

A STUDY ON SATISFACTION LEVEL OF AGRICULTURAL LOAN BENEFICIARIES OF REGIONAL RURAL BANKS: WITH SPECIAL REFERENCE TO KERALA GRAMIN BANK IN WAYANAD DISTRICT

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ABSTRACT

Regional rural banks play an important role in the agricultural and rural development of India. RRBs are key financing institutions at the rural level which shoulder responsibility of meeting needs of different types of agricultural credit in rural areas. Regional Rural Banks [RRBs] were established in 1975 and are playing a pivotal role in the economic development of the rural India. The RRBs have more reached to the rural areas of India, through their huge network. Wayanad is a backward District in Kerala State and most of the people depend on agricultural activities for their livelihood. Regional Rural Bank plays an important role in meeting the agricultural credit needs of people in Wayanad. This study is an attempt to examine the role of Regional Rural Bank in agricultural credit and satisfaction level of agricultural loan borrowers on various aspects of service of Kerala Gramin Bank in Wayanad District. The present study is also focused on the role of Kerala Gramin Bank in priority sector lending in the District and it is based on secondary data and Primary data.

KEYWORDS: *Agricultural Credit, KGB [Kerala Gramin Bank], Priority Sector Lending, Perceptions.*

Introduction

The Regional Rural Banks have been growing in importance since their inception in 1975 as special institutions playing a catalyst role in the development of rural areas. The rural population in India suffers from great deal of indebtedness and is subject to exploitation in the credit market due to high interest rates and lack of convenient access to credit. Agricultural development given high priority in the past fifty years and especially under various Five year plans. Bank credit is available to the farmers in the form of short term credit for financial crop production programmes and in the form of medium-term/ long-term credit for financing capital investments in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry animal husbandry, fisheries, plantation and horticulture. Agricultural credit is disbursed through a multiagency network consisting of commercial banks, Regional Rural Banks and Cooperatives. RRBs grant direct advances in the form of crop loans, agricultural loans, loans for allied activities, loans for rural artisans and cottage industries. RRBs also make indirect advances which are routed through agencies such as Farmers' Service Societies, Farmers' clubs, Self-Help Groups etc. At present, the RRBs are owned by three stakeholders, viz. Government of India, State Government and Sponsor Bank. RRBs were expected to have the local feel and familiarity of the cooperative banks with the managerial expertise of the commercial banks.

Literature Review

A large volume of studies were made on public sector banks, private sector banks and RRBs in India regarding their performance, growth, customers satisfaction etc. Though studies on the role of Regional Rural Banks and agricultural credit are very few. A brief review of relevant literature is done below.

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SubashBasu(1976) has conducted a study on “commercial banks and agricultural credit-a study in regional disparity in India”. The study reveals that the financing of agriculture by commercial banks has not been regionally equitable and failed to maintain uniformity in distributing agricultural credit. The study suggested that instructions should be given to the commercial banks to promote equitable regional distribution of agricultural credit and it will enable the banks to avoid pressures from big- land Owners classes and big asset holders classes in releasing agricultural credit.

Velayudhan and Sankaranarayanan (1990) in their study analyzed RRBs represent an innovation in Indian banking. The innovation is not only institutional but relates to objectives, functions and area of operation. They state the objective of RRBs is to bring about progress with social justice to the rural.

NaquiUddin(2003) in his study identified that economic development of rural areas is still not up to the mark and needs special attention. The RRBs could not fulfil the objectives for which they are established. However merger with sponsor banks is not a solution because there are no institutions for serving the weaker sections of rural population. The study found that RRBs are confronting with some serious problems in Uttarakhand. There is defective control and monitoring. The organizational set up of the RRBs need to be examined and suitably strengthened , separate training institute should be set up for RRBs at State level with the support of state Government and NABARD.

Deepak kumar (2005) talks about the emerging roles of banking in agriculture and allied sectors and the private-public partnership in agricultural credit. Study noticed that Government policies forcing banks to lend more to the agricultural sector and banks engage in agriclinic and marketing of agricultural produce. It was suggested that the need of the hour is to leverage the existing resources and make banks more participative in agricultural sector.

Damodaran(2012) analyzed in his research study the South Malabar Gramin Bank, the Kerala based RRB played an important role in the socio- economic progress of individual customers. The chi-square test was applied to examine the significant variation in the opinion among respondents in the four districts of Kerala. The study further disclosed that the profitability of SMGB is showing a declining trend during the period of study

Shashikumar, Rangaswamy and Kiran(2013) their study reveals that since from their inception the RRBs have rendered services to the rural people and play an important role along with other financial institutions. It is suggested that we need to inject new policies and programmes to stabilize the banking to achieve the maximum social welfare.

Objectives of the Study

The present study has been carried out to achieve the following objectives:

- To study the structure of Regional Rural Banks in India.
- To examine the branch expansion of RRBs in India
- To study the role of Regional Rural Banks in agricultural credit in India.
- To analyse the satisfaction level of agricultural loan beneficiaries on the service of RRBs in Wayanad District.

Methodology of the Study

The present study investigated about the Role of regional Rural banks in agricultural credit and the satisfaction level of agricultural loan beneficiaries on the service of Kerala Gramin Bank in Wayanad District. The data base for the present study is both from primary and secondary data. Primary data were collected by way of interviewing the sample beneficiaries by using a structured interview schedule for the borrowers. For analyzing the satisfaction level of agricultural loan beneficiaries on the service of RRBs, a sample of 120 agricultural loan borrowers were identified by using multistage sampling method. For the identification of borrowers of agricultural credit, Wayanad District is divided into three Taluks namely Mananthavady, Sulthan Bathery and Vythiri. 40 borrowers were selected from each Taluk to constitute 120 samples.

Structure of Regional Rural Banks

RRBs were mainly established to meet the credit requirements of small and marginal farmers, landless labour, and artisans of rural India with a focus on agro sector. In RRBs, there are three share holder namely Government of India(50%), sponsor bank(35%), and State Government(15%). Thus we can say RRBs are jointly owned by Government of India, Sponsor Bank and respective State Government. NABARD is the regulatory authority of Regional Rural Banks. GOI was forced to start the reform process as several RRBs suffered losses and had become unviable. It was noticed that CRAR(Capital Risk Weighted Assets Ratio) of RRBs were too low. As several committee suggested for creation

of viable RRBs by amalgamation of unviable RRBs. The process of amalgamation continued and out of the originally 196 RRBs, now there are 56 RRBs.

Area of Operation

The expansion of Regional Rural Banks in terms of branch expansion is shown in Table.1. The table reveals the number of RRBs were decreased to 56 in 2015-16 from 86 in 2008-09. The total number of RRBs as on 31 March 2010 stood at 82(46 amalgamated and 36 stand alone). The process of amalgamation continued, now there are 56 RRBs. The number of branches of RRBs all over India increased to 20920 in 2015-16 from 15181 in 2008-09. Which is an increase of 1.3 times and 26% growth rate.

Table 1: Branch Expansion of Regional Rural Banks in India

S. No.	Year	No of RRBs	No of Branches
1	2008-09	86	15181
2	2009-10	82	15480
3	2010-11	82	16001
4	2011-12	82	16909
5	2012-13	64	17861
6	2013-14	57	19082
7	2014-15	56	20024
8	2015-16	56	20920

Source: NABARD Annual Report

Agricultural Credit in India

Agricultural development was given high priority in the past fifty years and especially under various Five year plans. Bank credit is available to the farmers in the form of short term credit for financial crop production programmes and in the form of medium-term/ long-term credit for financing capital investments in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry animal husbandry, fisheries, plantation and horticulture.

Role of Regional Rural Banks in Agricultural credit

The Indian Banking sector has been the backbone of the Indian economy over the past few decades. The economic development of our country can be achieved only through the upliftment of rural sector. It consists of farmers, agricultural labourers, artisans etc. In a developing country like India 70% of total population depends on agriculture. In order to meet the needs of rural sector effectively special financial institutions formed. Regional Rural Banks described as an innovative in Indian banking system. RRBs provide better credit facilities to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs to develop agriculture, trade, commerce, industry and other productive areas in the rural areas.

Institutional Credit to Agriculture: In India a multiagency approach comprising co-operative banks, scheduled commercial banks and RRBs has been followed for disbursing credit to agriculture sector.

Table 2: Institutional Credit to Agriculture (Rs. in Crores)

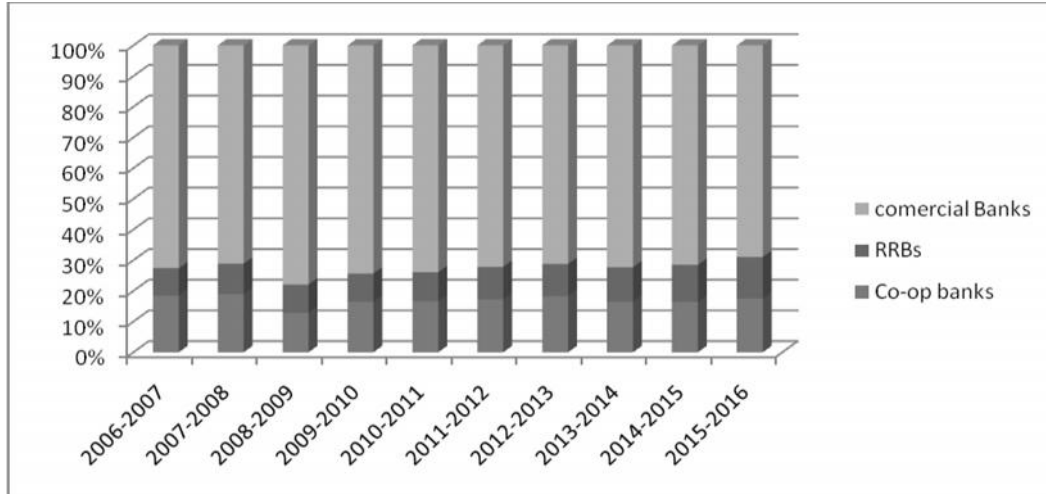
Year	Institutions						Total
	Co-op Banks	Share %	RRBs	Share%	Commercial Banks	Share %	
2006-2007	42480	18.52	20434	8.9	166485	72.57	229399
2007-2008	48258	18.96	25312	9.93	181088	71.11	254658
2008-2009	45966	12.82	26765	9.29	228951	77.89	301682
2009-2010	63497	16.51	35217	9.16	285800	74.33	384514
2010-2011	78007	16.65	44293	9.45	345877	73.85	468291
2011-2012	87963	17.21	54450	10.65	368616	72.13	511029
2012-2013	111203	18.3	63681	10.48	432491	71.2	607375
2013-2014	119964	16.43	82653	11.32	527506	72.25	730123
2014-2015	138469	16.38	102483	12.12	604376	71.50	845328
2015-2016	153295	17.48	119261	13.60	604668	68.93	877224

Source: NABARD Annual Report

Table 2 gives the quantum of institutional credit flow to agriculture from the year 2006-2007 to 2015-16. Year after year, increasing targets are set for agriculture credit disbursements in the Union

Budget implying its increasing importance for investments in agriculture. RRBs share of agricultural credit showing an increasing trend. During 2006-2007, 8.9% of total institutional finance to agriculture provided by Regional Rural Banks. The target fixed for credit to agricultural sector during the year 2015-16 is Rs.850000 crore. Against this target total flow of credit to agriculture amounted to Rs.877224crore contributed by Commercial banks, RRBs and Co-operative Banks.

Figure 1: Institutional Credit to Agriculture



Source: Table 2

As a part of interest subvention scheme of Government of India, the 2 per cent interest rate subvention to RRBs for deploying their own funds for crop loans of up to 3 lakh per farmer, provided the loans were granted at 7 percent with an additional incentive of 3 percent for prompt repayment, continued during 2015–16.

Kerala Gramin Bank and Agricultural Credit in Wayanad: Kerala, one of the most progressive states in the country. Kerala’s economy is not immune to the downturn in the national economy. Major share of Gross Domestic Product (GSDP) of Kerala is contributed by tertiary sector, followed by secondary and agricultural sectors. Kerala has a very strong net work of bank branches, and is one of the major states which are declared as totally financially included. Kerala has a well developed banking infrastructure. There are about 6000 bank branches and 8000 ATMs in the state under the control of Commercial Banks and Kerala Gramin Bank (RRBs). Kerala Gramin Bank is a Regional Rural Bank (RRB) formed on 8/7/2013, under the sub section (1) of section 3 of the RRB Act 1976. The bank was formed by amalgamating the two RRBs of Kerala namely South Malabar Gramin bank and North Malabar Gramin bank through notification by the Govt. of India. The head office of Kerala Gramin Bank is at Malappuram and the sponsor bank is Canara Bank.

Wayanad District in Kerala has a purely agricultural dependent economy and is among the most underdeveloped regions in India. The social fabric of the district is distinctly different from the rest of Kerala, with the highest proportion of aboriginal tribes, and an environmentally fragile ecosystem. Agriculture is the main activity of the people in the district. Coffee and pepper are the most widely cultivated crops in Wayanad and is the main source of income. Wayanad district consists of three taluks namely Mananthavady Taluk, Sulthan Bathery Taluk and Vythiri Taluk. As per the 2011 census, the population of Wayanad district is 8,17,420. It works out to 2.45% of the state population. The growth rate is 4.60%, sex ratio is 1035 and literacy rate is 89.32%. The density of population is 383. Kerala Gramin Bank play an important role in agricultural financing.

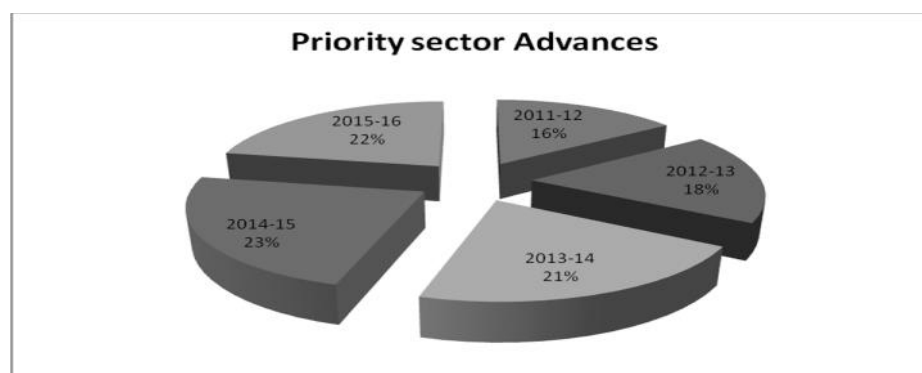
Priority Sector Advances by Kerala Gramin Bank

Kerala Gramin Banks were mainly focus on the Target Group comprising small and margin-al farmers, landless labourers, rural artisans and other weaker sections of society in Wayanad District. Kerala Gramin bank provides direct finance to farmers for agricultural purposes and short term loans for raising crops.

Table 3: Priority sector Advances by Kerala Gramin Bank in Wayanad (In Lakhs)

Year	Agriculture	Micro & Small Enterprises	Other Priority Sector (OPS)	Total Priority Sector
2011-12	20988	6528	10689	38205
2012-13	22507	6252	15949	44708
2013-14	26618	8662	17719	52999
2014-15	33274	6892	17593	57759
2015-16	39575	8510	6850	54935

Source: District credit plan of various years- Canara Bank (Lead District office)

Figure 2: Priority sector Advances by Kerala Gramin Bank in Wayanad

Source: Table. 3

Bank also provide advance for the purchase of farm machinery like tractors, power tiller and tractor accessories. Advances to land development schemes like bunding of farm land ,leveling of land and conversion of dry paddy lands into wet irrigable paddy lands are part of priority sector advances by Kerala Gramin Banks in the District. KGB(Kerala Gramin Bank) provided advances of Rs.20988(Lakhs) to agriculture and allied sector during the year 2011-12 out of Rs.38205 (Lakhs) advances to total priority sector. Priority sector consists of advances to agriculture and allied, micro &small enterprises, housing loan and education loan. During the year 2015-16 Rs.39575 (Lakhs) advances provided to agricultural and allied sector by KGB. This is also clear from the table 2 that advances to agriculture and allied sector shows an increasing trend but advances to total priority sector during 2015-16 is less as compared to the previous year.

Satisfaction Level of agricultural loan beneficiaries of RRBs:

The present study on Satisfaction level of agricultural loan beneficiaries of Kerala Gramin Bank in Wayanad District tries to analyze the satisfaction level of agricultural loan beneficiaries on various aspects of services provided by the RRB. For analyzing the perceptions of borrowers, a sample of 120 agricultural loan borrowers were identified. For the identification of borrowers of agricultural credit, Wayanad District is divided into three Taluks namely Mananthavady, Sulthan Bathery and Vythiri. 40 borrowers were selected from each Taluk.

Taluk and Category-wise Distribution of Borrowers. The borrowers are categorized as marginal borrowers, small borrowers, medium borrowers and large borrowers as on the basis of the amount of loan borrowed. Borrowers who borrow up to Rs. 50,000 are classified as marginal borrowers, and between Rs. 50,000 to Rs.300,000 as small borrowers, Rs. 3lakhs to Rs. 10 lakhs as medium borrowers and above Rs. 10 lakhs as large borrowers.

Table 4: Distribution of Sample Respondents on the Basis of Taluk and Category of Borrowers

Taluk	Marginal Borrowers		Small Borrowers		Medium Borrowers		Total	
	No	%	No	%	No	%	No	%
Mananthavady	7	30	29	34	4	33	40	33.3
Sulthan Bathery	8	33	27	33	5	40	40	33.3
Vythiri	9	37	28	33	3	27	40	33.3
Total	24	100	84	100	12	100	120	100

Source: Primary Data

Of the total 120 sample borrowers, 24 (20%) are marginal borrowers and 84 small borrowers (70%). The number of medium borrowers is 12 (10%). It is also noted that there are no large borrowers in the sample population who availed more than Rs. 10 lakhs.

Satisfaction Level of agricultural loan beneficiaries of Kerala Gramin Bank: To ascertain the satisfaction level of respondents, they were asked to indicate their satisfaction level on a five-point scale, regarding various factors such as location of branch, Processing time of loan, Tenure of loan, Security requirement, Repayment schedule, Training facilities, Rate of interest, Adequacy of staff, attitude and responsiveness of staff, Grievance handling and Loan Procedure. Table 5 shows the satisfaction level agricultural loan beneficiaries.

Table 5: Satisfaction Level of Agricultural loan Beneficiaries of Kerala Gramin Bank

Factor	Mean Score
Location of Branch	3.42
Processing Time of Loan	3.40
Tenure of Loan	3.41
Security Requirement	3.39
Repayment schedule	3.37
Training facilities	3.33
Rate of interest	3.62
Adequacy of staff	3.63
Attitude and Responsiveness of staff	3.39
Grievance Handling	3.37
Loan Procedure	3.40

Source: Primary Data

Majority of respondents have highly satisfied in case of adequacy of staff (Mean score 3.63) and they opined that rate of interest is affordable to common people(Mean score 3.62). Respondents opined that RRBs possess standard above average level in all aspect of their service.

Level of satisfaction of agricultural loan beneficiaries-Taluk-wise Comparison: In order to verify whether there is any Taluk-wise variation in the level of satisfaction of loan beneficiaries, one way ANOVA is applied and the test result found that there is significant variations in the level of satisfaction across three Taluks (Table.6).

Table 6: Mean Score Difference in the level of satisfaction of agricultural loan beneficiaries One-way ANOVA(Taluk wise)

S. No.	Thaluk	Number of Respondents	Mean	S.D	F	P. Value
1	Mananthavady	40	37.38	14.49	9.748	.000
2	Vythiri	40	43.88	15.21		
3	Sulthan Bathery	40	51.20	12.17		
	Total	120	44.15	15.01		

Source: Primary Data

H_0 : There is no Taluk wise difference in the level of satisfaction of agricultural loan beneficiaries of KGB.

There is significant Taluk wise variations in the level of satisfaction of beneficiaries of RRBs.(P value-.000, at 5% level of significance)

Level of satisfaction of agricultural loan beneficiaries of Kerala Gramin Bank- Category-wise Comparison.

Table 7: Mean Score Difference in the Level of satisfaction of agricultural loan beneficiaries One-way ANOVA(Category wise)

S. No.	Thaluk	Number of Respondents	Mean	S.D	F	P. Value
1	Marginal Borrowers	40	36.83	16.11	3.991	.021
2	Small Borrowers	40	45.58	14.47		
3	Medium Borrowers	40	48.75	12.54		
	Total	120	44.15	15.00		

Source: Primary Data

Ho : There is no category wise difference in the Level of satisfaction of agricultural loan Beneficiaries of KGB. Since the P value is less than .05 (at 5% level of significance), there is significant variations in the level of satisfaction among different categories of agricultural loan beneficiaries of Kerala Gramin Bank.

Major Findings

- RRBs share of agricultural credit showing an increasing trend. During 2006-2007, 8.9% of total institutional finance to agriculture provided by Regional Rural Banks.
- KGB(Kerala Gramin Bank) provided advances of Rs.20988(Lakhs) to agriculture and allied sector during the year 2011-12 out of Rs.38205 (Lakhs) advances to total priority sector in Wayanad District.
- The target fixed for credit to agricultural sector during the year 2015-16 is Rs.850000 crore. Against this target total flow of credit to agriculture amounted to Rs.877224crore contributed by Commercial banks, RRBs and Co-operative Banks.
- During the year 2015-16 Rs.39575 (Lakhs) advances provided to agricultural and allied sector in the District by KGB.
- There is significant variations in the Level of satisfaction of agricultural loan beneficiaries of Kerala Gramin Bank across three Taluks.
- Majority of beneficiaries have opined that the bank posses moderate level in all attributes of service of KGB.
- The Level of satisfaction among different categories of agricultural loan beneficiaries of Kerala Gramin Bank is significantly different.

Suggestions and Conclusion

Agricultural credit has played a vital role in supporting agricultural production in India. A review of performance of agricultural credit in India reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers. Efforts are required to address and rectify these issues. Imparting training to borrowers regarding procedural formalities of the bank could be helpful in increasing their access to agricultural credit. The rural financing is to be maintained according to the needs of the customers particularly in the agriculture sector as it depends upon the climate conditions. The study reveals that the level of satisfaction of beneficiaries of KGB is significantly different across taluks and categories like marginal borrowers, small borrowers and medium borrowers. Bank should retain more number of customers and giving services at the satisfaction level of customers by giving importance to the innovative strategies and key components like reliability, empathy towards customers, tangibles, responsiveness and assurance.

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