

**CONSUMER PERCEPTION TOWARDS QUALITY OF FINANCIAL  
SERVICES  
(URBAN VS. RURAL PERSPECTIVE)**

Suman Madan\*

Rohit Garg\*\*

---

**ABSTRACT**

*Liberalization, privatization and globalization (LPG) gave new insights to the financial system of any developing country like India. Financial services are considered to be the key parameter for the growth and development of any economy of the world as efficiency of financial system largely depends upon the quality and variety of services provided by the intermediaries. The efficiency of any financial institution can be judge through the perception and atonement of ultimate consumers who derived the benefits of it. However, it is perceived that financial service consumers located in urban areas are more satisfied than that of rural areas. This observation provides the direction to study the perception of customers located in both rural and urban areas towards the quality of financial services provided by financial institutions in Karnal, Panipat and Sonapat Region. For this purpose sample of 526 respondents from various towns and villages has been taken and data has been collected through the structured questionnaire to analyze the perception of urban vs. rural population.*

**Keywords:** *Financial Services, Financial Institutions, Consumer Perception*

---

\*Assistant Professor-Department of Management, Panipat Institute of Engineering & Technology, Panipat, Haryana.

\*\*Assistant Professor-Department of Management, Panipat Institute of Engineering & Technology, Panipat, Haryana.

---

## I. INTRODUCTION

Service quality is a key concept in today's competitive environment for financial institutions. Financial service businesses have been growing rapidly in recent decades, while customer demand for high quality service is increasing. Quality of service not only mean offering the product that customer need, but also providing an atmosphere and overall experience that is satisfying. The quality of services is difficult to measure because of its intangible nature. Therefore, a customer has to buy a product first to evaluate it. Also, services are produced & consumed at same time so it is not possible for firms to inspect it before selling it to the customers.

Service quality can be defined as the difference between customer's expectations for the service encounter and the perceptions of the service received. According to the service quality theory (*Oliver, 1980*), it is predicted that customers will judge that quality as `low` if performance does not meet their expectations and quality as `high` when performance exceeds expectations. Closing this gap might require toning down the expectations or heightening the perception of what has actually been received by the customer (*Parasuraman et al., 1985*).

Financial institutes act as intermediaries in the market. They facilitate flow of money from investors to the companies who need those funds. There are many companies in the market which are providing the financial product like insurance, demat account services, mutual funds, general insurance, Portfolio management services(PMS), wealth management, gold coins, Money changing , Money Transfer, and the others.

Different customers have different expectations, based on their knowledge of a product or service. A customer may estimate what the service performance will be or ought to be. If the service performance meets customers expectation, the customers will be satisfied or vice-versa. There are two general conceptualizations of satisfaction here, namely, the transaction-specific satisfaction and the cumulative satisfaction (*Boulding et al., 1993; Jones and Suh, 2000; Yi and La, 2004*). Transaction-specific satisfaction is the customer's very own evaluation of his or her experience and reaction towards a particular service encounter (*Cronii & Taylor, 1992; Boshoff and Gray, 2004*). This reaction is expressed by the customer who experiences a product or

service for the first time. Meanwhile, cumulative satisfaction refers to the customer's overall evaluation of the consumption experience to date (Johnson, Anderson and Fornell, 1995).

Customer perception means the reaction of the customers in relation to the performance of the firm in satisfying /dissatisfying the services. A greater number of satisfied customers will make any business more successful and profitable. To remain competitive, a firm needs to analyze customer's expectation and perception towards the service quality. Customers from different type of backgrounds have different kind of perception towards these services. Here we are going to study about the perception of urban & rural customers towards these financial services.

## II. REVIEW OF RELATED LITERATURE

Customer perceptions positively affect financial performance; and customers purchase financial services with dissimilar benefits, all of which come with corresponding attributes, and hence result in different levels of customer satisfaction and behavioral sequence, which is important in reinforcing customers' trust, commitment, repurchase intentions and corporate financial performance (*Liang et al., 2009*). Satisfaction and service quality are positively related to value and that quality exerts a stronger influence on value than satisfaction (*Nguyen & LeBlanc, 1998*). Service quality is at the root of customer satisfaction and is linked to such behavioral outcomes as word of mouth, complaint, recommending and switching. However, different aspects of service quality and different consumer characteristics seem to be associated with different outcomes (*Yavas et. al, 2004*).

Six factors explain perceived quality namely the degree of customer satisfaction, the contact personnel, the internal organisation, the physical environment and instruments, the corporate image, and the personnel/customer interaction during the service encounter (*LeBlanc & Nguyen, 1988*). Satisfaction is influenced by seven factors: employee responsiveness, appearance of tangibles, social responsibility, services innovation, positive word-of-mouth, competence, and reliability (*Singh & Kaur, 2011*). The ultimate success of any service quality programme implemented by a bank can only be gauged by creation and retention of satisfied customers. The role of customer-contact personnel in the attainment of these goals is of paramount importance. Therefore, in their efforts to deliver high quality services to their external publics (i.e. clients),

banks should not ignore the specific needs of their internal publics, notably their customer-contact employees (*Yavas et al.,2004*).

Customers receiving higher levels of service quality will form a favourable image of the banking institution. banking institution should have a strong image when customers believe they are getting high value.( *Nguyen & LeBlanc,1998*).The first-order factors obtained for trustworthiness of retail bankers are customer orientation, integrity and honesty, communication and similarity, shared values, expertise, and ability and consistency. The second-order confirmatory factor analysis resulted in three higher order factors namely, competency, openness and benevolence.(*Roy& Shekhar, 2010*). Investments in enhancing customers' service knowledge strengthen customer trust in an organization and thus can act as an important service differentiator. Customer education initiatives, however, also affect the impact of perceived service quality on customer trust.Customer education affects the relative importance of technical and functional service quality for building customer trust in a firm. (*Eisingerich & Bell,2007*).

Delivering higher levels of service quality is the strategy that is increasingly being offered as a key to service provider's efforts to position themselves more effectively in the marketplace. Almost all banks perform same functions. Therefore, customer takes into account the relative efficiency while choosing a particular bank. Moreover, banks carry on business with public money and, therefore, customers expect better services from them. Under such circumstances, customer's decision to patronize one and not the other is based on quality service offered to him. Firms, therefore, prosper or decline, depending upon the quality of service they provide to their customers. Because of this widespread belief service organisations have placed service quality at the top of the list of strategic constructs (*Bhat,2005*).

Customer satisfaction is confirmed as a mediator in the relationship between automated service quality and financial performance (*Hawari & Ward, 2006*).Corporate image of commercial banks includes dimensions related to the services offered, accessibility, corporate social responsibility, global impression, location and personnel. Two alternative models were validated for customers and non-customers to explain how corporate associations influence intention to use the bank's services. For the case of current customers, satisfaction is a key mediating variable (*Bravo et al, 2009*).

### III. RESEARCH METHODOLOGY

#### 3.1 Need for Research

Financial services provided by the Financial Institutions affects money, capital markets and the real sectors in a developing economy like India. It is a sector with strategic importance for any country as it contributes to the economy GDP as well as confers social benefits to the society. The role of Financial services are undergoing a phenomenal change today as it is shifted from increasing sales to increasing customer satisfaction by providing qualitative financial services.

To meet the varying needs of various individuals, financial service providers have a vast foray of products and services in their bouquet. Besides this, almost all institutions offer the flexibility to customers to choose the most suitable product for themselves by combining features of a number of products and services together. The present study is important as researcher has made an attempt to study the perception of rural and urban people towards the quality of services provided by the financial institutions operating in the cities of Karnal, Panipat and Sonapat. The problem can precisely be defined as “Consumer Perception towards quality of financial services (Urban vs. Rural Perspective)”.

#### 3.2 Reasons for investigating perception among Urban and Rural Population

As per census 2011, 68.84% Indian population resides in rural areas. This data gave an insight to investigate the perception of rural people. As we know, financial services are considered to be the key parameter for the growth and development of any economy of the world as efficiency of financial system largely depends upon the quality and variety of services provided by the intermediaries. So, the quality is a pre-requisite for the performance of any financial institution and that can too be analyzed by knowing the perception of both Urban and Rural people.

#### 3.3 Objectives

1. To study as to what extent perception of urban and rural people differs significantly in the three cities (Karnal Panipat and Sonapat) with respect to quality and satisfaction of services.
2. To study the level of awareness among the respondents and identify the factors leads to customer satisfaction.

3. To analyze the variations in quality and availability of financial services to urban & rural customers.

### **3.4 Hypothesis**

1H<sub>0</sub>: There is no significant difference in the satisfaction level of urban and rural towards financial services.

2H<sub>0</sub>: There is no significant relationship between the awareness level of urban and rural towards financial services

### **3.5 Research Design and Database**

The research design chosen for this study is descriptive research design. The main objective is to see the factor affecting service quality which ultimately leads to customer satisfaction. The study is based on both primary data and secondary data. The primary data were collected through structured questionnaire and secondary information was collected from the internet, articles and publications.

### **3.6 Sample Selection**

The questionnaire was administered through mail and in person to 600 respondents belongs to both urban and rural areas. The data was collected by using the random sampling technique. The researcher got adequate response from 526 respondents (87.6%). Therefore, data from 526 respondents has been compiled and analyzed.

### **3.7 Results and Interpretation**

After collecting all the data the process of analysis begins. To summarize and rearrange the data several interrelated procedures are performed during the data analysis stage. Various Statistical tools like. The statistics results were presented in tabular form with detail description.

## **IV. ANALYSIS**

### **A Brief Description of the Sample Profile**

Out of 526 respondents 56.6% belongs to urban and 43.3% belongs to rural area of Karnal, Panipat & Sonipat. 99% of the respondents are financially independent. Distribution of the sample has been done by taking age, gender, profession and annual income of respondents respectively. 90% of the respondents are of the age above 30 years.

**Table 1.1**  
**PROFILE OF RESPONDENTS**

Sr.No	Profile of Respondents	URBAN		RURAL		Total	
		298	56.6	228	43.3	526	
1)	Age (in yrs)	Frequency (N)	%	Frequency (N)	%	Frequency (N)	%
	20-30	30	10.07	24	10.53	54	10.27
	30-40	117	39.26	105	46.05	222	42.21
	40-50	98	32.89	71	31.14	169	32.13
	50 and above	53	17.79	28	12.28	81	15.40

2)	Occupation	Frequency (N)	%	Frequency (N)	%	Frequency (N)	%
	Students	19	6.38	13	5.70	32	6.08
	Salaried	101	33.89	83	36.40	184	34.98
	Own-Generated	125	41.95	94	41.23	219	41.63
	Housewife	53	17.79	38	16.67	91	17.30

3)	Gender	Frequency (N)	%	Frequency (N)	%	Frequency (N)	%
	Male	192	64.43	185	81.14	377	71.67
	Female	106	35.57	43	18.86	149	28.33

4)	Annual Income	Frequency (N)	%	Frequency (N)	%	Frequency (N)	%
	> 2 lac	53	17.79	49	21.49	102	19.39
	2 lac to 5 lac	188	63.09	163	71.49	351	66.73
	5 lac and above	57	19.13	16	7.02	73	13.88

**$H_0$ :** There is no significant difference in the satisfaction level of urban and rural towards financial services.

$$p_1 = .68 \quad p_2 = .56$$

$$p = \frac{n_1 p_1 + n_2 p_2}{n_1 + n_2} = 0.63$$

$$S.E._{p_1-p_2} = \sqrt{pq \left( \frac{1}{n_1} + \frac{1}{n_2} \right)} = 0.00179$$

$$|z| = \frac{p_1 - p_2}{S.E._{p_1-p_2}} = 67.03$$

From the data it is found that 68% of urban respondents are highly satisfied while only 56% of rural found to be satisfied with the financial services. A significant difference has been found in the satisfaction level in both areas and hypothesis proved the same. At 5% level of significance, value of Z is 2.58. Since the calculated value is greater than tabulated value, Null Hypothesis is rejected in favour of alternate hypothesis and concludes that there is a significant difference in the satisfaction level of urban and rural towards the financial services.

**2H<sub>0</sub>: There is no significant relationship between the awareness level of urban and rural towards financial services.**

<b>Table- 1.2</b>			
	<b>Financial services</b>	<b>Urban</b>	<b>Rural</b>
a	Lease Financing	4	3
b	Hire-Purchase and consumer credit	4	3
c	Bill Discounting	4	3
d	Housing Finance	5	5
e	Insurance Services	5	5
$r = 0.98$ , significant			
f	Venture Capital	3	1
g	Factoring	4	1
h	Merchant Banking	3	2
i	Credit Rating	3	2
j	Stock Broking	4	2
$r = 0.31$ , insignificant			

Table 1.2 above depicts the average score for the awareness level (1-least aware and 5- highly aware) of urban and rural respondents towards the financial services. Data indicates that awareness level is almost same incase of urban and rural towards the common financial services like lease financing, Hire-purchase and consumer credit, Insurance services etc. High degree of positive and significant relation ( $r = 0.98$ ) is found between these services among rural and urban. However special services like venture capital, factoring, credit rating etc., have least popular among the rural respondents as they are least aware about them. Low degree but positive relation ( $r = 0.31$ ) is found as urban respondents are highly aware as compare to the rural who are least aware about the services.

Data reveals that 524 (99.6%) respondents are aware about the financial service institutions. Majority 359( 71.08%) of respondents are aware of common financial services like Insurance, stock broking Housing finance, consumer credit etc. and only 120 (23.76% ) of respondents are found to be aware of services like Merchant Banking, Venture capital, credit rating etc.

However, it is also found that level of awareness is more in urban respondents as compare to the rural respondents as wide variety of financial services available to the urban consumers. It has been analyzed that 325 (64.35%) respondents frequently called their service provider. However the frequency of calling by the urban respondents are found to be much more than that of rural respondents as they are unaware about the most of the services and facilities provided by the financial institutions . When asked about the response from financial service provider when they contact through phone or email, majority 205(68.79%) of urban respondents mentioned that that they get the reply within one day but on the contrary majority142 (62.2%) of rural respondents feels that they feel reluctant to come over in remote areas due to poor facilities and take comparatively more time as compared to urban society. Majority 326 (64.55%) of urban and rural respondents are agreed to the point that their service providers are quick, knowledgeable, respectful and Helpful. However some of the 72(31.57%) rural respondents feels that they are less patient when ask more questions. It has been found from the data that majority 328 ( 64.9%) of the respondents are strongly agree that they have good product knowledge and always have alternative investment options but some respondents 47(15.7%) from urban feels that they don't follow their commitment on time. However 98 (42.98%) rural respondents feel that investment options are limited and commitments are not up to the mark. Majority 176 (77.19%) of Rural respondents strongly agree to the fact that variety and quality of services are better in urban areas as compared with remote areas where as majority 156(52.35%) of urban respondents doesn't agree to this point. Overall, majority 268 (53.07%) of the respondents are satisfied with the services provided by the financial institutions however urban respondents205 (68%) are found to be highly satisfied as compared to the rural respondents128 (56%). Variations are found in the perception of urban and rural respondents towards the quality and availability of financial services.

## **V. CONCLUSION**

A well-knit financial system ensures the economic growth and development of any country. Financial Institutions play a vital role in the financial system by rendering various financial services to the community. Financial services foster the competitive advantage worldwide. In

India, Financial services are considered to be the backbone of the economy as it has been growing consistently faster than other sectors.

From the analysis it may be concluded that consumer perception towards the financial services vary from urban people to rural people as urban people are more satisfied with the quality of services provided to them as compared to the rural people. High level of awareness is there among the urban respondents towards the kinds of financial services but very few of them are aware about the services like venture capital and credit rating. Service agents are helpful, knowledgeable and respectful but use to make false commitments. Service agents do not want to travel to far flung areas & don't like to resolve irrelevant queries made by rural people.

Rural markets have good potential for financial service sector, so they should try to tap it with utmost care to expand its business. And at the same time they should try to build the cordial relations through strong commitment with their customers for larger market share and strong customer base.

## VI. REFERENCES

### Journals:

1. Andreas B. Eisingerich and Simon J. Bell (2007)*Journal of Service Research*, February 2008; vol. 10, 3: pp. 256-268., first published on December 27, 2007
2. Boshoff, C., and B. Gray. 2004. 'The Relationship between Service Quality, Customer Satisfaction and Buying Intentions in the Private Hospital Industry.' *South Africa Journal of Business Management* 35 (4): 27-37.
3. Boulding, B., A. Kalra, R. Staelin and V. Zeithaml (1993), "A Dynamic Process Model of Service Quality: From Expectations to Behavioral Intentions," *Journal of Marketing Research* (February), 7-27.
4. Chiung-Ju Liang, Wen-Hung Wang, Jillian Dawes Farquhar, (2009) "The influence of customer perceptions on financial performance in financial services", *International Journal of Bank Marketing*, Vol. 27 Iss: 2, pp.129 – 149
5. Cronin J. Joseph, Jr. and Steven A. Taylor (1992), "Measuring Service Quality: A Reexamination and Extension," *Journal of Marketing*, 56 (July), 55-68.

6. Gaston LeBlanc, Nha Nguyen, (1988) "Customers' Perceptions of Service Quality in Financial Institutions", *International Journal of Bank Marketing*, Vol. 6 Iss: 4, pp.7 - 18
7. Jaspal Singh, Gagandeep Kaur, (2011) "Customer satisfaction and universal banks: an empirical study", *International Journal of Commerce and Management*, Vol. 21 Iss: 4, pp.327 – 348
8. Johnson, Michael D., Eugene W. Anderson, and Claes Fornell (1995), "Rational and Adaptive Expectations in a Customer Satisfaction Framework," *Journal of Consumer Research*, 21:4 (March), 695-707.
9. Jones, M. A., and Suh, J. (2000). Transaction-Specific Satisfaction and Overall Satisfaction: An Empirical Analysis. *Journal of Services Marketing*, 14(2), 147–159.
10. L. L. Berry, V. A. Zeithaml and A. Parasuraman. Quality counts in services too. *Business Horizons*. 1985, 31 (5): 46.
11. Mohammed Al-Hawari, Tony Ward, (2006) "The effect of automated service quality on Australian banks' financial performance and the mediating role of customer satisfaction", *Marketing Intelligence & Planning*, Vol. 24 Iss: 2, pp.127 – 147
12. Mushtaq A Bhat 2005 *The Journal of Business Perspective* January 2005 vol. 9 no. 1 11-20
13. Nha Nguyen, Gaston LeBlanc, (1998) "The mediating role of corporate image on customers' retention decisions: an investigation in financial services", *International Journal of Bank Marketing*, Vol. 16 Iss: 2, pp.52 – 65
14. Oliver, Richard L. 1980. "A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions." *Journal of Marketing Research* 17 (September): 460-469.
15. Rafael Bravo, Teresa Montaner, José M. Pina, (2009) "The role of bank image for customers versus non-customers", *International Journal of Bank Marketing*, Vol. 27 Iss: 4, pp.315 - 334
16. Sanjit Kumar Roy, Vaibhav Shekhar, (2010) "Dimensional hierarchy of trustworthiness of financial service providers", *International Journal of Bank Marketing*, Vol. 28 Iss: 1, pp.47 – 64

17. Ugur Yavas, Martin Benkenstein, Uwe Stuhldreier, (2004) "Relationships between service quality and behavioral outcomes: A study of private bank customers in Germany", *International Journal of Bank Marketing*, Vol. 22 Iss: 2, pp.144 – 157
18. Ugur Yavas, Zeynep Bilgin, Donald J. Shemwell, (1997) "Service quality in the banking sector in an emerging economy: a consumer survey", *International Journal of Bank Marketing*, Vol. 15 Iss: 6, pp.217 - 223
19. Yi, Y. J., and La, S. N. (2004). "Effect of Adjusted Expectations and Customer Loyalty", *Psychology and Marketing*, 21(5), 351–373.

**Websites:**

- [www.financialexpress.com](http://www.financialexpress.com) (retrieved on 05 Jan, 2012)
- [www.ibef.com](http://www.ibef.com) (retrieved on 04 Jan, 2012)