

Relationship Strategies of Bankers’ and Marginal Farmers’:-An Analysis

Dr. Achutha Poojary K. M.Com, PhD

Assistant Professor and HOD in Commerce

Govt. First Grade College Sullia-574239

Email:achuthap@gmail.com

Abstract

As it has been rightly said long ago **“the souls of India lives in its villages”** around 60 percent of the population of the country is dwelling in rural economy of India. Hence, it would not really be wrong to say that **“India lives in her villages”**. Therefore whatever programmes and schemes implemented by the Governments and Banks that should be aimed at improving the productivity and income of rural poor in general and marginal farmers in particular. Therefore there must be an appropriate credit delivery system to meet these needs of marginal farmers to improve the productivity of farm households. New transactions, cost-reducing technology, legal push and changed attitude of bankers only can put banking within the reach of all. To be successful a bank needs to be not just **“High Tech, but High Touch”** as well. Customer Relationship will not improve by regulatory directives, but will improve only when banks genuinely feel for the customers and treat the customers as king.

(Key words: Marginal farmers, Customer Relationship, Bottom of the Pyramid, Financial Inclusion, Inclusive Growth, etc.)

I. Introduction:

“Remember that dark brown starved man bending under a scorching sun, scratching a little plot of land to eke out a livingAnything you do, do for his benefit”—Mahatma Gandhi.

Farmers are the most integrated segment of the society, but they have been deprived of social and economic justice. The low profile of agricultural people is a great threat to Indian Economy and therefore their life system, economic position, social status and educational level must be enhanced. The question arises why in spite of four decades of the banking sector involvement in financing rural development, rural India is today in deep crisis. The banking sector, no doubt contributed significantly to trigger green revolution in financing agriculture which enable the country to overcome food crisis and achieve self sufficiency in food. However, since the beginning of 1990s these trends were reversed. The agricultural sector has lost its growth momentum and witnessed deceleration in its growth. Indian farmers today are in the process of marginalization pauperization.

Rural Banking in India is today at the cross roads. The strategies adopted in the past were mainly centered on supply side by compulsion, expansion of bank network under lead bank scheme and targeted credit to specified sectors. There was hardly any policy focus on demand side to meet the financial needs of rural households are still not covered by the banks, it is because of their products do not pass the test of appropriateness of rural areas; relevance, convenience , reliability, flexibility and continuity. The banks no longer consider 750 million rural people in bottom of the pyramid as business opportunities for banking.

Customer Relationship Management (CRM) in banking is concerned with attracting, maintaining and enhancing customer relationship. CRM is depended upon banking employees with proper utilization of services and their behavior. No doubt in the days to come, the right use of consumer behavior with the relevant strategies will help bankers to attain greater heights (Nadeem and Ramchandra 2012). The studies on CRM indicate that Customer Service will not improve by regulatory directives, but will improve when banks genuinely feel for the customers and treat the customers as king. It is **“neither the hardware nor the software but the human ware”** which is going to improve the customer service.

MARGINAL FARMERS:

As per Marginal Farmers and Agricultural Labourers Development Agency (MFAL) marginal farmers are those farmers with land holdings below 2.50 acres and rural households deriving more than 50% of their income from agriculture are designated as agricultural labourers. On the other hand Marginal farmers are those having 1.25 acres of wet land or 2.5 acres of garden lands.

The MFAL classify the marginal farmers into 3 types;

1. **Small farmers:** who have very small land holdings and thus forced to work on the farms of other to make both ends meet.
2. **Tenants:** Who work on leased land, but this is not thus main source of income and
3. **Sharecroppers:** Who besides sharing the produce of land cultivated by them also work as labourers.

Table 1: Size of Operational Holdings by different category of Farmers:

Sl. No.	Category of Farmers	Size of Land Holdings(In hectares)	Percentage of Land Holdings
1.	Marginal Farmers	0-1.0	63.0%
2.	Small Farmers	1.0-2.0	18.9%
3.	Semi- Medium Farmers	2.0-4.0	11.7%
4.	Medium Farmers	4.0-10.0	5.4%
5.	Large Farmers	Above 10.0	1.0%

Source: GOI, ministry of agriculture- Agricultural Statistics at a Glance (2009-10)

The above table shows that those farmers who hold less than 1 hectare (2.5 acres) of agriculture land are treated as marginal farmers in India. They have land holdings of about 63.0% of total agricultural land holdings in India. Hence they represent a major segment of agricultural farmers in country.

II. Objectives of the Study.

The study intends to have the following objectives.

1. To study the profile of Bankers and Marginal Farmers in the District.
2. To examine the existing farmer-friendly transactions in Banks.
3. To suggest suitable strategies for Bankers and Marginal Farmers Relationship Management.

III. Methodology of Study.

The present study is partly empirical and partly analytical in nature. The paper has been developed on the basis of primary data and information. The primary data and information have been collected through field survey with the help of two sets of structured questionnaires, one set for the marginal farmers and another for bankers. Dakshina Kannada District has 44 banks having 427 bank branches spreading over 5 taluks such as Mangalore, Bantwal, Belthangady, Puttur and Sullia.

Table 2: Sample Designs of Marginal Farmers

Sl. No.	Taluks	Size of population (Marginal Farmers)	Sample Size
1.	Bantwal	36,004	93
2.	Belthangady	30,056	77
3.	Mangalore	40,845	105
4.	Puttur	32,162	83
5.	Sullia	16,461	42
Total		155,528	400

Source: District Statistical Office, Dakshina Kannada Mangalore 2010-11.

The District is composed of 354 villages with 17 hobalies having 155,528 marginal farmers. So questionnaire was served on 400 farmers comprising of Mangalore 105, Bantwal 93, Belthangady 77, Puttur 83, Sullia 42 respondents. The relevant information has been collected by personally administering questionnaires on banks and marginal farmers residing in rural areas of Dakshina Kannada. The data and information are collected by using proportional Stratified Random Sampling technique.

Table No- 3: Sample size of Bankers.

Sl. No.	Types of Banks	Frequency	Percentage
1.	Nationalised Banks	38	44.6
2.	Karnataka Vikasa Grameena Banks	10	11.8
3.	Private Banks	10	11.8
4.	Co-Operative Banks	27	31.8
Total		85	100.0

As far as Bankers are concerned there are 427 bank branches across the District, so sample size taken was 85. The respondents were taken from rural and semi urban areas but excluded urban areas which is found only in Mangalore taluk. The respondent bank branches are composed of Co-operatives, Regional Rural Banks, Commercial Banks and Private Financial Institutions. But the agricultural development credit has been the forte of the first three categories of institutional channels.

Table No-4: Responses on establishment of relationship with the bankers by the respondents

Establish Relationship with Banks	Type of Banks				Total(n=400)
	Nationalised Banks(n=122)	Karnataka Vikasa Grameena Banks(n=37)	Private Banks(n=34)	Co-operative Banks(n=207)	
No	36 29.5%	13 35.1%	24 70.6%	77 37.2%	150 37.5%
Yes	86 70.5%	24 64.9%	10 29.4%	130 62.8%	250 62.5%
Total	122 100.0%	37 100.0%	34 100.0%	207 100.0%	400 100.0

Source: Field Survey

As regards the response of marginal farmers on establishing relationship with Banks, 62.5% respondents want to establish relationship with Banks and 37.5% do not want to maintain relationship.

Table No- 5: Showing the reasons for establishing relationship with marginal farmers by the Banks

Sl. No.	Reasons	Frequency	Percentage
1.	Farmers are backbone of the country	17	20%
2.	Target Group/Priority sector for lending	17	20%
3.	Part of Social Banking/Social Responsibility	17	20%
4.	For mutual growth/to create banking habit.	26	30%
5.	As per RBI Guidelines/ By Compulsion	8	10%
Total		85	100%

Source: Field Survey

The present study revealed the following *relationship strategies* of bankers' and marginal farmers' .

1. **Opening "No frills Accounts"**
2. **Simplification of KYC norms**
3. **Engaging Bank Correspondents and Business Facilitators**
4. **Use of modern Information and Communication Technologies (ICTs)**
5. **Issue of Kisan Credit Cards (KCCS)**
6. **Opening Branches in unbanked and under banked rural Areas**
7. **Establishing Financial Literacy and Credit Counseling (FLCCs) Centers:**
8. **SHG-Bank Linkage Programme**
9. **Granting loans at Differential Rate of Interest (DRI)**
10. **Granting loans through Joint Liability Groups (JLG) Model:**

IV. Findings of the study

The following are the inferences drawn by the researcher in the present study.

- **Poor Technology:** The field survey confirmed that as regards technology adoption and automation the Karnataka Vikasa Grameena Banks and Co-operative Banks have absolutely lagging behind. Thereby they are not in a position to provide modern ICT based banking services.
- **Lack of Participative Efforts :** It was found that there is lack of collective efforts on the part of Banks, State Govts, Technology providers, Regulators and other developmental agencies towards achieving total financial inclusion.
- **Lack of Awareness:** Lack of financial literacy and technical knowledge about modern banking services on the part of rural people are the main obstacles in the implementation of Financial Inclusion targets.
- **No Frills Account:** As far as No Frills Account is concerned the role of n KVG Bank and Private Banks are significant when compared to Nationalised Banks and Co-operative Banks.
- **Crop Insurance:** As far as crop insurance facility is concerned KVG Bank played a significant role when compared to Nationalised Banks, Private Banks and Co-operative Banks.
- **SHGs-Bank Linkage:** The role played by Nationalised banks is significant with respect to linking of Self-Help-Groups with them and in the implementation of financial inclusion plans.

- **Suicidal Attitude:** The study revealed that the farmers who had committed suicide have faced to have marginal scale land of 0-2.5 acres. They possess very less asset back up and spent much on agricultural crops.
- **Documentary Problems:** While providing credit facility to farmers, marginal farmers, who have low turnover with lesser asset back up are neglected by banks especially due to documentary records and recovery problems.
- **Services of private banks:** The new private sector banks are successful in understanding the pulse of the rural customers and their satisfaction level, since they conduct regular customers' survey.

Suggestions: The following suggestions can be made for strengthening Bankers and Marginal Farmers Relationship.

- Rural branches of banks have to be farmer- friendly, because rural lending requires a specific type of organizational ethos, culture and Attitude.
- The Self- Help- Group – Bank Linkage Programme should be used effectively at rural areas.
- Similar to that of SHGs-Bank Linkage Programme, SHGs-Post Office Linkage Programme should be initiated and ATMs should be installed in each post office.
- Banks must allow liberally and innovatively the use of mobile phones as a tool to facilitate transactions, to let people make payments to one another electronically.
- As prevalent in Kerala, Banks should open up Evening Branches in rural areas to facilitate rural working people.
- The Business Facilitator and Bank Correspondents Model must be effectively implemented.
- Technology-Driven Rural Banking should be a new mantra. The use of ICTs can revolutionise rural households.
- All the rural bank branches should provide micro-credit to SHGs of tenant farmers, sharecroppers and agricultural labourers to take up allied activities like dairy farming, fishery, poultry, piggery, bee-keeping etc. along with farming activities.
- In Dakshina Kannada district crop insurance scheme should be extended to all the major commercial crops like, coconut, cocoa, areca nut, cashew nut, pepper etc.
- Above all there should be change in organizational structure, innovative delivery model and above all attitudinal change among bankers.

V. Conclusion:

Credit has to be an integral part of overall programmes initiated by the banks and it should be aimed at improving the productivity and income of farmers and farmer households. Banks need to adopt a considerable approach towards those who are financially excluded and socially disadvantaged. New transactions, cost-reducing technology, legal push and changed attitude of bankers only can put banking within the reach of all. To be successful a bank needs to be not just “**High Tech, but High Touch**” as well. Customer Service will not improve by regulatory directives, but will improve when banks genuinely feel for the customers and treat the customers as king. Therefore it is the need of the hour that the bankers should frame a customer-friendly strategy, which helps in building a long-lasting relationship. To sum up, “*In the three-way fast lane of Liberalisation ,privatization and Glogalisation the poor needs to find a safe level crossing*”—**Dr.K.R.Narayanan.**

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