

Utilization of Commercial Bank Products Among Rural Communities - A Study in Chikkaballapur District

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ABSTRACT

The study was conducted in the Chikkaballapur district of Karnataka to know the utilization of commercial bank products among account holders. The study was conducted based on both primary and secondary data, the primary data was collected from 200 bank customers and secondary data was collected from different sources of information. Less than half of the respondents have not availed loan because of the lengthy procedures involved to avail. Ninety five per cent of the respondents are aware about loan facility. More than half of the respondents (63.5 per cent) availed different kinds of loans in that crop loan were the major one. Kissan credit card facility was availed by 8 per cent of the customers. Nearness of the village was the basis for selecting a bank for opening of account by 42.5 per cent of the respondents. Thirty six per cent of respondents were received information about banking services by word of mouth followed by bank employees briefing (27.5 per cent) and 26.5 per cent by advertisement in mass media. Most of the respondents preferred to receive information banking services was advertisement in the mass media and word of mouth.

Key words Bank, products, rural communities

The Indian banking industry is passing through a phase of customers market. The customers have more choices in choosing their banks. A competition has been established within the banks operating in India. With stiff competition and advancement of technology, the services provided by banks have become more easy and convenient.

Banking occupies one of the most important positions in the modern economic world. It is necessary for trade, industry and is one of the great agencies of commerce. Although banking in one form or another has been in existence from very early times, modern banking is of recent origin. It is one of the results of the industrial revolution and the child of economic necessity. Its presence is very helpful to the economic activity and industrial progress of a country.

Banks gained the opportunity to improve the quality of services offered to their customers with a mechanism that marked the way for the introduction of sophisticated services at negligible costs. Providing banking services through internet proved to be helpful to bankers in terms

of establishing a single platform for providing a wide range of services and reducing the costs involved in such service offerings.

Role of credit in Agricultural Development:

Provision of adequate and timely credit to the agriculture sector is one of the basic requirements of the rural credit delivery system. Dealing with the sources of credit to agriculturists, it is useful to distinguish between formal/ informal channels and institutional/non institutional sources. The non institutional sources include money lenders, commission agents, traders, landlords, etc. The institutional sources include commercial banks, RRBs, PACS and PCARDBs. The dependence of small and marginal farmers on the informal sources of credit on exploitative terms is one of the causes for slow growth in agriculture. In fact growing commercialization of agriculture seems to have given a new impetus to the informal credit market through increasing role of money lenders.

Marketing of banking services in rural areas:

Banks today are operating in a highly competitive and rapidly changing environment. In the changing economic scenario, a professional approach to business development is essential and the survival of a banking institution depends on its ability to take up challenges coming up in the environment. Developing business through marketing of bank's services in rural areas is one of the crucial areas which need attention of the bankers to ensure profitable survival.

Banks need to tap opportunities in rural area:

India is a country with largest banking network in the world. Yet in a population of around 118 crore, we have just 15 crore saving accounts. In the largest banking system, the rural area is still deprived of banking facilities. The banks always assumed rural banking as non-lucrative sector. But the rural areas in India have a lot of potential that can help banks to grow, if the banks are able to tap in an efficient way.

India has a total banking network of 79,000 branches, out of which only 31,000 are in rural areas. In order to meaningfully tap the rural banking opportunity, we need to

find solutions to three important challenges namely: infrastructure set-up costs, operating costs and risk mitigation strategies.

MATERIALS AND METHODS

Chinthamani Taluk of Chikkaballapura District was selected purposefully for the present study. Eight villages were selected based on maximum number of account holders in the study area. Out of eight villages four under developed villages and four developed villages were selected. A list of customers (account holders) from the bank covering the selected eight villages was obtained and twenty five customers (account holders) were selected randomly from each village as respondents for the study. The total sample size was two hundred from eight villages.

The survey was taken up during the month of February – March 2012. Keeping in view the specific objectives of the study, the data collected were subjected to measure of central tendency and tabular analysis statistical tools.

Table 1. Banks in Chikkaballapura district (2009-10)

Sl. No.	Taluk	Commer- cial banks	Grameen a banks	DCC/PL D banks	Total
1	Bagepalli	9	5	2	16
2	Chikkaballapura	15	3	2	20
3	Chintamani	14	7	2	22
4	Gauribidnur	15	6	2	23
5	Gudibande	2	3	2	7
6	Sidlagatta	9	6	2	17
	Total	64	30	12	106

RESULTS AND DISCUSSION

Banking services utilized by respondents:

Table II represents that, fifty one and half per cent of respondents opened recurring deposits followed by 63.5 per cent availed different kinds of loans and only 31.0 per cent of respondents availed demand draft facility. Loans are the primary products of the bank which are acceptable to customers readily. This shows the extent of formal credit system adopted in the study area. Through recurring deposits one can save regularly and earn more interest than saving bank account interest. Hence, majority opted for this service.

Other services like debit or credit card (17.5 per cent), current accounts (16.0 per cent), money transfers (12.0 per cent), Kissan credit card (8 per cent), fixed deposits (7.5 per cent) and safe deposit lockers (7 per cent) were also utilized by the respondents. Banks can do far more to bring people’s attention to their various services, and to provide the range and depth of knowledge needed to attract these markets. Marketing campaigns, attractive dedicated literature, and awareness sessions may prove valuable for this purpose.

From among the literates 29 per cent from developed villages and 11.5 per cent from under developed villages utilized recurring deposits facility. As low as 5.0 per cent of the illiterates from developed and 7.0 per cent from under developed villages utilized recurring deposits. These are the simple products of the bank which are well understood and utilized by the members.

Table 2. Banking services utilized by respondents (N=200)

Sl. No.	Services	Developed villages		Under developed villages		Total
		Illiterates	Literates	Illiterates	Literates	
1.	Savings Bank Accounts	18	82	32	68	200 (100)
2.	Safe Deposit Lockers	2	7	1	4	14 (7.00)
3.	Current Accounts	13	15	2	0	30 (16.00)
4.	Recurring Deposits	10	58	14	21	103 (51.50)
5.	Fixed Deposits	6	16	2	8	32 (16.00)
6.	Loans	7	66	14	40	127 (63.50)
7.	Money Transfers	4	12	1	7	24 (12.00)
8.	Demand Draft	11	26	10	15	62 (31.00)
9.	Credit and Debit Cards	6	23	1	5	35 (17.50)
10.	Kissan Credit Card	2	9	1	4	16 (8.00)

Note: Respondents answered more than one choice. Hence, total is not matching.

Figures in parentheses indicate percentages to the total

Banking services utilized by respondents based on their income groups:

Banking services utilized by customers with different income groups is presented in Table 3. Cent per cent of respondents from various income groups utilized saving bank accounts of the bank. There are various schemes under SB account suitable for different income groups. So, cent per cent of the respondent customers availed the service.

More than half of the respondents (63.5 per cent) utilized loan facility in the study area. Most of the credit needs are met through institutional source of credit.

One third of the respondent’s utilized facility of demand draft, amongst that, medium income (20.0 per cent) and high income groups (12.0 per cent) utilized more in both the developed and under developed villages. The demand drafts are the most acceptable instruments of the banks. Most of the medium to high income groups utilized this facility.

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Table 3. Banking services utilized by respondents

Sl. No.	Banking services	Developed villages			Under developed villages			Total
		Up to Rs.30000 (Low)	>30000-80000 (Medium)	>80000 (High)	Up to Rs.30000 (Low)	>30000-80000 (Medium)	>80000 (High)	
1.	Savings Bank Account	7	38	55	44	42	14	200 (100)
2.	Safe Deposit Lockers	2	5	2	0	1	4	14 (7.00)
3.	Current Account	0	20	8	0	0	2	30 (15.00)
4.	Recurring deposits	5	26	37	17	13	5	103 (51.50)
5.	Fixed deposits	5	9	8	2	5	3	32 (16.00)
6.	Loans	7	27	39	22	23	9	127 (63.50)
7.	Money Transfers	1	5	10	3	4	1	24 (12)
8.	Demand Draft	7	20	10	5	12	8	62 (31.00)
9.	Credit card & debit card	4	8	17	2	3	1	35 (17.50)
10.	Kissan Credit Card	0	4	7	2	2	1	16 (8.00)

Note: Respondents answered more than one choice. Hence, total is not matching.

Figures in parentheses indicate percentages to the total

As low as 8.0 per cent of respondents utilized Kissan credit card facilities. Kissan credit Facility was introduced recently in the year 1995 and needs to make farmers aware of the facility. This calls the attention of bank officials, to orient the customers regarding various benefits of the scheme so that, the utilization of this scheme by farmers could be fostered.

Reasons for not utilizing other services by respondents:

Data regarding the reasons for not utilizing other services by customers is presented in Table 4. Less than half (38.0 per cent) of the respondents have not availed loan because of the lengthy procedures involved to avail followed by non usefulness of the banking services to the

respondents (26.50 per cent). Banks must look for proper documents while sanctioning loans, the procedure to sanction loans might take more time. This calls the attention of the policy makers to make all the required documents at single window or at the banks. This will help in reducing the time required to sanction the loans.

More than twenty per cent of the respondents were not aware of the other banking facilities, hence not availed the facilities. Banks can create wide publicity through mass media, extensive campaigns and special melas to make the customers aware of the facilities.

Only 6.0 per cent of the respondents reported as they have not availed the loan as they have not satisfied with the services provided by the bank. Dissatisfaction derived by the services may be opted for the various documents

Table 4. Reasons for not utilizing other services by respondents (N=200)

Sl. No.	Reasons	Developed villages		Under developed villages		Total
		Illiterate	Literate	Illiterate	Literate	
1.	Not satisfied with the bank	1	9	0	2	12 (6.00)
2.	Not satisfied with the other services	1	9	0	2	12 (6.00)
3.	Lengthy procedure to avail loan	1	16	20	39	76 (38.00)
4.	Not aware of any other services	14	7	9	17	47 (23.50)
5.	Not of any use to me	1	41	3	8	61 (26.50)

Figures in parentheses indicate percentages to the total

Table 5. Loans availed by bank respondents (N=200)

Sl. No.	Loans	Developed villages			Under developed villages			Total
		Low (Up to 30,000)	Medium (>30,000-80,000)	High (>80,000)	Low (Up to 30,000)	Medium (>30,000-80,000)	High (>80,000)	
1.	Crop Loan	4	15	21	15	16	7	78 (61.41)
2.	Business Loan	1	4	5	0	0	4	14 (11.02)
3.	Gold Loan	2	5	4	0	2	2	15 (11.81)
4.	Education Loan	0	3	0	0	0	0	3 (2.36)
5.	Dairy Loan	1	0	0	5	3	0	9 (7.08)
6.	Marriage Loan	0	2	2	0	0	0	4 (3.14)
7.	Vehicle Loan	0	1	3	0	0	0	4 (3.14)

Note: Respondents answered more than one choice. Hence, total is not matching.

Figures in parentheses indicate percentages to the total

required to avail the services, non interested bank officials and the margin to be paid to avail the services.

Loans availed by respondents:

Utilization of bank loans by respondents is presented in Table V. Highest per cent (61.41 per cent) of the respondents availed crop loan followed by gold loan (11.81 per cent). From among developed villages 20.0 per cent of respondents availed crop loan and 19.0 per cent availed the similar service in under developed villages. The study area is predominated by the agriculture as the occupation. Crop and gold loans were taken by the customers for the purpose of cultivation.

Other type of loans like business loans (7.00 per cent), dairy loans (4.5 per cent), marriage and vehicle loans (2.00 per cent) were availed less. Only 1.50 per cent of respondents availed education loans. This was due to the reason that many a customers were not aware of the different loans provided by the bank.

MAJOR IMPLICATIONS

- Ninety five per cent of the respondents aware about loan facility.
- Fifty one and half per cent of respondents opened recurring deposits followed by 63.5 per cent availed different kinds of loans.
- One third of the respondents utilized facility of demand draft, amongst that, medium income (20.0 per cent) and high income groups (12.0 per cent) utilized more

in both the developed and under developed villages.

- Less than half (38.0 per cent) of the respondents have not availed loan because of the lengthy procedures involved to avail.
- The prime objective behind opening of bank account was to avail credit or loan (43 per cent) and secondary objective was to save money (40 per cent).
- Different kinds of loans were availed by 63.41 per cent of the respondents. Crop loan was the major for which farmers.
- Kissan credit card the ambitious project of the govt. of India to help the farmers in availing the crop loan without hassles was availed by just 8 per cent of the respondents.
- The lower income was realized from crop production activity because of price crash and the major portion of the income was spent for educational expenses of the children's leading to default in loan repayment.

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