

# An Analytical Study on the Awareness Level of NBFC Time Depositors Regarding Deposit Terms and Conditions

Kiran Kumar Voruganti

Associate Professor, Shri Rawatpura Sarkar University, Raipur, Chhattisgarh, India

**Abstract:** *This study examines the awareness levels of NBFC fixed depositors concerning the terms and conditions outlined in fixed deposit application forms. Using a sample from a select locality in Raipur City, the study evaluates depositor knowledge on various aspects such as deposit period, tax deduction, and premature withdrawal. The findings reveal varying levels of awareness among depositors, with implications for investor education and NBFC practices.*

**Keywords:** NBFC, Fixed deposits in NBFC, Depositors, Awareness

## 1. Introduction

A non-banking financial company is a company registered under the Companies Act, 1956 or 2013 and is engaged in the business of Loan and advances, Acquisition of shares/ stock/ bonds/ debentures/ securities issued by Government or local authority, other marketable securities, Leasing, Hire purchase, Insurance, Chit business but it does not include any institution whose main business is of agriculture or industrial activity. NBFCs must be registered with the RBI to commence operations, except in a few cases. There are several differences between Commercial Banks and NBFCs, such as:

- A NBFC cannot accept demand deposits
- NBFC cannot be a part of the payment and settlement system
- NBFC cannot issue cheque books
- The deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available for NBFC depositors.

NBFCs prepare their balance sheets in accordance with the prudential norms and directions set by the RBI. The accounting standards issued by the ICAI are applicable in preparing the financial statements of NBFCs.

Non- Banking Financial Companies can be classified viz., deposits accepting NBFC, nature of their activity basis and on the basis of the size of their assets.

NBFCs work for following aspects for commercial society

- 1) Retail Financing
- 2) Infrastructure financing
- 3) Hire Purchase Services
- 4) Trade Finance solutions like letters of credit, factoring, and bill discounting. Asset Management services.
- 5) Providing venture capital funding
- 6) NBFC-MFIs (Microfinance Institutions) provide microloans
- 7) Investment Banking Services

## 2. Review of Literature

Dutta, P., Jain, A., & Gupta, A. (2020) This paper analyses the performance of non-banking finance companies (NBFC) in the Indian context is by using data envelopment analysis (DEA). Data of 5 years (2014–2018) is taken to calculate super-efficiencies in the first stage and then regresses the same on exogenous factors in stage-2. Descriptive statistics are used to assess the efficiency.

Alirzayev, A., Shamkhalova, S., & Abdulov, A. (2020) Lending activity in Azerbaijan is carried out by banks, mainly. It explains their special importance in the country's economy. NBCOs (Non-Banking Credit Organizations) also have an important role in lending to the individuals in the economy of Azerbaijan. This article searched the influence of the NBCOs credits on non-oil part of GDP in Azerbaijan.

Lam, H. (2023) Non-Banking Financial Corporations are playing an important role in the financial market by providing loan facilities to the business. It is one of the main part of financial system of any country. It leads to improve the employment opportunities and economic development, ultimately. The NBFCs are becomes an important aspects of credit creation and credit control tool of central banks of the concern countries.

Shah, N. A. (2023) Here is a test of performance of the non-banking financial sector in the financial years of 2017-2018 and 2018-2019 in terms of expansion and profitability. An analyse is also done to check the contribution of these companies to provide credit facility to other sectors.

Prudhvi, S., & Bhattacharya, M. (2020). This paper studies about deposits, loan and advance advanced by the NBFCs from/to the households' sector. A broad trend is also studied to know credit flow to the commercial sector from the non-banking channels. It also studies the difference in the net flow of resources to and from a particular type of NBFCs, to gain insights into the sources of funds, for knowing relation between NBFCs and the formal banking channels.

Kumar, S. (2023) In this study explained the financial analysis of Fusion Microfinance Limited, an NBFC with an

object to study a variety of ratios to evaluate the company's financial performance. The five years of published data in its annual reports are used to conduct the analysis.

Jain, S., & Gupta, V. K. (2023) The paper provides a general analysis of NBFCs in India. The paper depict how NBFCs can increase their scope in micro, small and medium enterprises and retail sectors. The NBFCs have a cutting edge over banks because of having customized products. The paper also discussed the importance of digitalization in NBFCs' functioning.

Basu, T. (2019) The main objective of this study is a comparative analysis of the financial performance of selected investment and assets finance companies. Certain performance indicators (ROA, ROCE, ROE, DE RATIO, NPR and CR) are chosen

### 3. Research Gap

Studies for NBFC was made in many dimensions. Financial performance, lending activities, credit creation and credit control, deposits, loan and advance, general analysis, comparative analysis of the financial performance were a segment of dimension.

NBFC also accepts deposits from public. In deposit application form terms and conditions of such deposits are mentioned. No studies are found for "checking depositors' awareness regarding such term and condition". This gap can be categorized as content gap.

### 4. Objectives of the Study

Deposits accepting kind of NBFC, accepts deposits as per guideline issued by RBI. In their deposit application form terms and conditions related to deposits are given.

The Purpose of this study is to analyze the awareness level of NBFC fixed depositors regarding the terms and conditions outlined in fixed deposit application form.

### 5. Importance of the study

This study is significant because it provides insights into the financial literacy of NBFC fixed depositors, which can inform future investor education initiatives and help to improve the transparency and effectiveness of NBFC communication strategies.

As on 31.03.24, 25 deposits accepting NBFCs are functioning in the country. The study also helpful for current and prospective FD accepting NBFCs for effective deposit

mobilization.

### 6. Research Methodology

- 1) Universe of the study- A select locality of Raipur City
- 2) Sample Size- 64
- 3) Data Nature – Primary
- 4) Data Collection- Through Questionnaire containing questions related to
  - a) Deposit period
  - b) Tax deduction at source
  - c) Interest on overdue period of deposits
  - d) Account opening formalities
  - e) Account closing formalities
  - f) Joint Deposits
  - g) Nomination
  - h) Death claim settlement
  - i) Premature withdrawal
  - j) Loan against deposits

Questions are based on analysis of randomly selected FD application form of three NBFCs. Responds are designed as decreasing number for decreasing order of awareness, starting from 4 then 3, 2 and 1 respectively.

**Each response sheet/ reply of an individual would be recorded as**

Range of respond	Category
30-40	Adequate
20-29	Average
10-19	Below Average

Hypothesis- Individuals have adequate knowledge regarding terms and conditions given in deposit application form.

#### Research Method

- Mean will be computed to know category of samples collected.
- Standard error of mean will be find out.
- To check data reliability, responses will be randomly divided into two equal parts, i.e.
- Set A Containing 32 responds Set B Containing 32 responds
- Z test will be done.
- Karl Pearson Coefficient of Correlation will calculate to check data reliability Results will be analyzed and discussed.

### 7. Finding

#### Finding regarding Z test

Set	Mean	SD	N	Standard Error of Mean	Mean Difference	Standard Error	Z
A	33.09375	1.940392	32	0.343	0.31	0.48	0.65
B	33.40625	1.898376	32	0.336			

**Correlation table**

		Set-A									
		Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10
Set-B	Q-1	0.86									
	Q-2		0.68								
	Q-3			0.94							
	Q-4				0.63						
	Q-5					0.90					
	Q-6						0.71				
	Q-7							0.60			
	Q-8								0.86		
	Q-9									0.68	
	Q-10										0.81

## 8. Conclusion and Discussion

- 1) The mean value of set A and Set B is 33.09375 and 33.40625 respectively. It falls on the range of 30-40, meant the “adequate level” of awareness. The “standard error of mean” also confirm the range of mean value. In this way hypothesis of the study is proved.
- 2) “Z Test” is done to check harmonization between Group A and Group B. Found value of “Z Test” confirm that Group A and Group B belongs to the same universe.
- 3) Karl Pearson Coefficient of Correlation question wise table for both sets says that

Correlation descriptions	Question No.	Total Questions
Very High Degree Correlation	3, 5	2
High Degree Correlation	1,8,10	3
Correlation existence	2,4,6,7,9	5

The correlation count reveals data reliability. In this study “r” showed completeness and accuracy of data at a great extent.

## 9. Limitation of the study

- Sample size is small. Bigger sample size may have better result.
- There was time constrain to complete the study.
- Biasness of respondents may have impact on result.

## 10. Direction for Future Study

- Universe can be change
- Different methods can be adopted for hypothesis testing.
- Different methods can be adopted for data reliability.
- Contents of research can be taken from more sources.

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