

Customer's awareness and satisfaction about agricultural finance by state bank of India with special reference to Mandya district

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ABSTRACT

The share of Agriculture and allied sector in GDP increased to 20.19 per cent in 2020-21 from 17.8 per cent in 2019-20. The development and commercialization of Agriculture requires financial services that can support, Agriculture investments and agriculture-related infrastructure that require both short term as well as long-term funding. Access to financial services is a vital factor for the development of Agricultural sector. Bank and Financial institution play a vital role in financial inclusion. State bank of India as predominated Commercial bank in a Country play a vital role in financing Agriculture, The main objective of this study is to know awareness level, Satisfaction and impact of demographic factors on awareness level on Agricultural finance provided by the State bank of India in Mandya District. The structured questionnaire has been used to gather the data from 128 respondents in Mandya district. Statistical tools like percentage and weighted average method is used to represent the data. The study found that most of the respondents are aware about Various Agricultural finance Scheme of State Bank of India and the large number of the respondents are having small amount of Agricultural land and belongs to the annual income of less than 2 lakh. More number respondents are unsatisfied with regard to Procedure of sanction of Agriculture finance, and The Study Suggested that the bank should minimize the rate of interest and The Bank should liberalize the process and documentation to sanction loans.

Keywords: Agriculture Finance, Commercial bank, Development, Financial Inclusion, Investment

INTRODUCTION

Agriculture is the backbone of Indian economy. The sector has experienced light-hearted growth in the recent years. The sector, which is the largest employer of workforce, accounted for a sizeable 18.8 per cent (2021- 22) in Gross Value Added (GVA) of the country registering a growth of 3.6 per cent in 2020-21 and 3.9 per cent in 2021-22. Growth in allied sectors including livestock, dairying and fisheries has been the major drivers of overall growth in the sector. There are two sources which financing the agricultural sectors namely Institutional and Non-institutional, Institutional sources consist of the Government and Co-operative societies, Commercial banks including the Regional bank, Lead bank. Non-institutional sectors are professional money lenders whose only occupation or profession is to lend Money example the money lender, Landlord. There has been a decline in the percentage of agricultural credit financed by non-institutionalized sources like money-lenders. The problems of capital scarcity in agricultural production in most developing nations are generally giving cause for involvement. As of the huge capital elopement, subsistent, agriculture now cultivate crops only for their selves and their immediate families, In order to give solution to this problems commercial Banks in India started to provided Agricultural loans, Agricultural loans in India are not only provided to farmers working towards the cultivation of food crops, but they are offered to those who is engaged in agriculture-related sectors like horticulture, aquaculture, animal husbandry, silk farming, apiculture and floriculture. The loan activities of commercial banks, particularly in rural areas, are closely interrelated with agricultural operations. These institutions constitute the most important source of personal and collateral credit for farmers. The volume of such credit extended by commercial banks is naturally influenced by variations in agricultural conditions.

Agricultural credit is a necessary ingredient in agricultural practices and in farm productivity especially if supplied on sufficient quantity and efficiently used. State Bank of India Caters to the needs of agriculturists and landless agricultural laborers through a network of 8750 rural and semi-urban branches. Apart from the branches, there are 428 Agricultural Development Branches (ADB) which also cater to agriculturists. SBI is the leader in Agriculture finance in the country with a portfolio of Rs. 64,000 crs in agriculture advances covering around 80 lack accounts.

About State Bank of India

State Bank of India (SBI) a Fortune 500 company, is an Indian Multinational, Public Sector Banking and Financial services statutory body headquartered in Mumbai. The rich heritage and legacy of over 200 years, accredits SBI as the most trusted Bank by Indians through generations.

SBI, the largest Indian Bank with 1/4th market share, serves over 45 crore customers through its vast network of over 22,000 branches with an undeterred focus on innovation, and customer centricity, which stems from the core values of the Bank - Service, Transparency, Ethics, Politeness and Sustainability..

SBI's branches have covered a whole gamut of agricultural activities like crop production, horticulture, plantation crops, farm mechanization, land development and reclamation, digging of wells, tube wells and irrigation projects, forestry, construction

of cold storages and godowns, processing of agri-products, finance to agri-input dealers, allied activities like dairy, fisheries, poultry, sheep-goat, piggery and rearing of silk worms.

To give special focus to agriculture lending Bank has also appointed agri specialists in various disciplines to handle projects/ guide farmers in their agri ventures. Advances are given to borrowers for very small activities covering poorest of the poor to hi-tech activities involving large fund outlays.

Now SBI is setting up Agri Commercial Branches (ACBs) which will handle high value agri financing involving large investments. It envisages lending through corporate partnerships and other large enterprises for commodity financing, investment credit, other high value agriculture segments like horticulture, floriculture & food processing etc. It also focuses on Agri related SME including setting up of Rice and Dhal mills, seed processing industry, food processing industry, large and small scale dairy units, etc.

Traditionally, rural business is associated with agriculture and allied activities. Of late however, the trickledown effect of economic growth, renewed focus on infrastructure development, and employment generation in rural areas have led to huge investment by the Government in rural India, with a view to bridge the urban and rural divide.

Agricultural Finance Schemes

➤ **Kisan Credit Card (Crop Production Loan)**

Objectives:

To provide timely and adequate credit to farmers to meet their production credit needs (Cultivation expenses) besides meeting contingency expenses and expenses related to ancillary activities through simplified procedure facilitating the borrowers for availing loans as and when they need

Features:

- RKCC will be in the nature of revolving cash credit account. Credit balance in the account, if any, will fetch interest at Savings bank rate.
- Tenure: 5 years, with 10% annual increase of limit every year, subject to annual review.
- Interest Subvention: 3% interest subvention for prompt borrowers up to Rs. 3.00 lacs
- Repayment: The repayment period as per the crop period (Short/ Long) and marketing period for the crop.

Quantum of Loan

Need Based finance considering cropping pattern, acreage and Scale of Finance (SOF)

Insurance:

- Eligible crops may be covered under PRADHAN MANTRI FASAL BIMA YOJNA (PMFBY) on premium payment.
- Borrower should also opt for Personal Accident Insurance, Health Insurance (wherever applicable).

Interest Rate

- Up to Rs.3.00 lakh-7% subject to GOI providing 2% p.a. interest subvention. For interest subvention, Adhaar is mandatory wherever applicable.
- Above Rs.3.00 lakh- as applicable from time to time.

Multi-Purpose Gold Loan

Purpose of Loan

- To meet the short-term production / investment credit needs of the farmers, engaged in agriculture, cultivating own and /or leased land or engaged in cultivation of crops
- Farmers in allied activities like Dairy, Poultry, Fisheries, Piggery, Sheep, etc.
- Entrepreneurs and famers who needs investment credit for acquiring farm machinery, undertaking land development, irrigation, horticulture, transportation of Agri produce, etc.
- All other farming activities which are permitted to be classified under agriculture as per RBI/GOI/NABARD guidelines.

Combine Harvester Loan

Features

- Type of Facility: Agriculture Term Loan
- Margin: 25% of project cost excluding insurance and registration charges.
- Interest Rate: 3.50% above one year MCLR.
- Repayment: Negotiated Repayment. Repayable in 9 yearly or 18 half yearly installments including grace/gestation period.
- Processing Charges: 1.40% of the loan amount + GST
- Insurance: Comprehensive insurance of combine harvester along with accessories.

Loans for Financing Pump set

Purpose of Loan is Purchase of irrigation pump set /oil engine along with accessories.

Features

Eligibility: Individual farmers, companies /partnership firms /JLGs/SHGs of farmers. Minimum economic holding acreage: 1.25 acre owned land. However, loans can be considered even if the benefitting area is less than 1.25 acres provided the farmer is able to sell surplus water or viability of the project is ensured.

- Type of Facility: Agriculture Term Loan
- Quantum of Loan: The amount of loan differs from activity to activity. For composite minor irrigation, full economically viable package to be given. In case of Drip irrigation, it depends upon the various factors, mainly crop spacing and water requirement of crops.
- Margin: 15% to 25% of the project cost
- Interest Rate: Interest rates are linked to One Year MCLR rate + spread. Spread is determined by Bank from time to time. At present interest rate is One Year MCLR + 3.50%
- Processing Charges: 1.40% of the loan amount + GST

Financing Power Tiller

Purpose of Loan

- To meet the cost of Purchase of power tillers along with accessories.
- Loan should be made available for purchase of new Power Tiller only.

Features

- Type of Facility: Agriculture Term Loan
- Quantum of Loan: Total cost of the power tiller minus stipulated margin
- Interest Rate: One Year MCLR + 2.75%
- Repayment: Repayable in five years in 10 half yearly installments including grace/gestation period.
- Processing Charges: 0.50% of the loan + GST
- Insurance: Comprehensive insurance of power tiller along with accessories

LITERATURE REVIEW

Ujwala Kambali & Niyaz (2021) in their study on “An Overview of Agriculture Finance in India”. Objectives of the study are to study the features of Agricultural Finance in India and to examine the requirements and relevance of Agriculture Finances. The major findings of the study are timely and appropriate investment in agriculture allow the farmers access to cutting edge technology and the supply of indirect agricultural credit is just as vital as the inflow of direct credit. The study recommended that the government should outlaw high-interest loan providers and enforce stringent regulations against them. The government should focus on infrastructure development thus; the modest amount of cash may be a boon to farmers.

Snekalatha (2017) in their study on “A study on customers awareness and satisfaction about agricultural credit provided by State Bank of India (with special reference to Tirupur district)” The objective of the Study is to identify the factors influencing Satisfaction level and suggest measures to improve Satisfaction level. The major findings of the Study are majority of the sample respondents are satisfied with the services provided by the State Bank of India, and also suggested that bank must improve their marketing communication to deliver the various information about their Agricultural credit scheme to the farmer and bank may liberalize its procedure to get the agricultural loan for make it easy to farmers.

Dr. Narendra Kumar Batra and Ms. Shweta (2020) conducted a Study on “Present position of agricultural credit in India: an analysis of institutional Contribution in providing credit to agriculture sector”. The Article revealed that more than 50% of Indian population depends on the agricultural sector for their livelihood. In the developing country like Indian, for developing the condition of agriculture needs sound arrangements of credit generation because most of the farmers are not self-sufficient to arrange funds to purchase agricultural inputs. The Study concluded that in order to develop agriculture sector government must enhance the practice of providing agricultural finance.

Abhijit Sinha and Dipak Kundu (2020) in their paper “Exploring the Factors that Determine Flow of Agricultural Credit to Indian States”. The major finding of the Study shows that wide disparity across regions with the maximum flow to the southern region and the minimum to the north-east of the country. The study traces the growth in agricultural loans and finds that nature of the curve is in the quadratic form where the rate of decline is much less compared to the rapid rise in the growth of loans in all the regions.

K. Sarada Siva Reddy and Dr. K. Ravi Shankar (2020) conducted a study on “A Study on farmer’s perception towards agricultural loans in rural Areas with reference to Rayalaseema Region, Andhra Pradesh”. The major objective of the study is to understand the general farmer’s characteristics and level of attitude of farmers towards settlement of agriculture loans. Major findings of the study are that, the majority of the farmers felt that agriculture loan will help them, followed by rate of interest is high under agriculture loan system. Farmers have to spend money initially for getting agriculture loan sanctioned. Agriculture loans in rural areas depends on a number of factors, such as purpose for which agriculture loans is taken, tenure of the agriculture loans, interest rates. The farmers borrows a agriculture loans meant for income generating purpose and uses it for that then it is likely to generate a future income.

STATEMENT OF PROBLEM

Less research has been done on Agriculture finance of State bank of India with special reference to Mandya district. Few studies discussed about the Awareness and Satisfaction. This study tries to find out the impact of various demographic factors on awareness and also satisfaction of Formers with respect to Agriculture loan facility provided by State Bank of India.

OBJECTIVES OF THE STUDY

1. To Know Various Agriculture Finance scheme offered by the State bank of India to Formers
2. To Know the Awareness level of Respondents towards Agriculture finance by the bank
3. To Know the Satisfaction of the Respondents towards Agriculture finance by the bank

SCOPE OF THE STUDY

There is less research has been conducted on the customer's awareness and Satisfaction towards agricultural finance provided by the State Bank of India. This Study is related to analyse the awareness level, Satisfaction and influence of Demographical factors on awareness level in Mandya District.

RESEARCH METHODOLOGY

Both primary and secondary data were used for the study. A Questionnaire is used to collect required data from the respondents. The area for the study is Mandya district. The required secondary data are collected from various articles and websites and official website of State bank of India. Percentage and weighted average method have been used to analyze the data.

SAMPLING DESIGN

- **Sampling Area :-** Mandya district
- **Sampling Unit :-** State bank of India
- **Sampling Size :-** 128 Respondents
- **Sampling Technique:-** Convenient sampling was used to select required number of respondents from Mandya district.

DATA ANALYSIS AND INTERPRETATION

Table No.1 showing demographic details of the respondents.

Demographic Factors	Responses	No. of Respondents	Percentage
Gender	Male	102	80%
	Female	26	20%
	TOTAL	128	100%
Qualification	Below PUC	58	45%
	Graduation	18	14%
	Post-Graduation	05	04%
	Others	47	37%
	TOTAL	128	100%
Annual Income	Less than 1,00,000	38	30%
	1,00,000 to 2,00,000	54	42%
	2,00,000 to 3,00,000	22	17%
	More than 3 lakh	14	11%
	TOTAL	128	100%
Area of Land	Below one Acres	36	28 %
	1 Acre to 2 acres	48	38 %
	More than 2 Acres up to 3 acre	28	22 %
	More than 3 Acres	16	12%
	TOTAL	128	100%

(Source: Primary Data)

Interpretation

Though the study conducted, it was observed majority of the respondents belong to male category which represents 80% and 20% are female. 45% of the respondents are belongs to below PUC qualification, 14% of the respondents are graduated and followed by 04% post graduate and 37% are uneducated. 42% of the respondents belong to annual income of 1lakh to 2.lakh and 30% of the respondents belong to annual income of less than 1lakh. Followed by 17% belongs to 2 lakh to 3 lakh and 11% more than 3 lakh. Area of land 38% of the respondents having 1 to 2 acres of land, 28% of the respondents having below 1 acres, followed by 22%, and 12% having More than 2 acres up to 3 acres and More than 3 acres.

Table No.2 Period of having an account with SBI

Sources	No. of Respondents	Percentage
Less than year	13	10%
1 to 2 years	19	15%
2 to 3 years	26	20%

3 to 5 years	38	30%
More than 5 years	32	25%
Total	128	100%

(Source: Primary Data)

Interpretation

It is analyzed that 30 % of the Respondents having an account with SBI from past 3 to 5 years, 25% having an account from more than 5 years, 20% of the respondents from 2 to 3 years, then followed by 15%, and 10 % of the Respondents having an account from 1 to 2 years and less than a year.

Table No.3 Sources of Information about Agricultural finance of SBI

Sources	No. of Respondents	Percentage
Through Advertisement	29	23%
Approaches by Bank Executives	17	13%
Reference by Relatives and Friends	56	44%
Personally approached the Bank	26	20%
Total	128	100%

(Source: Primary Data)

Interpretation

It is analyzed that 44 % of the Respondents came to know about Agriculture finance through reference by Friend and Relatives, 23% of the Respondents came to know through advertisement, 20% of the respondents through personally approaching the bank, on 13% of Respondents came to know through approaches by bank Executives.

Table No.4 Factors influences for borrowing Agriculture finance from SBI

Factors	No. of Respondents	Percentage
Convenience of making operations	36	28%
Reasonable rate of Interest on loan	19	15%
Non availability of loan from others	16	12%
Previous transaction experience with banks	57	45%
Total	128	100

(Source: Primary Data)

Interpretation

The above table indicates that, 45 % of the respondents borrowing Agriculture finance from SBI by previous transaction experience with banks, 28 % of respondents stated that convenience of making operations , 15% of the respondents influenced by the reasonable rate of interest on loan, only 12% of the respondents borrowed for non-availability of loan.

Table No.5 Type of Agricultural finance Borrowed from SBI

Type of Loan	Borrowed	Non- Borrowed	Borrowed (%)	Non-Borrowed (%)	TOTAL (%)
Crop Production Loan	93	35	73	27	100
Multi-Purpose Gold Loan	56	72	44	56	100
Combine Harvester Loan	25	103	20	80	100
Loans for Financing Pump set	60	68	47	53	100
Financing Power Tiller	36	92	28	72	100

(Source: Primary Data)

Interpretation

The above table indicates that, 73% of the respondents Borrowed Crop Production loan 47% of the respondents borrowed for financing pump set, 44% of the borrowed multipurpose gold loan, 28% of the respondents borrowed loan for power tiller, only 20% of the respondents borrowed combine Harvester loan,

Table No.6 Customers Satisfaction towards Agricultural Finance of State Bank of India

Sl. No.	Preferences	Level of Satisfaction					Total	Total Weighted Score	Weighted Average
		Very Satisfied (5)	Satisfied (4)	Neutral (3)	Unsatisfied (2)	Very Unsatisfied (1)			
1	Offer more convenience	28	50	10	18	22	128	420	3.34
2	Procedure of obtaining loan	12	52	16	29	19	128	393	3.07
3	Amount of loan per acre is to meet the production expenses	25	31	18	42	12	128	399	3.11
4	Flexible Repayment schedules	02	11	05	42	68	128	191	1.49
5	Sanction period of loan	34	42	17	29	06	128	454	3.54
6	Rate of Interest on loan	05	25	19	38	41	128	292	2.28
7	Documentation for obtaining loan	16	29	05	58	20	128	347	2.71

(Source: Primary Data)

In the above Likert's five point analysis tables, Satisfaction level of the customers has been measured. For understanding the preference, weighted average method has been adopted. Value of 5 is assigned for strongly agree Statement, value is 4; for Agree, value 3 is assigned for Neutral, value 2 is assigned for Disagree, for strongly disagree value 1 is assigned.

The weighted average is around 3 for procedure to obtain loan, Therefore majority of the respondents have neutral satisfaction about it, Documentation for obtaining loan and to rate of interest on loan the weighted average is around 2 respondents unsatisfied that they need to go through High documentation and rate of interest for obtaining loan, the value is 2 with respect to rate of interest on loan respondents are unsatisfied about rate of interest on agriculture loan, there is no flexible repayment of loan since the value is 1.49 majority of the respondents are very unsatisfied,

There is a neutral satisfaction from the respondents about per acres loan amount with respect to production and about procedure for obtaining loan the value is around 3. The respondents are satisfied with respect to sanction period of loan the weighted average value is around 4.

FINDINGS

- Out of 128 Respondents, 102 of the Respondents are Male, which is 80% out of the total respondents, Female respondents are account to 20%, and it indicates that there is less participation of female in Agriculture activity.
- 45% of the respondents are belonging to the education qualification below PUC, 37% of the Respondents are uneducated and the percentage of highly educated respondents is less.
- 54 respondents having an annual income of 1laks to 2 lakh, which has 42% out of the total respondents, only 12% of the respondents are having an annual income of more than 3 lakh.
- 38% of the respondents are having a land of 1 Acre to 2 acres, only 13% of the Respondents having more than 3 acres of land. It indicates majority of the respondents having only small portion of Agricultural land.
- 30% of the respondents having an account in the bank from 3 to 5 years, 25% of the Respondents having an account for a period of more than 5 years.
- 44% of the respondents came to know about Agriculture finance provided by the SBI through reference by relative and friends, 23% through advertisement and 15% of the respondents have obtained information by bank Executives.
- 45% of the respondents borrowed loan from the bank based on their pre service experience with the bank, 28% of the respondents borrowed loan because of convenience of operation.
- 73% of the respondents borrowed Crop production Loan, followed by loans for financing pump set, Multipurpose Gold

- loan, and only 20% of the respondents borrowed combine harvester loan.
- With reference to sanction period of the loan the customer are satisfied because weighted average of the respondents is around 4.
 - The Respondents are unsatisfied with regard to Flexible Repayment schedule it because weighted average of the respondents is around 1.50
 - Respondents having neutral satisfaction with regard to offer more convenience, procedure for obtaining loan and amount of loan per acres to meet production expenses, The weighted average of the respondents is around 3.
 - Respondents are unsatisfied with regard to rate of interest and Documentation for obtaining loan, the weighted average of the respondents is around 2.

RECOMMENDATIONS

- The bank should provide attractive schemes to women formers to empower them in the field of the Agriculture.
- The Bank should reduce the rate of interest on Loan at reasonable rate, because majority of the respondents belongs to annual income of 1 to 2 lakhs and having a land of less than 1 acre.
- Bank should appoint more number of personal executives, In order to communicate the agricultural finance schemes of the bank.
- The Bank should increase the amount of loan given to per acres.
- Bank should liberalize the procedure to obtain the loan at a maximum extent
- The bank should minimize the Documentation with respect to loan sanction.

CONCLUSION

Finance in agriculture is as important inputs being used in agricultural production. Financial institutions in developing countries lend a disproportionately lower share of their loan portfolios to agriculture compared to the agriculture sector's share of GDP. State bank of India emerged as the major source of institutional credit to agriculture. The structure of the Agricultural sources of credit has witnessed a clear shift and the bank have emerged as the major source of institutional credit to agriculture in the recent years, The major problem of credit sanction faced by the Bank is the unsatisfactory level of over-dues. This has adversely affect the institutional credit and thus the bank will not be able to advance more credit for meeting the growing needs of farmers and following strict procedure to grant agriculture finance.

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