

**RURAL AND URBAN CUSTOMER SATISFACTION TOWARDS THE
SERVICES OF NBFCS IN THOOTHUKUDI DISTRICT**

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Abstract

The study reveals about the microfinance markets worldwide, over-indebtedness among borrowers and households has emerged as an important concern. Overindebtedness, measured in terms of sacrifices made by households, is high in both rural and urban India. Factors statistically significant in explaining over-indebtedness are the borrower's age and financial literacy; the household's entrepreneurial activity, income level, and spatial location; and the proportion of dependent members in a household (Ray et al., 2019)¹. NBFCS include transparency in interest rates and due diligence in understanding the repayment capacity of the borrower (Arpita Sharma, 2014)². The legal entities provided credit and credit linked facilities to the small and marginal farmers at a relatively lower cost with minimum formalities (Amiya Kumar Mohapatra, 2014)³. There is a vast scope for micro entrepreneurial activities in rural as well as urban areas (Suresh, 2015)⁴.

Keywords: financial crisis, bank credit, lending policies, customer satisfaction

INTRODUCTION

In India, several factors have contributed to the growth of NBFCS. They provide tailor made services to their clients. Comprehensive regulation of the banking system and absence or relatively lower degree of regulation over NBFCS has been some of the main reasons for the growth

momentum of the latter. It has been revealed by some research studies that economic development and growth of NBFCs are positively related. The global financial crisis in 2008 caused by reckless lending was visibly shown. The regulatory regime for NBFCs is lighter and different in many respects from that of the banks. The steady increase in bank credit to NBFCs over recent years means that the possibility of risks being transferred from the more lightly regulated NBFC sector to the banking sector in India can no longer be ruled out.

STATEMENT OF THE PROBLEM

The growing importance of this segment of the financial system, it has become equally important to ensure that the dynamism displayed by NBFCs in delivering innovation and last mile connectivity for meeting the credit needs of the productive sectors of the economy is not curbed. There has emerged therefore a need to rationalise the type and nature of NBFCs being regulated so that the objectives of regulation are met in an optimal and balanced manner.

In view of different categories of customers, there is a need to NBFCs to frame a well thought customer oriented product planning and pricing strategy with a commitment to add value to customers. This approach enables NBFCs legitimize their presence amidst volatile, and competitive environment (Shollapur, 2010)¹⁶. Against this background, a need is felt to study the attitude and satisfaction of rural and urban customers under the

NBFCs finance of Thoothukudi district.

OBJECTIVES OF THE STUDY

The following are the objectives of the study

1. To analyze the variation in the satisfaction level of customers from NBFCs lending policies with reference to rural and urban area.

2. To find the relationship between the location of respondents and selection of financial company.
3. To analyze the level of satisfaction towards the lending practices in finance company among urban and rural customers

HYPOTHESIS TESTED

H_0 : There is no association between financial company opted by urban and rural customers.

H_0 : There is no association between location and amount of borrowings of the customers.

H_0 : There is no association between location and processing fee on loan.

H_0 : There is no association between location and satisfaction on security by the customers.

RURAL AND URBAN CUSTOMER SATISFACTION TOWARDS THE SERVICES OF NBFCs

This section discusses all the details related to the satisfaction of customers on NBFC services based on their location i.e., urban or rural. The perspective of the people differs according to their demographic profile and also mainly due to the place where they are located. The following Table 1 shows the financial company chosen by the respondents to borrow loan in their location.

Table 1

Financial company opted by urban and rural customers - Crosstabulation

Location	Factors	Name of the financial company					Total
		Sriram	Mahindra	Bajaj	Sundaram	Cholaman dalam	
Urban	N	77	28	151	11	19	286
	Location	26.9%	9.8%	52.8%	3.8%	6.6%	100.0%

	Financial company	71.3%	59.6%	81.6%	44.0%	54.3%	71.5%
Rural	N	31	19	34	14	16	114
	Location	27.2%	16.7%	29.8%	12.3%	14.0%	100.0%
	Financial company	28.7%	40.4%	18.4%	56.0%	45.7%	28.5%
Total	N	108	47	185	25	35	400
	Location	27.0%	11.8%	46.2%	6.2%	8.8%	100.0%
	Financial company	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Primary data

Table 1 shows the relationship between the location of respondents and selection of financial company. Out of 400 respondents, 46.2 per cent of the respondents have selected Bajaj Finserv. Among them, 81.6 per cent of the respondents belong to urban area and remaining 18.4 per cent of the respondents belong to rural area. Further,

27.0 per cent of the respondents have selected Sriram Transport Finance Company Limited. In it, 71.3 per cent of the respondents belong to urban area and remaining 28.7 per cent of the respondents belong to rural area. Next, 11.8 per cent of the respondents have selected Mahindra & Mahindra Financial Services Ltd. Among them, 59.6 per cent of the respondents belong to urban area and remaining 40.4 per cent of the respondents belong to rural area. Hence, most of the respondents chose Bajaj Finserv and are urbanites from Thoothukudi district.

Table 2**Financial company opted by urban and rural customers – Chi-square test**

H_0 : There is no association between financial company opted by urban and rural customers.

Factor	Value	df	Sig. value
Pearson Chi-Square	26.951	4	0.001*
N of Valid Cases	400		

*Significant at 5 per cent level

Table 2 shows the association between financial company selected by urban and rural customers. As per the rejection of null hypothesis $p = 0.001$ ($p < 0.05$), location of the respondents is associated with the selection of the financial company. Therefore, location of the respondents influences the selection of the financial company. Most of the urban residents chose NBFCs compared to the rural residents.

Table 3**Location and amount of borrowings of the customers - Crosstabulation**

Location	Factors	Amount of borrowings				Total
		Upto Rs.21	Rs. 21 to Rs. 51	Rs. 61 to Rs. 101	Above Rs. 101	
Urban	N	203	63	13	7	286
	Location	71.0%	22.0%	4.5%	2.4%	100.0%
	Amount	69.8%	73.3%	81.2%	100.0%	71.5%
Rural	N	88	23	3	0	114
	Location	77.2%	20.2%	2.6%	0.0%	100.0%
	Amount	30.2%	26.7%	18.8%	0.0%	28.5%
Total	N	291	86	16	7	400
	Location	72.8%	21.5%	4.0%	1.8%	100.0%
	Amount	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Primary data

Table 3 shows the relationship between the location of respondents and their amount of borrowings. Out of 400 respondents, 72.8 per cent of the respondents have borrowed up to Rs.2 lakhs. Among them, 69.8 per cent of the respondents belong to urban area and remaining 30.2 per cent of the respondents belong to rural area. Further, 27.0 per cent of the respondents have borrowed from Rs.2 lakhs to Rs.5 lakhs. In it, 73.3 per cent of the respondents belong to urban area and remaining 26.7 per cent of the respondents belong to rural area.

Next, 4.0 per cent of the respondents have borrowed from Rs.6 lakhs to Rs.10 lakhs. Among them, 81.2 per cent of the respondents belong to urban area and remaining 18.8 per cent of the respondents belong to rural area. Hence, most of the respondents are from urban areas and they have a huge debt of at least Rs.2 lakhs.

Further to study the association between these two variables, Chi-square test has been applied.

Table 4

Location and amount of borrowings of the customers – Chi-square test

*H*₀: There is no association between location and amount of borrowings of the customers.

Factor	Value	df	Sig. value
Pearson Chi-Square	4.099	3	0.251
N of Valid Cases	400		

Table 4 shows the association between the location of respondents and the amount of borrowings of NBFC customers. As per the acceptance of null hypothesis $p = 0.251$

($p < 0.05$), location of the respondents is not associated with their amount of borrowings. The NBFC customers borrow money irrespective of their area of location. They borrow money based on their necessities and not in the location they live.

The relationship between location of the customers including rural and urban and processing fee for loan borrowed from NBFCs is shown in the following Table 4

Table 5

Location and processing fee for loan - Crosstabulation

Location	Factors	Percentage is charged by the institution in the form of processing fee for loan				Total
		0.5%	0.5% to 1%	1 to 1.5%	1.5% to 2.5%	
Urban	N	66	91	87	42	286
	Location	23.1%	31.8%	30.4%	14.7%	100.0%
	Fee	89.2%	59.1%	71.9%	82.4%	71.5%
Rural	N	8	63	34	9	114
	Location	7.0%	55.3%	29.8%	7.9%	100.0%
	Fee	10.8%	40.9%	28.1%	17.6%	28.5%
Total	N	74	154	121	51	400
	Location	18.5%	38.5%	30.2%	12.8%	100.0%
	Fee	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Primary data

Table 5 shows the relationship between the customers' location and processing fee charged in the NBFCs. Out of 400 respondents, 38.5 per cent of the respondents charged 0.5% to 1% in the form of debt processing fee. In it, 59.1 per cent of the respondents belong to urban area and remaining 40.9 per cent of the respondents belong to rural area. Further, for 30.2 per cent of the respondents the company charges

1% to 1.5% in the form of debt processing fee. Among them, 71.9 per cent of the respondents belong to urban area and remaining 28.1 per cent of the respondents belong to

rural area. Next, for 18.5 per cent of the respondents the company charges 0.5% in the form of debt processing fee. In it, 89.2 per cent of the respondents belong to urban area and remaining 10.8 per cent of the respondents belong to rural area. Thus, most of the respondents are from urban area and the amount of debt payment in the form of processing fee is 0.5%.

Table 6

Location and processing fee – Chi-square test

H_0 : There is no association between location and processing fee on loan.

Factor	Value	df	Sig. value
Pearson Chi-Square	25.958	3	0.001*
N of Valid Cases	400		

*Significant at 5 per cent level

Table 6 shows the association between the location of respondents and the processing fee charged on the loan. As per the rejection of null hypothesis $p = 0.001$ ($p < 0.05$), location of the respondents is associated with their loan processing fee. The loan processing fees in NBFCs differ in urban and rural areas. The processing fee is charged by the NBFCs differ based on its location. The urban and rural areas have different loan processing fee and it also depends on the type of loan borrowed by the NBFC customers.

Table 7

Location and satisfaction on security margin - Crosstabulation

Location	Factors	Satisfied with security		Total
		Yes	No	
Urban	N	192	94	286

	Location	67.1%	32.9%	100.0%
	Security	76.5%	63.1%	71.5%
Rural	N	59	55	114
	Location	51.8%	48.2%	100.0%
	Security	23.5%	36.9%	28.5%
Total	N	251	149	400
	Location	62.8%	37.2%	100.0%
	Security	100.0%	100.0%	100.0%

Source: Primary data

Table 7 shows the relationship between the location of respondents and their satisfaction on security margin. Out of 400 respondents, 62.8 per cent of the respondents are satisfied with the security margin. In it, 76.5 per cent belong to urban area and remaining 23.5 per cent belong to rural area. Next, 37.2 per cent of the respondents are not satisfied with the security margin. Among them, 63.1 per cent belong to urban area and remaining 36.9 per cent belong to rural area. Therefore, most of the respondents stated that they are satisfied with the security margin and they are from urban areas.

Table 8

Location and satisfaction on security – Chi-square test

H_0 : There is no association between location and satisfaction on security by the customers.

Factor	Value	df	Sig. value
Pearson Chi-Square	8.247	1	0.004*
N of Valid Cases	400		

*Significant at 5 per cent level

Table 8 shows the association between the location of respondents and their satisfaction on security margin. As per the rejection of null hypothesis $p = 0.004$ ($p < 0.05$), location of the respondents is associated with the satisfaction on security margin by the

respondents. Therefore, location influences the customers' satisfaction on security margin of the loan borrowed.

Table 9

Opinion about interest rate of NBFCs by urban and rural customers

– Independent samples t-test

H_0 : There is no association between opinion about interest rate of NBFCs by urban and rural customers.

Factors	Location	N	Mean	Std. Deviation	t value	Sig. value
Opinion about the interest rate	Urban	286	3.20	1.164	0.902	0.368
	Rural	114	3.32	1.042		

**Significant at 5 per cent level*

Table 9 shows the Independent samples t-test that explores the relationship between opinion about interest rate of NBFCs by urban and rural customers. Since, the p value 0.368 is more than the significant value of 0.05, the null hypothesis is accepted at 5 per cent level of significance. Therefore, it is concluded that there is no significant difference between the opinion about interest rate of NBFCs by urban and rural customers. Both urban and rural customers state that the loan interest rate is high in NBFCs. People with low level of income mainly borrow money from the NBFCs. They mostly belong to the rural areas. It is clear from the mean value (3.32) that customer from rural areas opine that interest rate is high.

Table 10**Location and level of satisfaction towards the lending practices in finance company****– Independent samples t-test**

H_0 : There is no association between opinion about level of satisfaction towards the lending practices in finance company by urban and rural customers.

Factors	Location	N	Mean	Std. Deviation	t value	Sig. value
Level of satisfaction towards the lending practices in finance company	Urban	286	3.28	1.228	0.058	0.954
	Rural	114	3.27	.177		

Table 10 shows the Independent samples t-test that explores the level of satisfaction towards the lending practices in finance company by urban and rural customers. Since, the p value 0.954 is more than the significant value of 0.05, the null hypothesis is accepted at a 5 per cent level of significance. It is concluded that there is no significant difference between the level of satisfaction towards the lending practices in finance company among urban and rural customers. Irrespective of the area of location, the customers are satisfied with the lending practices of the NBFCs. The urban population has a slightly higher mean than the rural population.

Table 11**Overall level of satisfaction on services of NBFCs**

Level of satisfaction	No. of respondents	Percentage
Very low	21	5.3
Low	130	32.5
Moderate	77	19.3
High	158	39.5
Very high	14	3.5
Total	400	100.0

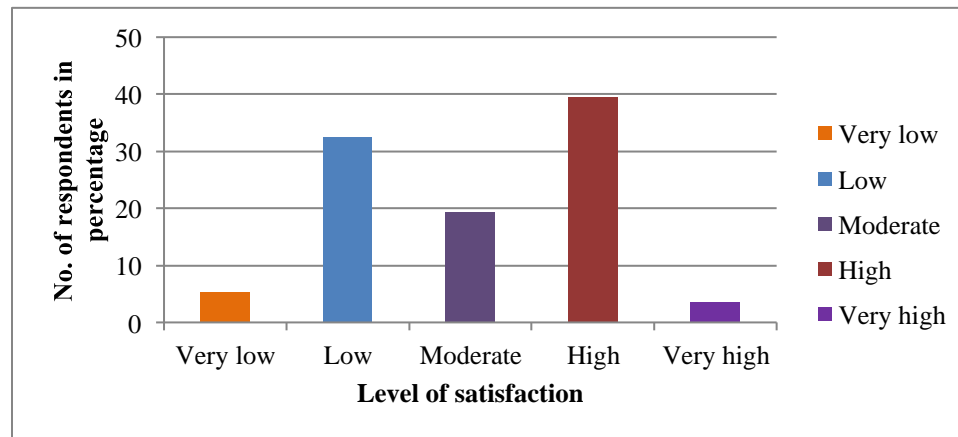
Mean	3.03
Std. deviation	1.035

Source: Primary data

Table 11 shows the overall level of satisfaction on services of NBFCs. Out of 400 respondents, 39.5 per cent state their rate of overall satisfaction as high, 32.5 per cent state low, 19.3 per cent say moderate, 5.3 per cent opine very low and only 3.5 per cent say very high. Therefore, majority (39.5 per cent) rate the overall satisfaction of NBFCs as high.

Figure 1

Overall level of satisfaction on services of NBFCs



Source: Primary data

Table 12

Overall level of satisfaction on services of NBFCs among urban and rural customers

– Independent samples t-test

H_0 : There is no relationship between overall level of satisfaction on services of NBFCs by urban and rural customers.

Factors	Location	N	Mean	Std. Deviation	t value	Sig. value
	Urban	286	2.97	1.066	2.041	0.042*

Level of satisfaction towards the services of NBFC's in general	Rural	114	3.19	.940		
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**Significant at 5 per cent level*

Table 4.39 shows the Independent samples t-test that explores the overall level of satisfaction on services of NBFCs among urban and rural customers. Since, the p value 0.042 is more than the significant value of 0.05, the null hypothesis is accepted at 5 per cent level of significance. It is concluded that there is no significant difference between the overall level of satisfaction on services of NBFCs among urban and rural customers.

FINDINGS & SUGGESTION

Rural and Urban customer satisfaction towards the services of NBFCs

Evidence is mounting that placing a high priority on beneficiary satisfaction is critical to improve organizational performance in any marketplace. This study mainly aims to understand the attitude and customer satisfaction on lending practices of rural and urban customers of NBFCs. Most of the respondents chose Bajaj financial company and are urbanites from Thoothukudi district. There is a significant association between the choice of financial company to borrow loan by the respondents in urban and rural areas.

Most of the respondents are from urban area and pay some amount in the form of processing fee of 0.5% and they are also satisfied on their security margin. The location of the respondents is also associated with their loan processing fee and satisfaction on security margin. The NBFC customers borrow money irrespective of their area of location. They borrow money based on their necessities and not on the location they live.

There is no significant difference between the opinion about interest rate of NBFCs by urban and rural customers. Both urban and rural customers state that the loan interest rate is high in NBFCs.

Further, irrespective of the area of location, the customers are satisfied with the lending practices of the NBFCs. The urban population has a slightly higher mean than the rural population.

The overall level of satisfaction on services of NBFCs is studied exclusively to understand the attitude of the customers. Out of 400 respondents, 39.5 per cent state their rate of overall satisfaction on services of NBFCs as high, 32.5 per cent state low,

19.3 per cent say moderate, 5.3 per cent opine very low and only 3.5 per cent say very high. There is no significant difference between the overall level of satisfaction on services of NBFCs among urban and rural customers. Attesting to the above result, both urban and rural customers are satisfied with the lending services of NBFCs.

CONCLUSION

NBFCs cater to the needs of a wide variety of customers living in both urban and rural areas. They play a major role by providing credit for the growth in rural areas. Now-a-days, it is a common fact that NBFCs supplement the role that banks play to a vast extent. It is necessary to correlate the activities of NBFCs and banks by the RBI so that both the sectors go hand in hand. RBI must make provisions to protect and sustain the operations of the NBFCs as it benefits a large urban and rural crowd. Only an enactment and execution of a stable regulatory environment will provide NBFCs the opportunities to grow in the financial ecosystem of the country.

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