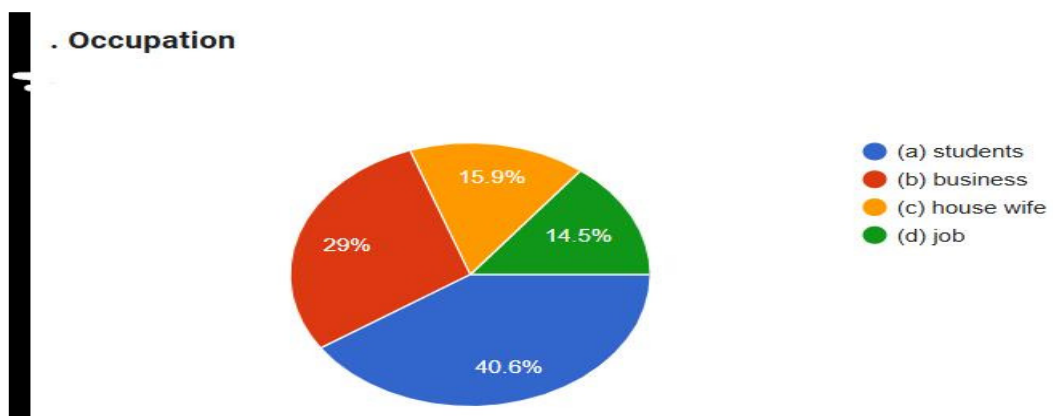
Options	No. of respondents	Percentage
Male	29	42%
Female	40	58%



Women are more than men (58% to 42%) are the ones who use the services of Muthoot Finance. This shows the need to keep the female customers satisfied and to increase the male engagement.

• Occupation

	No. of respondents	Percentage
Students	28	40.6%
Business	20	29%
House wife	11	15.9%
Job	10	14.5%

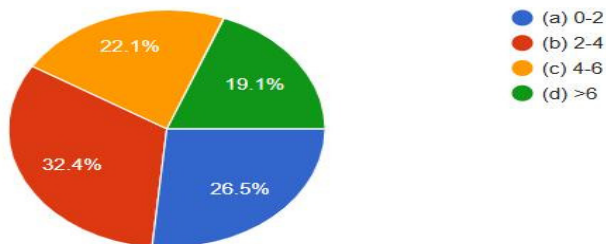


Students and business owners are the largest consumers of financial services, with 40.6% and 29% respectively. Housewives and employed individuals are less likely to use the services, with 15.9% and 14.5% respectively. These statistics indicate a need.

1

	No. of respondents	Percentage
0-2	18	26.5%
2-4	22	32.4%
4-6	15	22.1%
>6	13	19.1%

**1. How many times in a year you have emergency need of money**

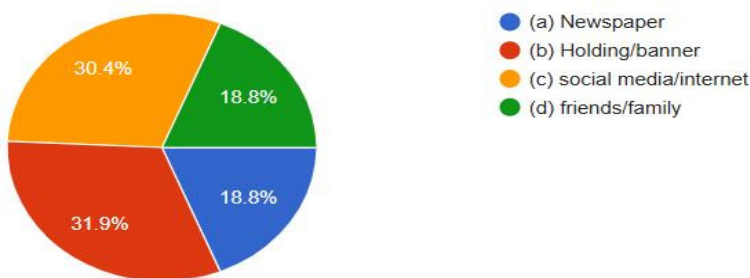


30.4% of customers who use 2-4 products show an average amount of engagement. Cross-selling is strategies can be beneficial, still as increased product usage can boost customer satisfaction.

**2**

	No. of respondents	Percentage
Newspaper	13	18.8%
Holding/banner	22	31.9%
social media/internet	21	30.4%
friends/family	13	18.8%

**3. From where you got information about Gold Loan scheme**

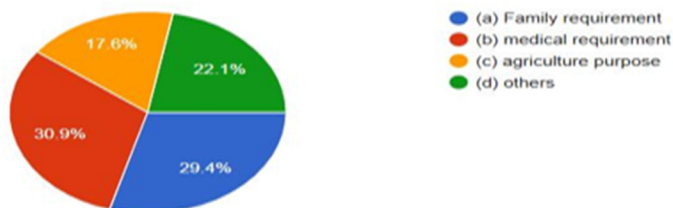


Visual and digital advertising create the highest awareness (holding/banner 31.9%, social media 30.4%), indicating a positive relationship between modern marketing and consumer engagement.

**4**

	No. of respondents	Percentage
Family requirement	20	29.4%
Medical requirement	21	30.9%
Agriculture purpose	12	17.6%
others	15	22.1%

**4. Purpose of taking loan**

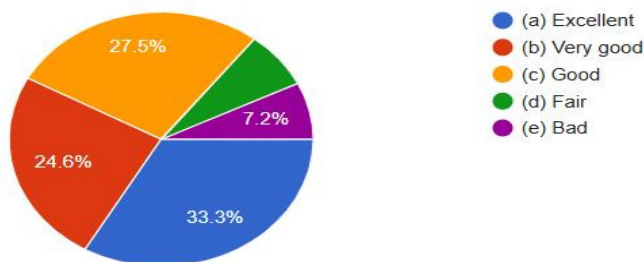


Family (29.4%) and medical (30.9%) are the most significant determinants of financial dependence. This highlights the need for specialized services to enhance confidence and satisfaction.

5

	No. of respondents	Percentage
Excellent	23	33.3%
Very good	17	24.6%
Good	19	27.5%
Fair	5	7.2%
Bad	5	7.2%

5. The customers opinion regarding the rate of interest chargeable by the muthoot finance

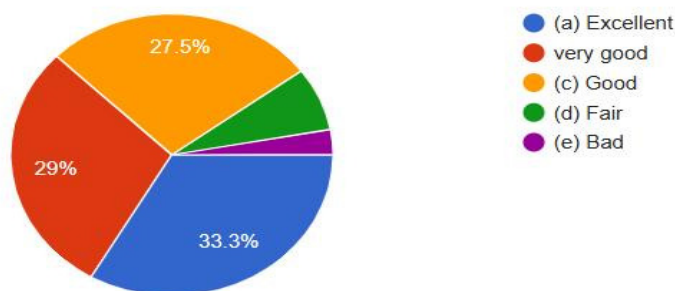


A majority of the respondents, to the tune of 57.9%, are very good or excellent of their rating, which is very satisfactory and underscores the more room for improvement in the less rated feedback.

6

	No. of respondents	Percentage
Excellent	23	33.3%
Very good	20	29%
Good	19	27.5%
Fair	5	7.2%
Bad	2	2.9%

6. The muthoot finance staff behavior towards the customer regarding various financial products



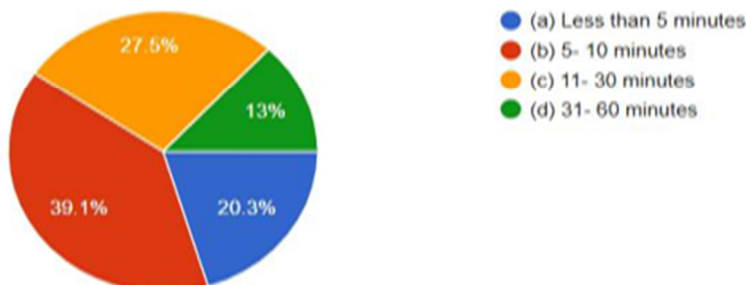
Satisfaction is overall high at 89.8% good to excellent, but focusing on the 10.1% fair and poor ratings could improve customer loyalty.

7

	No. of respondents	Percentage
Less than 5 minutes	14	20.3%

5- 10 minutes	27	39.1%
11- 30 minutes	19	27.5%
31- 60 minutes	9	13%

7. Shows the time taken for the various and whole loan procedure of muthoot finance

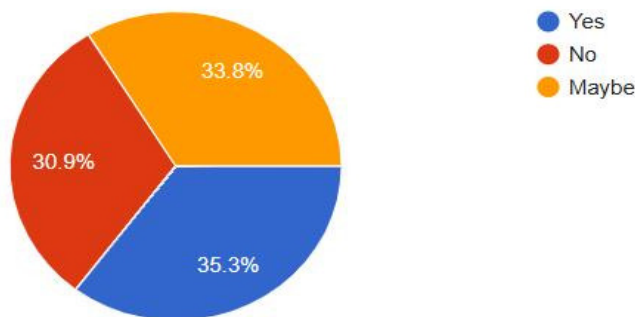


Brief waiting times link to higher levels of satisfaction. Conversely lengthier waits have an adverse effect on satisfaction. This brings to the fore the necessity for speedier service.

8

	No. of respondents	Percentage
Yes	24	35.3%
No	21	30.9%
May be	23	33.8%

8. In case of default, does payback period

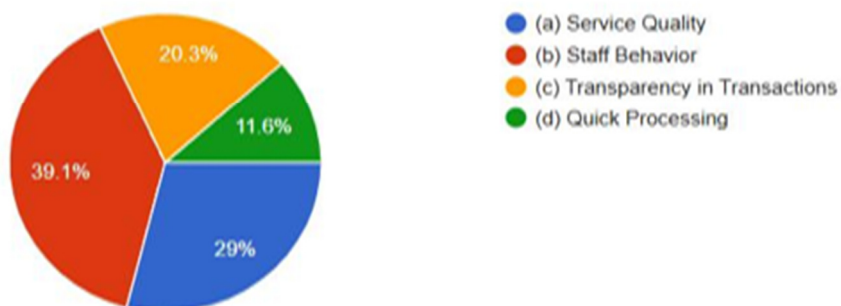


Slightly over 35% of participants would recommend the services. Addressing the concerns of hesitant 33.8% and dissatisfied 30.9% participants could lead to increased satisfaction.

9

	No. of respondents	Percentage
Service Quality	20	29%
Staff Behaviour	27	39.1%
Transparency in Transactions	14	20.3%
Quick Processing	8	11.6%

9. What is the most important factor influencing your satisfaction with Muthoot Finance

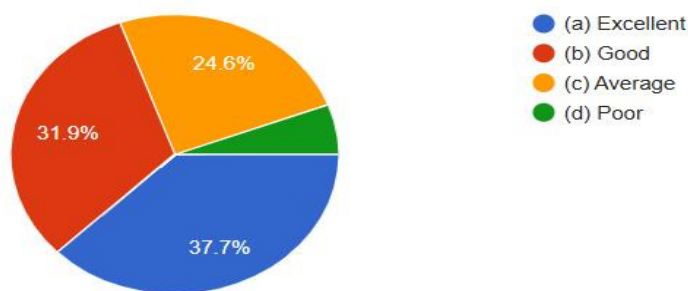


Employee conduct accounts for 39.1% of the variance in customer satisfaction. The service quality accounts for 29% of the variance. This means that the service quality is very important.

10

	No. of respondents	Percentage
Excellent	26	37.7%
Good	22	31.9%
Average	17	24.6%
Poor	4	5.8%

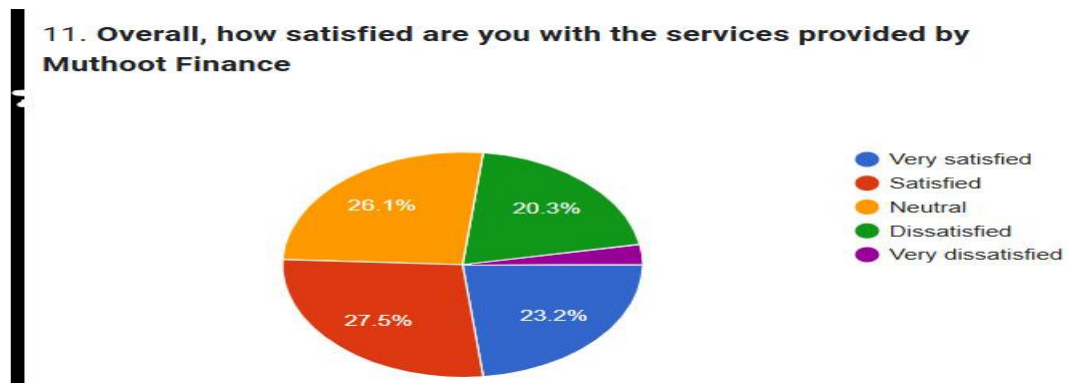
10. How would you rate the quality of service provided by Muthoot Finance



The majority of customers experienced satisfaction (69.6%), but addressing the concerns of those who gave average or low ratings (30.4%) would boost the satisfaction even more.

11

	No. of respondents	Percentage
Very satisfied	16	23.2%
Satisfied	19	27.5%
Neutral	18	26.1%
Dissatisfied	14	20.3%
Very dissatisfied	2	2.9%



Although the majority of consumers (50.7%) reported positive experiences, addressing the 23.2% who were dissatisfied and engaging the 26.1% who were neutral could further enhance satisfaction.

### Findings

1. Age and satisfaction. Younger customers, aged 20–30, are more satisfied with the bank's service, while the older
2. Marital Status: Married customers prioritize family needs, while unmarried ones prefer short-term products.
3. Gender Bias: Women (58%) are more likely to use Muthoot Finance than men (42%); need to increase male engagement.
4. Occupation Impact: Students (40.6%) and business owners (29%) are the most active users. Housewives and employees are less active.
5. Product Usage: Moderate use (2-4 products, 30.4%) suggests cross-selling opportunities
6. Effectiveness of Marketing: Digital and visual ads (holding/banner 31.9%, social media 30.4%) are the
7. Family (29.4%) and medical (30.9%) are the main reasons for loaning, and they need specific services to be
8. Overall Satisfaction: 57.9% rate service as very good/excellent; addressing low ratings can improve experience.
9. Wait Time Impact: Shorter wait times increase satisfaction. Longer waits decrease it.
10. Rate of Recommendation: 35.3% would recommend; it is crucial to improve hesitant (33.8%) and dissatisfied (30.9%)
11. Service Quality and Staff Behavior: Employee behavior (39.1%) and service quality (29%) have a significant effect on satisfaction.
12. Customer experience: 69.6% satisfied, but there is a potential to engage more with low/average ratings (30.4%)
13. Dissatisfaction Areas: The issues of 23.2% of the respondents who are dissatisfied and 26.1% of the neutral respondents.

### Suggestions:

**Targeting the Elderly:** Crafting Tailored Solutions to Boost Interaction.

**Customize Offerings:** Family-focused products for married customers and flexible plans for unmarried ones.

**Enhance Male Engagement:** Improve marketing and services to appeal to more male clients.

**Occupation-Specific Services:** Provide financial services for students, entrepreneurs, and employees.

**Encourage Product Usage:** Implement a cross-selling strategy to increase product adoption.

**Enhance Digital Marketing:** Increase social media and visual ad campaigns for more reach.

**Specialized Loan Solutions:** Enhance financial products for family and medical needs.

**Enhance Service Quality:** Lower-rated feedback should be addressed to improve overall satisfaction.

**Decrease Wait Times:** Execute quicker processing to boost the customer experience.

**Increase Referral Rates:** Address the concerns of hesitant and dissatisfied customers to increase referrals.

**Enhancing employee training:** It will improve the behavior and service quality of the staff, which will lead to an increase in

**Address Dissatisfaction:** Engage Neutral and Dissatisfied Customers for Better Retention.

### **Conclusion:**

The report highlights that the most frequent users of Muthoot Finance services are young, married, female customers. Employee behaviour, occupation and service quality are the most significant factors that influence satisfaction. While faster service and better engagement can increase customer happiness and referrals, digital marketing and specialized financial solutions also increase customer trust. Resolving negative reviews and personalizing offerings can improve customer satisfaction and loyalty in general.

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