SERVICE PERCEPTION OF SMALL FINANCE BANKS TOWARDS AGRICULTURAL CREDIT

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Abstract

The main primary sector in India is agriculture, which contributes a higher percentage to food security, nutritional security and sustainable development to alleviate poverty. Farming was historically carried out in the past, and farmers relied primarily on cash lenders, relatives and friends for financial requirements. Money lenders used many ways to cheat the farmers, such as charging higher interest rates for their borrowings, false documents, etc. Agriculture entered the age of modernization with the advent of the Green Revolution and there was a noticeable rise in farmers' credit needs. Steps to increase institutional credit are being defined by providing stimulus, such as opening new branches of small finance banks across the country. This study will understand the perception of small finance banks in terms of service to promote rural and urban agricultural credit and support the economic growth of the country.

Keywords: Agriculture credit, Agricultural development, Farmer perceptions, Tirunelveli district and Small finance banks.

Introduction

Agricultural finance's position in a country's agricultural growth cannot be overemphasized. The lack of a structured National Credit Policy and the lack of credit institutions that can support farmers are one of the reasons for the decline in agricultural contributions to the economy. Agriculture (capital) financing is seen as more than just another resource, such as labour, property, facilities and raw materials. The value of agricultural finance varies widely between countries. Agricultural credit in less developed countries is closely linked to the provision of the required resources which farmers are unable to obtain from their own available capital. In this case, one of the most relevant government activities has been the promotion of agricultural production through the provision of agricultural credit. In developing countries, however, it is a fundamental development method that provides farmers with capital

to acquire resources in a timely manner, with advantageous quantities in an efficient manner.

Institutional credit, which played a crucial role in the growth of the agricultural sector, played a key role in Indian agriculture's development. All indications of resistance to natural shocks, such as droughts and famines, were seen. Indeed, credit has served as a means of providing resource control to allow farmers to acquire the capital they need to increase agricultural production. It allowed farmers to obtain short-term loans for the purchase of inputs and other services, as well as long-term loans for investment purposes. Thus, by promoting the technical upgradation and commercialization of agriculture, credit has played a crucial role. In terms of expansion in inputs such as fertilizers, irrigation and the formation of private capital, the success of the Green Revolution in Indian agriculture largely depended on institutional credit support for the agricultural sector.

Statement of the Problem

The most overriding sector in the economy is agriculture. Because of the accumulated debt on bank loans and private loans, farmers have committed suicide. They sell their entire gold, mortgage all their land, and farmers have no respect and are looked down on in society; they have no guaranteed income or sufficient income, and they have no full-time work. Farmers must rely on moneylenders and their indebtedness contributes to the selling of their goods below the cost of production. Therefore, they are not in a position to pay back the loan in time. For the simple reason of holding small land, farmers approach banks and cannot get a loan from the bank, so they approach moneylenders and take money at a higher interest rate and suffer.

Objectives

- To identify the perception of the farmers about loan process of small finance bank.
- To identify the perception of the farmers about agricultural loan schemes of small finance bank.
- To understand the service perception of small finance banks towards agricultural credit.
- To examine the effect of service perception towards service quality gap.

Review of Literature

Bhargavi Hrishikesh and Ramakrishna Reddy (2014) stated that retrospects and prospects of commercial banks' agricultural finance in the Kurnool district of Andhra Pradesh-The first attempt in India was to encourage agri-loan conservatives while institutionalising agri-loan for rural areas. The origins included state, commercial banks, cooperatives, etc. The RRB also plays a very important role in meeting agriculturalists' agri-loan requirements. Co-operatives are the cheapest and safest source for farmers of agricultural agri-loans. Enhancements were made and with the passage of the Reserve Bank of India Act 1934, the District Central Cooperative Banks Act and the Development Banks Act, the agricultural agri-loan was propelled. In the task of setting up a cooperative agri-loan structure, RBI played a predominant role, gently developing two different weapons, one for short-term agricultural agri-loans and the other for long-term agricultural agri-loans.

Lena Roussenova and Dimiter Nenkov (2007) in their study on 'Agricultural finance and Institutional reforms in Bulgaria' revealed that in the Bulgarian economy, agriculture has historically played a major role. Since 1997, the government has made rapid progress in introducing a comprehensive reform programme in the agricultural, financial and general sectors of the economy. Consistent with developments in the agricultural and banking industries, most of these systems are continually undergoing changes. As public interest in banks continues to recover, and with more than 70 per cent of banks ' assets owned or operated by foreign private banks, conservative lending is expected to overcome the market.

J. O. Oladeebo and O. E. Oladeebo (2008) in their study on 'Loan repayment determinants among smallholder farmers in the Ogbomoso Agricultural Zone of the State of Oyo, Nigeria' examined the socio-economic factors affecting the repayment of loans among smallholder farmers in the Ogbomoso agricultural zone of the State of Oyo, Nigeria. Data collected by multi-stage random sampling techniques from 100 farmers from 10 villages in 2 local government areas of the area were analyzed using descriptive statistics and multiple regression analysis from Ordinary Least Square. Results disclosed that On average, farmers were 47 years old with less years of credit-use farming experience (4 years on average).

K. K. Tripathy and Prof. S. K. Jain (2007) in their study 'Trends and Issues in Access to Agricultural Finance in India: Analysis of Microfinance as a Creative Credit Distribution Method' claimed that with the nationalisation of banks, the outreach and access to total bank loans has undeniably improved. The availability of agricultural credit, however, remains precarious, negating equal and productive distribution and thus affecting the viability and survival of formal institutions. Credit scarcity, higher transaction costs, workforce shortages and the domination of non-institutional credit markets have demanded follow-up services to increase the efficient use of credit and repayment efficiency by community loan schemes.

Saeed Yazdani (2006) in his study on 'Analyzing the Effects of Systemic Change in Iran's Agricultural Credit System' reported that one of the fundamental changes in Iran since 1979 has been the replacement of the conventional interest-based credit system with the Islamic credit system. The Islamic scheme of credit provides the possibility of sharing the burden between the borrower and the lender. Small-scale farmers are likely to be averse to risk and are unwilling to go deeply into debt to fund investments in new technologies and capital-intensive production methods that they consider to be costly. With the assistance of a basic conceptual model, the decision-making behaviour of farmers with regard to risk under the Islamic and interest-based credit systems is examined.

Methodology

The analysis is based on primary data gathered from individual farmers in the district of Tirunelveli. In order to collect data from 385 respondents gathered via an interview schedule, a convenient sampling technique was used. The secondary data from the published article, books, magazines and websites were collected. With the support of the SPSS, the data gathered was further processed to evaluate and interpret the data in the analysis. In order to draw valid conclusions, the following statistical methods, namely regression, percentage and mean ranking, were used for analysis.

Results & Discussion

1. Percentage analysis

Table No.1 Demographic Characteristics of Sample Farmers

S.No	Particulars	No. of Respondents	Percentage
	Age Group		
1	Below 25 Year	64	16.6
2	25 – 50 Years	205	53.2
3	Above 50 Years	116	30.1
	Amounts spend for fertilizers and seeds		
4	Less than 10000 rupees	179	46.5
5	10000 - 20000 rupees	90	23.4
6	20001- 30000 rupees	70	18.2
7	Above 30000 rupees	46	11.9
	Methods used for harvesting and transporting		
8	Man Power	55	14.3
9	Machine Power	330	85.7
	Type of small finance bank		
10	Ujjivan Small Finance Bank	96	24.9
11	Jana Small Finance Bank	50	13.0
12	Suryoday Small Finance Bank	42	10.9
13	Equitas Small Finance Bank	85	22.1
14	Fincare Small Finance Bank	47	12.2
15	ESAF Small Finance Bank	65	16.9

The table 1 explains the demographic factors of the respondents. Out of 385 farmers 53.2 per cent belong to the age group 25 to 50 years of age, 30.1per cent of the respondent belong to the age group from above 50 years and the remaining 16.6 per cent of the respondents belong to the age group of below25 years.

The amounts spend for fertilizers and seeds. The farmers 46.5 per cent are spending less than 10000 rupees, 23.4 per cent are spending 10000 - 20000 rupees,

18.2 per cent are spending 20001- 30000 rupees and 11.9 per cent are spending above 30000 rupees.

The methods used for harvesting and transporting. The farmers' 85.7 per cent have used machines and 14.3 per cent have used man power for harvesting and transporting work.

The farmers 24.9 per cent have account on the Ujjivan Small Finance Bank, 22.1per cent of the respondent have account on the Equitas Small Finance Bank, 16.9 per cent of the respondent have account on the ESAF Small Finance Bank, 13 per cent of the respondent have account on the Jana Small Finance Bank, 12.2 per cent of the respondent have account on the Fincare Small Finance Bank and the remaining 10.9 per cent of the respondents have account on the Suryoday Small Finance Bank. From this it is viewed that majority of the farmers have account on Ujjivan Small Finance Bank engage in agriculture operations.

2. Descriptive statistics

Table: 2. Statements of loan process of small finance bank

Particulars	Mean	Std. Deviation
Loan amount is not disbursed in time	4.4390	0.63495
Scale of finance fixed for crops is inadequate	3.8597	0.69677
Process of scrutiny of applications is time-consuming	4.2208	0.93574
Procedure for obtaining loan is complicated	4.1532	0.71799
Bank's follow-up action is not sufficient	3.8468	0.69214
More corruption for getting loan	3.6961	1.13128
Loan assistance helps to increase output	4.0649	0.69854
Repayment schedule is unreasonable	3.8364	0.68975
Banker's behaviour is not encouraging	3.7610	0.97897
Banks not expected unwanted documents	3.9169	0.73481

Table no - 4.30, shows the statements of loan process of your bank among farmers. Factors were measured with ten statements in the five point scale. Further, mean and standard deviation values were calculated. From the mean values it is noted Loan amount is not disbursed in time (4.44), Process of scrutiny of applications is time-consuming (4.22), Procedure for obtaining loan is complicated (4.15), Loan

assistance helps to increase output (4.06), Banks not expected unwanted documents (3.92), Scale of finance fixed for crops is inadequate (3.86), Bank's follow-up action is not sufficient (3.85), Repayment schedule is unreasonable (3.84), Banker's behaviour is not encouraging (3.76) and More corruption for getting loan (3.70).

Table: 3. Perception of Agricultural Loan Schemes

Particulars	Mean	Std. Dev
The source of agriculture loan is adequate	3.8364	0.68975
The various types of agriculture loan Schemes are satisfactory	4.1584	0.69473
The rate of interest for different loans are reasonable	4.1429	0.73091
Fully aware of the subsidies offered	3.9325	0.71488
Prefer formal sources of agricultural finance	4.0753	0.99060
Loan application formalities are simple in different schemes	4.0857	0.69629
Gold loan is affordable to meet agricultural production	3.9195	0.70435
Present Distribution of agriculture loan is fulfill	4.1143	0.72703
Short term loan schemes are increased the productivity	3.9818	0.82423
Difficulty in obtaining small or marginal farmers' identity card	3.7740	0.70219
There is timely lending of loans and advances to the customers	4.1247	0.70344
The authorities of the bank are easily approachable	3.9792	0.73569
Credit facilities and schemes are well informed to beneficiaries	3.9091	0.71045

Table no - 4.31, illustrates the perception of agricultural loan schemes for farmers. Factors were measured with thirty statements in the five point scale. Further, mean and standard deviation values were calculated. From the mean values it is noted the various types of agriculture loan schemes are satisfactory (4.16), The rate of interest for different loans are reasonable (4.14), There is timely lending of loans and advances to the customers (4.12), Present Distribution of agriculture loan is fulfill (4.11), Loan application formalities are simple in different schemes (4.08), Prefer formal sources of agricultural finance (4.07), Short term loan schemes are increased the productivity (3.98), The authorities of the bank are easily approachable (3.98), Fully aware of the subsidies offered (3.93), Gold loan is affordable to meet agricultural production (3.92), Credit facilities and schemes are well informed to beneficiaries (3.91), The source of agriculture loan is adequate (3.84) and Difficulty in obtaining small or marginal farmers' identity card (3.77).

Table: 4. Service Perceptions of Small Finance Banks

Service Perceptions	Mean	Std. Dev
Tangible	4.0455	0.64566
Reliability	4.0519	0.57609
Responsiveness	3.9747	0.65015
Assurance	4.0551	0.57362
Empathy	3.9981	0.73299

Table no - 4.31, illustrates the service perceptions of small finance banks of farmers. Factors were measured with five statements in the five point scale. Further, mean and standard deviation values were calculated. From the mean values it is noted the Assurance (4.05), Reliability (4.05), Tangible (4.04), Empathy (3.99) and Responsiveness (3.97).

Table: 5. Service Expectations of Small Finance Banks

Service Expectations	Mean	Std. Dev
Tangible	4.0279	0.71923
Reliability	4.0239	0.62538
Responsiveness	3.9812	0.82668
Assurance	3.9943	0.68440
Empathy	4.0065	0.61287

Table no - 4.31, illustrates the service perceptions of small finance banks of farmers. Factors were measured with five statements in the five point scale. Further, mean and standard deviation values were calculated. From the mean values it is noted the Tangible (4.02), Reliability (4.02), Empathy (4.00), Assurance (3.99) and Responsiveness (3.98).

3. Regression analysis

Table: 6. Regression - Model Summary

R	R Square	Adjusted R Square	F	Sig.
0.906ᵃ	0.821	0.819	348.728	.000ᵇ

a. Predictors: (Constant), PEREMPATHY, PERTANGIBLE, PERRELIABILITY, PERRESPONSIVENESS, PERASSURANCE

Through multiple regression analysis, we look to the p-value of the F-test to see if the overall model is significant. With a p-value of zero to three decimal places, the model is statistically significant (F=348.728; P<0.001). It is concluded that there is significant effect of service perception towards service quality gap. The R-square is 0.821, means that 82.1 percentage of variability of service perception is accounted for the variable in the model.

Table: 7. Regression - Coefficients

Coefficientsᵃ					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.483	.104		-4.655	.000
Tangible	1.296	.081	1.496	16.034	.000
Reliability	3.833	.170	3.949	22.527	.000
Responsiveness	-1.515	.085	-1.761	-17.910	.000
Assurance	-1.775	.170	-1.821	-10.416	.000
Empathy	-1.746	.072	-2.289	-24.292	.000

a. Dependent Variable: SERVICE

It is inferred from the coefficient and regression analysis of the five service perception variables taken for the study; all five variables significantly have effect over service quality gap as judged from their t-values. Let's focus on the five predictors; tangible, reliability, responsiveness, assurance, and empathy have

statistically significant effect with service perception. The result also seems to indicate that the two service perceptions have positive effect and three service perceptions have negative effect on the service quality gap. Hence, it is concluded that there is a significant effect of service perception on service quality gap.

Findings of the study

- Majority of farmers 53.2 per cent belong to the age group 25 to 50 years of age, 30.1per cent of the respondent belong to the age group from above 50 years and the remaining 16.6 per cent of the respondents belong to the age group of below25 years.

- Majority of farmers 46.5 per cent are spending less than 10000 rupees, 23.4 per cent are spending 10000 - 20000 rupees, 18.2 per cent are spending 20001-30000 rupees and 11.9 per cent are spending above 30000 rupees.

- 85.7 per cent have used machines and 14.3 per cent have used man power for harvesting and transporting work.

- Majority of farmers 24.9 per cent have account on the Ujjivan Small Finance Bank.

- The statement "Loan amount is not disbursed in time" has common consent with mean value 4.44 and with standard deviation 0.63. Which means the bank loan should not be provided loan on time of agricultural operation.

- The statement "the various types of agriculture loan schemes are satisfactory" has common consent with mean value 4.16 and with standard deviation 0.69. Which means the agricultural loan provided bank is satisfactory.

- The statement "Assurance" has common consent with mean value 4.05 and with standard deviation 0.57. Which means the farmer have assurance while using of service provided by small finance banks.

- The statement "Tangible" has common consent with mean value 4.02 and with standard deviation 0.72. Which means the small finance banks provided tangible service to the farmers.

- There is no significant effect of service perception towards service quality gap.

Conclusion

The majority of farmers are uneducated and do not recognize formal financial institutions' technological and other requirements. Agricultural financing helps

farmers to access the requisite production capital and provides a favorable environment for improved productivity. Since agricultural finance uses a "push effect and plays a catalytic role in the process of growth, providing the farmer with appropriate, timely and liberal finance becomes a crucial part of agricultural developments." There has been a remarkable shift in the field of agricultural credit by banks compared to the previous situations, i.e. from a rather pathetic condition to a state of prosperity. From this report, farmers assume that they are not aware of the facilities available in banks, which they do not provide funding in a timely manner and that adequate amounts are not approved. In this report, special care should be taken to provide financing in time to help improve progress in agricultural production and also in the social conditions of farmers.

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