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CUSTOMER PERCEPTION OF DSA AND FRANCHISE-BASED LOAN MARKETING: AN EMPIRICAL STUDY OF NBFC BORROWERS IN VIDARBHA

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Abstract
The fast growth in the number of NBFCs in India has rubbed fuel to the fire of utilizing intermediary based loan marketing channels especially in DSAs as well as franchise based retail outlets with a view to increasing credit penetration in semi-urban areas like Vidarbha. This research paper compares and contrasts the perceptions of customers towards DSA and franchise based loan marketing systems as regards the quality of the services offered, transparency, trust, perceived risk, convenience and overall satisfaction. A descriptive analytical research design was used to collect primary data comprising of 320 NBFC borrowers in a structured questionnaire and analysed using the descriptive statistics and an inferential method with independent sample t-tests. The results indicate that there is statistically significant difference in customer satisfaction on the two channels. Whereas the DSA model is less convenient since it has a doorstep and flexible service style, franchise based models have shown better performance in terms of transparency, trust, quality of services, and decrease in perceived risk. The findings indicate that convenience alone is not important to the borrowers, but rather the reliability and transparency of their loan dealings. By providing the insights on the use of NBFCs as a channel by borrowers and by giving the viable implications on the governance of the channels and sustainable marketing of loans in the regional markets, the study helps to add to the existing limited number of empirical studies on the topic of channel distribution.
Keywords: NBFCs, Direct Selling Agents, Franchise-based loan marketing, Customer perception, Service quality, Vidarbha

Introduction

NBFCs in India have taken over a pivotal role in the retail credit delivery especially in the semi-urban and rural areas where people engage in loans primarily because they help them quickly, documentation is flexible and the borrower is able to do the deal at the door step. To automate the loan applications on a large scale, NBFCs in Vidarbha are increasingly adopting third-party distribution architectures typically Direct Selling Agents (DSAs) and the franchise-based partner outlets. Although this type of channel strategies is currently employed extensively in terms of customer get, the experience of the customer is formed not only by the NBFC experience in terms of underwriting and pricing, but also by the interface agent (DSA representative or franchise executive) who shares product conditions, gathers paperwork, organizes field inspection, and handles expectations when granting the sanction and disbursing funds.

Services marketing and financial distribution, DSA and franchise channels could be viewed as high-touch intermediation models, which potentially minimise the search costs on the part of the borrower

and maximise market coverage on the part of the lender. Nonetheless, intermediation also creates fluctuation in service delivery, transparency and perceived fairness, which has a strong role in driving satisfaction, and trust and downstream behavioral intentions (e.g., repeat borrowing, referrals, complaint behavior). It has been found in research done on the choice of financial services channels that consumers analyze the channel based on such dimensions as convenience, perceived effort, reassurance and compatibility with the complexity/riskiness of the product, and that multichannel behaviour arises when consumers integrate channels to reduce uncertainty and enhance decision confidence (Black et al., 2002; Cortinas et al., 2010). In the lending sector, where information asymmetry is critical and the impact of the mis-selling is severe, the perceived risk and trust ratings of the borrowers will play a central role in adoption and further utilization (Kumar et al., 2023).

Contextually, no distant branding issue exists that customer perception of DSA-led versus franchise-led loan marketing will not directly impact customer perception, but rather a governance and performance issue that directly will impact the quality of an acquiring company, complaint rates, portfolio behavior, and reputation of the NBFC in host markets. The analysis of service quality according to the same studies is always shown to exhibit a high predictability of satisfaction in financial institutions and other surrounding environments such as reliability, responsiveness, assurance, and tangibles (Chu et al., 2012; Wang et al., 2023). However, in the case of optimization of distribution the borrower can place blame on the NBFC of service failures (delays, confusion with documents, undisclosed charges or inability to communicate evenly) when the operational responsibility is distributed between the channel partner and the NBFC. This attribution risk is especially acute to NBFCs whose geographies are relationship oriented like in Vidarbha where the trust is likely to be developed by way of repetition of interactions in communities as well as referrals.

In line with this, this paper reviews the perception of these two originating channels by the major perceptual dimensions of service quality, transparency, trust, perceived risk, convenience and overall satisfaction and the differences in perceptions among the borrower segments. The study will help to create effective insights of NBFC channel governance (training, disclosures, monitoring), partner selection, and experience design in order to facilitate responsible growth and customer outcomes by concentrating on the perspective of the borrower.

Review of Literature

One of the streams of research emerging with a foundationally different conceptualization views financial services distribution as a channel-choice problem where customers choose channels that maximize value by minimizing effort and uncertainty and channels that minimize uncertainty and maximize value. Black et al. (2002) prove that heterogeneous motivations influence channel choice among consumers of financial services, which are both functional motivations (access, convenience) and psychological motivations (confidence, reassurance). This applies to NBFC loan marketing since the DSAs and franchise outlets are not just a point of sale but rather a decision support interface that shapes the manner in which the borrowers perceive credit product features, eligibility, and procedural requirements.

Developing a channel strategy research, Cortinas et al. (2010) demonstrate that the channel strategy behaviour can be linked to the scope of financial product ownership and total intensity of use, which means that customers implement the channel combinations to deal with the complexity and enhance the service coverage. Borrowers are known to switch between interpersonal channel (agent/outlet) and formal institutional channel (branch, call centre, digital touchpoints) in lending, in order to confirm the information and perceive the risk as lower. This would imply that touch-points help create the

customer perception in the case of DSAs and franchises, Vidarbha notes, however, that in the act of persuading the customer in the initial stages and documenting, the intermediary would be a central figure.

A second significant stream connects the perceived quality of service to satisfaction and trust constructs, which are very important in credence services, including loans. Chu et al. (2012) empirically determine that customer satisfaction and trust are based on service quality, which consequently leads to customer loyalty in an e-banking situation. Though the context is digital, the process can be transferred to loan marketing: service cues, which are expressed as the clarity of communication, responsiveness, fidelity of commitments, are used by the borrowers to imply institutional competence and benevolence.

The centrality of the dimensions of service quality is supported by evidences of the non-banking financial institutions. Based on the research of non-banking financial institutions in the environment of an emerging economy, Wang et al. (2023) state that assurance, reliability, responsiveness, and tangibility are found to be a stronger indicator of customer satisfaction, as the researchers are keen on identifying the operational levers that influence the conditions even beyond the conventional bank sphere. In the case of NBFCs who issue loans by means of DSAs and franchise partners, these dimensions are often reflected by the actions of the channel partner: precision of advice, timely updating, professional processing of documents and apparent process discipline.

The dynamics of trust-risks are repeatedly proved to influence the adoption and use of financial services innovations. Kumar et al. (2023) determine in the Indian context that perceived risk and perceived trust is a moderating factor in converting the behavioural intentions into the actual use in the adoption of mobile banking. Although the idea of loan origination through DSAs/franchises is not exactly the adoption of technology, it is a mediated financial choice in uncertainty and eagerness of the borrower to go through with it depends on how much he/she thinks the situation might be risky (has undetected costs, isabused documents, misinformation), and how much he/she trusts in the mediator (the representative/ outlet and the NBFC).

The middlemen channels have capability of reducing risk through providing advice and effortlessness, yet by the same way, they can raise perceived risk when borrowers become suspicious of cunning or incomplete disclosure. This duality means that the perceived transparency, ethical behaviour and the quality of disclosure should be explicitly considered as antecedents to trust and satisfaction in channel comparisons (DSA vs franchise), as opposed to the perceived channel being a purely operational variable.

A related body of literature involving agent-mediated financial inclusion channels is valuable as analogies to governance and sustainability. Uzma (2019) focuses on the concept of sustainability of business correspondent (BC) model in India highlighting the structural pressures (economics, incentives and operational viability) determining the front-end service provision. As much as BCs are used in different contexts of DSAs/franchises, there is certainly an overlay in the fundamental implication: when third-party mediation is a part of customer facing delivery, then incentive design, monitoring, and capability-building become vital to maintained customer experience. In NBFCs, the harm for customers (through miscommunication, overpromising or other grievance mismanagement) that is associated with weak governance of DSAs or franchisees may be compounded back into institution risk.

Synthesis and positioning for the present study

Together, the earlier studies determine that (a) perceived value and reduction of uncertainty are the basis of the selection and evaluation of the channels of financial services (Black et al., 2002; Cortinas et al., 2010), (b) one of the main determinants of customers satisfaction and trust is the quality of provided services (Chu et al., 2012; Wang et al., 2023), and (c) trust and perceived risk are the factors predetermining the choice and adoption in the context of financial services (Kumar et al., Nevertheless, as far as NBFC ecosystems are concerned, especially the regional markets, e.g., Vidarbha, empirical comparisons between DSA and franchise-based loan marketing as borrower-centric are limited to the mainstream literature. This research aims at filling this gap, by testing the null hypothesis, as to whether, and to what degree, borrowers trusting these two channels perceive systematic differences in this regard, and how much they are more satisfied and perceive less risk in the quality of the services they receive.

Objectives:

This paper will aim to objectively test and compare the customer perceptions of DSA and franchise-based loan marketing channel which are implemented by the NBFCs in the Vidarbha region with respect to the service quality perceptions of the channel, the channel transparency of information, customer trust, the channel perceived risk, customer convenience and customer satisfaction as a whole and determine the extent to which the borrower make loan decisions and experience with the channel upon loan sanction amongst different demographic and loan type bracket.

Methodology:

The research design used to investigate perception of customers towards DSA and franchise based loan marketing systems in the Vidarbha region is descriptive and analytical research design. Primary data was gathered in the form of a structured questionnaire to 320 NBFC borrowers, who were sampled with the help of a stratified random sampling method with the aim of providing sufficient representation of both DSA-originated and franchise-originated loans in urban and semi-urban districts of Vidarbha. The sample size was regarded to be adequate to statistically compare and test hypothesis. The key constructs included in the questionnaire and comprehended through the five points of a Likert scale were the quality of the services, transparency, trust, perceived risk, convenience, and the general satisfaction. Published journal articles, NBFC reports, and regulatory publications were obtained as the secondary data to give the context. The descriptive statistics, reliability analysis and inferential methods such as independent sample t-tests and multiple regression analysis were used to analyze the data to come up with significant perceptual difference between the two marketing models and determine whether channel-specific factors affect borrower satisfaction.

Result and Discussion:

In this section, the empirical study on customer perception between DSA-based and franchise-based loan marketing channels of NBFCs of Vidarbha is given. Primary data of 320 borrowers, which include 162 borrowers in DSA-channel and 158 borrowers in franchise-channel, is used in the analysis. The data were computed through descriptive and inferential statistics to investigate the differences in perception across the important service dimensions as well as test the hypothesized research.

Table 1 Channel-wise Mean Scores of Customer Perception Variables

Perception Dimension	DSA Model (n = 162) Mean	Franchise Model (n = 158) Mean
Service Quality	3.42	3.78
Transparency	3.31	3.69
Trust	3.45	3.81
Perceived Risk*	3.62	3.21
Convenience	3.88	3.54
Overall Satisfaction	3.47	3.76

*Note: Higher score indicates higher perceived risk.

The findings show that the differences in borrower ratings between the DSA and franchise-based loan marketing channels are perceivable. The quality of service, transparency, trust and general satisfaction are significantly better with the franchise-based models as compared to the DSAs, which indicates higher degree of consistency and institutional credibility in regard to the fixed franchise outlets. On the other hand, the DSAs have a higher convenience score because of their doorstep service orientation and flexibility in the availability. It is important to note that the perceived risk of the DSA model is higher, which reflects the doubts of the borrowers about the information asymmetry and documentation processing, as well as accountability after disbursement. These results show convenience and perceived reliability trade off in the two channel structures.

Table 2 Descriptive Statistics of Customer Perception Variables

Variable	Mean	Standard Deviation
Service Quality	3.60	0.64
Transparency	3.50	0.68
Trust	3.63	0.66
Perceived Risk	3.42	0.71
Convenience	3.71	0.62
Overall Satisfaction	3.61	0.60

The descriptive statistics display an average-to-high level of means scores of all perception variables, which represent an overall positive experience of the borrowers with NBFC loan marketing channels. The mean score is highest in convenience, illustrating the need to have a convenient and accessible approach to loan origination and ease of accessibility of the process through simplicity of the procedures used. There is a relatively increased variability in perceived risk indicating that there is a difference in borrower confidence based on the channel of sourcing the loan.

Hypotheses: There is no significant difference in overall customer satisfaction between DSA-based and franchise-based loan marketing channels of NBFCs.
To test the above hypothesis, independent sample t-test has been applied, the results are as under:

Table 3 Independent Samples t-Test for Overall Customer Satisfaction

Channel	Mean	Std. Deviation	t-value	p-value
DSA Model	3.47	0.61		
Franchise Model	3.76	0.58	4.21	0.000

The independent samples t-test shows that there is a statistically significant difference between the overall customer satisfaction of both DSA and franchise based loan marketing channels ($t = 4.21$, $p <$

0.05). The null hypothesis is rejected because the p-value is lower than the identified level of significance. This substantiates the fact that, the loan marketing channel used has great impacts on the satisfaction of the borrowers. The greater contentment of the franchise model implies that transparency, trust and structured delivery of services are much appreciated by the borrowers compared to the convenience in relationships with NBFC lending.

The descriptive and inferential findings in their totality prove that although DSAs increase the market penetration with the help of convenience-based contact, approach, franchise-based designs provide better perceptions of customers in regard to reliability and trust. The above information highlights the importance of NBFCs in Vidarbha to enhance governance, training, and monitoring of the DSAs and the use of franchise outlets as channel of relationships stability and lengthening client satisfaction.

Discussion

The GSK results offer empirical support that customer perception about loan marketing channels in the NBFCs significantly vary between Direct Selling Agent (DSA) and franchise based structures in the Vidarbha region and thus adds a contribution to the literature on financial services and channel management. The greater overall satisfaction, trust, and transparency scores in the context of the financing of franchise-related lending is correlated with previous studies that highlight the importance of the uniformity of the service provision and institutional guarantee in the formation of favorable customer ratings in the financial services sector (Chu et al., 2012; Wang et al., 2023). Through their permanently fixed location, visible branding and closer operational connection to the NBFCs, the franchise outlets seemingly lower the information asymmetry and increase the borrower confidence levels during the process of loan acquisition.

On the other side, the DSA model performs better in convenience that supports the channel choice theories that emphasize on minimization of efforts and ease of access as the main determinants of customer preference in using financial services (Black et al., 2002; Cortinas et al., 2010). Nevertheless, the perceived risk of the DSA-sourced borrowers is relatively high, which is why convenience is not enough to maintain trust in credit transactions that are based on long-term financial commitments. This is being in line with the research conducted in the Indian background describing the experienced risk as a significant risk factor moderating linking intention to actual use of the financial services (Kumar et al., 2023). Borrowers will feel that when there are no standard disclosure and robust oversight systems, DSAs will be synonymous with ambiguity in terms of documentation procedures, disclosure of fees and after disbursement services.

The non-acceptance of the null hypothesis supports the idea that customer satisfaction is strongly dependent on the type of the loan marketing channel which means that distribution strategy must be not only an operating decision, but also a predeterminer of customer experience and quality of relationship. This is consistent with sustainability-focused views about agent-mediated financial delivery according to which feeble governance and lack of incentives compatibility might sabotage customer results despite accomplishing outreach goals (Uzma, 2019). These findings indicate that NBFCs in Vidarbha relationships-based areas like Vidarbha need to strike the right balance between efficient outreach on one hand and stringent channel regulation, standardized training and constant supervision on the other.

Altogether, the discussion indicates that franchise-based models provide more stability of perception and ability of building trust, whereas DSAs are still useful when it comes to fast penetration and convenient-based engagement. A combination of advantages of these two models, improving

transparency, accountability, and service quality at DSA level, can help NBFCs to become sustainable in their growth and development without undermining customer loyalty and satisfaction.

Conclusion

The paper finds that there is a significant difference between the customer perception on both Direct Selling Agent (DSA) and franchise-based channels applied by the NBFCs in the Vidarbha region with regard to loan marketing. Empirically, it has been discussed that despite the excellent attribute of convenience and accessibility, franchise-based channels bring about greater degree of customer trust, transparency, quality of services, and overall satisfaction. The statistically significant change in satisfaction is a corroborating fact that the loan marketing channel is a sensitive factor in determining the experience of the borrower and the quality of the relationships. These results emphasize that when credit markets are inherently about information asymmetry and that the relationships of financial obligations have long-termism, reliability, information clarity and institutional guarantees may be superior considerations by the borrower, as opposed to ease of access.

Recommendations

It is also suggested that, based on the findings, NBFCs ought to increase the governance procedures of the DSA activities by providing standard training, disclosure procedures, and periodic performance audits, to alleviate the perceived risk and enhance the trust of borrowers. Relationship-oriented lending segments that are based on trust and continuity should further be tapped by use of franchise-based models. NBFCs can also look at mixed distribution policies, which take into account the effectiveness of reaching out through DSA and the process discipline through franchise stores with the help of technology supported monitoring and redressal of complaints. This type of mixed strategy may improve the satisfaction of the customers, high responsible lending, and sustainable development of regionally concentrated markets such as Vidarbha.

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