The Study Examines the Role of Commercial Banks in Rural Credit in the Coimbatore District

Dr. A. Maheswari

Assistant Professor of Commerce, Department of Commerce with Professional Accounting and Accounting& Finance, Hindusthan College of Arts & Science, Behind Nava India, Coimbatore-642028.

ABSTRACT

The study emphasizes the importance of rural development for the rapid economic growth of the rural poor. The Indian government has implemented various measures to improve the economic status of rural people, including the establishment of institutional agencies providing inputs like finance, implements, seeds, and fertilizers. Finance plays a crucial role in catering to the needs of rural people, and commercial banks play a vital role in financing target groups in the rural sector.

KEY WORDS: Rural People, Rapid Development, Commercial Banks, Rural Credits and Rural Areas

1.1 INTRODUCTION OF THE STUDY

In order to facilitate the banking system's significant contribution to the economic growth of rural communities, the government has implemented a number of regulatory measures. The development of rural commercial banks, which substitute mass banking for class banking, is one of the key initiatives. In order to promote credit flow to rural sectors, the second strategy involves prioritizing lending sectors and creating targeted development strategies and action plans. In spite of these efforts, it is discovered that 36% of rural families do not have access to institutional credit. It has been noted that receiving credit for agricultural and related activities presents several challenges for the beneficiaries of rural areas. They relocate to cities because there is a lack of financing and other amenities. It causes a great deal of issues.

1.2 SCOPE OF THE STUDY

The primary focus of this research is on the part that commercial banks play in providing rural loans in the Coimbatore District. The compound annual growth rate was used to study the contribution of the commercial banks as measured by deposits, loans, and priority sector advances. The attitudes of borrowers toward commercial banks are also investigated in this study.

1.3 OBJECTIVES OF THE STUDY

The objective is to examine and determine the contribution of commercial banks to rural credit in the Coimbatore district and provide appropriate recommendations based on the results.

1.4 STATEMENT OF THE PROBLEM

The current study focuses on the scientific evaluation of the commercial bank's financial support for rur-

al development in the Coimbatore District. It highlights the part that commercial banks play in rural development and raises awareness of rural credit in the rural population. The micro-level planning and policy framing will benefit from this micro-level study. The study backs up the national and state governments' initiatives to improve rural development via national economic growth. The current study focuses on the scientific evaluation of the commercial bank's financial support for rural development in the Coimbatore District. It highlights the part that commercial banks play in rural development and raises awareness of rural credit in the rural population. The micro-level planning and policy framing will benefit from this micro-level study. The study backs up the national and state governments' initiatives to improve rural development via national economic growth.

1.5 HYPOTHESES

The respondents demographic profile, the kind of bank, the type of account and length of account holding, service awareness, and the degree of pleasure with financial transactions do not significantly correlate. The Paired „tTM test, Chi- Square test, Anova, and correlation analysis have all been utilized to assess the study's hypotheses.

1.6 METHODOLOGY

This study is analytical in nature. Data and information derived from primary and secondary sources have been used to carry it out.Books, articles, records, documents, websites, magazines, and lead bank annual reports were the sources of the secondary data. The beneficiaries of the rural community in the study region provided pertinent data and information, which were generated through the sample survey used to collect the primary data. This poll was conducted with 378 respondents in total between January and June of 2024.

1.7 SAMPLING DESIGN

To get the primary data, a stratified random sample technique was employed. Over the course of the 13-year study period, the respondents were chosen from among the beneficiaries of commercial banks. Out of the twelve development blocks operating in the Coimbatore district, four Madukkari, Pollachi South, Sulur, and Thondamuthur were selected for the initial sampling stage.Five villages from each block have been selected for a micro study in the second sampling step. Among the 38,042 commercial bank debtors in four blocks, a sample of 378 respondents was chosen. According to occupational classification, the sample is made up of 64 people from the services sector, 45 from micro, small, and medium-sized enterprises, 45 from rural craftsmen, and 132 people from the agricultural sector. dispersion throughout the chosen block regions.

1.8 STATISTICAL TOOLS USED

Various statistical approaches were employed to analyze the data, including percentage analysis. The process of data analysis and interpretation involved the application of percentage analysis. The following were used: mean, standard deviation, coefficient of variation, and compound average growth rate. Anova, Chi-Square test, Friedman Rank test, paired "t" test, correlation analysis, multiple regression analysis, stepwise regression analysis, and Anova were all employed.

1.9 LIMITATION OF THE STUDY

These are the restrictions and limitations that apply to the current study.

1. The limitations of the instruments employed to analyze the primary and secondary data have an impact on the study's findings.
2. Nevertheless, these restrictions have not impacted the data's accuracy or the validity of the study's conclusions.

2.1 REVIEW OF LITERATURE

India's primary industry is agriculture, according to Elizabeth Thomas, Keerthana T.P., and Girish's (2018) research paper "Perception and Attitude of Banks towards Agricultural Credit: A study on Select Commercial Banks in Kerala." It concentrated on the advancement of agricultural endeavors like as the biotechnology and green revolutions, as well as the rural debt and excessive reliance on private money lenders faced by Indian farmers. In their 2017 study, "Changes in Rural Economy of India 1971–2012," Ramesh Chand, S.K. Srivastava, and Jaspal Singh report changes in the employment and output mix and development of the rural sector between 1971 and 2012. From 2004 to 2005, they observe a decrease in agriculture and an increase in non-farm activity. Sivakami.s and Dr. Thirumoorthi.R. (2017) "Rural Women's Self-Help Groups (SHG): A Socio-Economic Development" In their article, they state that self-help groups, or SHGs, are fantastic organizations that support women's empowerment. They also discuss strategic measures for the holistic development of women in the current globalization era, which in turn leads to socioeconomic development.Apri Kuntariningsih, Joko Marivono, Gunistiyo, Jaka Waskita, Sumamo, M. Fajar Nurwildani, and M. Fajar Nurwildani (2019) "The role of technology adoption and microcredit in maintaining farmers' welfare" In three different locations of Java, 220 chili farm households were randomly selected and the primary data was collected between 2013 and 2014.

3.1 ANALYSIS AND DISCUSSION

The growth of the rural sector is the primary goal of the nation's economic planning. To achieve comprehensive, sustainable socio-economic growth in the rural sector, a robust and effective formal credit delivery system is required to guarantee sufficient credit flow and timely disbursement to various target groups.

Table:3.1.1 Kisan Credit Card Scheme as on 31st March , 2024 (In billion and Cards in „000)

State/UT	Co-operative Banks		Regional RuralBanks		Commercial banks		Total	
	Cards	Amount Sanctioned	Cards	Amount Sanctioned	Cards	Amount Sanctioned	Cards	Amount Sanctioned
Northern Region	5,749	269.7	1,040	193.1	4,024	455.9	10,813	918.6
North Eastern region	106	1.2	434	13.6	674	13.9	1,215	28.7
Western Region	5,622	259.9	643	69.8	3,526	243.6	9,791	573.3
Eastern Region	5,563	116.1	3,134	143.4	4,877	489.20	15,231	1,013.10
Central Region	11,632	201.5	3,876	354.1	6,7oo	309.9	22,207	865.5
Sourthern	7,211	273.7	3,144	250.3	3,519	68.6	12,217	592.6

Region								
Total	35,883	1,122.0	12,271	1,024.2	23,320	1,581.10	71,474	3,727.4

Source: Nabard/ Returns from Commercial bank (www.rbi.org.in) Report on Trend and Progress of Banking in India 2023-24

The table further shows that, central region stands first position followed by southern regions and eastern regions issued by KCC through Regional Rural Banks. In KCC issued by the Commercial banks, Northern region secured first position , followed by central region, eastern region and sourthern region, North eastern region secured the last position.

The contents of the following table are The null hypothesis is rejected since the computed value is greater than the value in the table. As a result, it can be said that there is a substantial correlation between respondents' opinion levels and the types of commercial banks in the study area.The aforementioned table reveals that out of the 69 respondents with high-level opinions, 33 (31.20%) have accounts with public sector banks, 23 (13.20%) with private sector banks, 12 (15.90) with cooperative banks, and the other respondents have accounts with regional rural banks.

Table:3.1.2 OPINION LEVELS OF RESPONDENTS ON TYPE OF BANK ACCOUNTS IN SATISFACTION LEVEL

Type of Bank	Opinion level on Banking Services			
	Low	Moderate	High	Total
Nationalized Banks	4 (4.10)	33 (31.20)	69 (64.70)	106 (100.00)
Private Sector Banks	16 (8.80)	23 (13.20)	142 (78.00)	181 (100.00)
Co-operative Banks	27 (34.90)	12 (15.90)	37 (49.20)	76 (100.00)
Regional Rural Banks	5 (29.60)	1 (3.70)	9 (66.70)	15 (100.00)
Total	52	69	257	378

Source: Computed From Primary survey 2024

Note: Figures in bracket represent percentages to total

Df: 3   Table Value: Five per cent level:7.81 Calculated χ^2 Value: 72.75   One per cent level: 11.34

Table:3.1.3 OPINION LEVELS OF RESPONDENTS ON TYPE OF BANK ACCOUNT IN SATISFACTION LEVEL

Type of Account	Perception on Banking Service			
	Low	Moderate	High	Total
Savings Deposit	22 (10.90)	151 (75.50)	27 (13.60)	200 (100.00)
Current Deposit Account	3 (13.60)	19 (70.50)	4 (15.90)	26 (100.00)

Fixed Deposit Account	11 (24.70)	15 (34.20)	19 (41.10)	45 (100.00)
Recurring Deposit	0 (00.00)	4 (50.00)	4 (50.00)	8 (100.00)
Savings and Fixed Deposit Account	16 (20.50)	45 (59.00)	15 (20.50)	76 (100.00)
Savings and Recurring Deposit	0 (00.00)	23 (100.00)	0 (00.00)	23 (100.00)
Total	**52**	**257**	**69**	**378**

Source: Computed From Primary survey 2024

Df: 5   Table Value: Five per cent level: 11.07 Calculated $\square^2$ Value : 52.02   One per cent level: 15.09

Based on the data presented in the table, 151 respondents (75.50%) had a savings deposit; 45 respondents (59%) had a savings and fixed deposit account; 19 respondents (70.50%) had a current deposit account; 23 respondents (100%) had a savings and recurring deposit account; and the remaining 4 respondents (50%) had a recurring deposit in a commercial bank in the Coimbatore district. The null hypothesis formulated for this study is rejected because the calculated value is greater than the table value at the one percent significance level. Therefore, respondents' attitudes toward banking are influenced by the type of deposit account they have.

TABLE:3.1.4 OPINION LEVELS OF RESPONDENTS AND AWARENESS ON BANK SERVICES IN SATISFACTION LEVEL

Level of Awareness on Bank Services	Perception on Banking Services			Total
	Low	Moderate	High	
Low	26 (43.70)	34 (56.30)	0 (00.00)	60 (100.00)
Moderate	22 (8.70)	189 (73.30)	46 (18.00)	257 (100.00)
High	4 (6.10)	34 (56.50)	23 (37.40)	61 (100.00)
Total	**52**	**257**	**69**	**378**

Source: Computed From Primary survey 2024

Note: Figures in brackets represent percentages to total

Df: 2   Table Value: Five per cent level: 5.99 Calculated $\square^2$ Value: 72.75   One per cent level: 9.21

According to the above table, of the 257 respondents who expressed a moderate attitude, 189 (73.30%) were somewhat aware of the banking services in the research region; 34 (56.50%) had a high level of awareness, and the remaining 34 (56.30%) had a low level. The null hypothesis formulated for this study is rejected because the calculated value is greater than the table value at the one percent significance level. Therefore, we draw the conclusion that respondents' perceptions of banking services in the

research area are influenced by their level of awareness of those services.

TABLE:3.1.5 VARIABLES ASSOCIATED WITH OPINION OF RESPONDENTS ON BANKS-CORRELATIONANALYSIS WITH SATISFACTION LEVEL

Variables	R	r2
Age	.525**	0.276
Educational Qualification	.488	0.238
Occupation	.625	0.391
Family Income	.533	0.284
Size of Family	.482**	0.232
Type of Bank	.484**	0.234
Type of BankAccount	.607**	0.368
Period of Holding Account	.661**	0.437

Source: Computed From Primary survey 2024
*Significant at five per cent level   ** Significant at one per cent level

Of the 257 respondents who indicated a moderate attitude, 189 (73.30%) were at least somewhat aware of the banking services available in the study area; 34 (56.50%) were at a high degree of awareness, and the remaining 34 (56.30%) were at a low level, as shown in the above table.Because the calculated value is higher than the table value at the one percent significance level, the study's null hypothesis is rejected. As a result, we conclude that respondents' impressions of the financial services in the study region are shaped by their degree of familiarity with those services.

RESPONDENTS OPINION ON BANKING SERVICE – FRIEDMAN RANK TEST
The results of this survey provide a thorough description of the sample respondents' opinions toward commercial banks. Statement 7 had the highest ranking from the sample respondents, followed by statement marked as 6 in second place and statement marked as 17 in third. Statement 12 is the one that sample respondents ranked the lowest. To put it briefly, the majority of respondents gave favorable answers and placed first in the assertion that the bank considers complaints to improve its performance, even though the account opening process can be challenging.

4.1 FINDINGS, SUGGESTIONS AND CONCLUSION
The study, based on primary data collected from respondents, found that a majority of respondents (75.90%) considered deposits service as the best service offered by commercial banks in Coimbatore District. However, 42% felt the quality and process of services were poor. The study also suggested creating public awareness for banking services, educating the use of Debit/Credit Card/Kissan Cards, and simplifying banking service procedures. The findings highlight the importance of improving the quality and efficiency of banking services.

SUGGESTIONS
The following suggestions are made to play a vital role in rural development in Coimbatore District based on financial support to poor rural need by people.

- The research indicates that agriculturists often lack financial assistance from commercial banks, particularly small and large agriculturists.
- To encourage their access to credit facilities, banks should offer special schemes and timely loan disbursements.
- They should also prefer large-scale advances to self-help groups to supplement rural credit delivery mechanisms through NGOs and MFIs. Managers should focus on group formation and administration. Bank officials should be more receptive and emotional in treating customers and educating them on banking services.
- Demographic variables influence the number of accounts opened in commercial banks, awareness of lending schemes, and satisfaction with banking services.
- Bank officials should use KYC documents effectively to educate customers and fulfill their financial needs, enhancing local development and overall district development.

CONCLUTION

The research indicates that a significant number of rural people access formal financial services, with many beneficiaries using credit to improve their income levels. However, there is a significant gap between supply and demand, particularly in finance, necessitating the introduction of new products and professional service execution to maintain customer satisfaction.

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