

Importance of Information and Communication Technology in Priority sector lending (A case study on Kumaun region)

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ABSTRACT

Inclusive growth is only possible through proper channelizing the resources, This research paper focuses the importance of Information and communication technology for widespread the priority sector lending scheme(PSL). Kumaun region basically focus the small farmers and micro entrepreneur who require well-built connectivity with financial institution for availing the scheme accessible by government for their expansion. Convenience sampling is used to appraise the ICT model as the borrowers prefers public sector banks because they offer various lending schemes and discount on interest rate to preceding borrowers. This paper is an attempt to discuss the role of RBI and commercial banks in providing financial services to rural India.

Key words: - Agriculture Marketing Tools , e-Choupal , PSL, ATM and Logistic Services

1. Introduction:-

Diminutive farmers are the world's major group of working-age poor . A large amount of the world's food contribute will continue to depend on their efforts, yet a lack of financial services often stymies their attempts for enhancing investments and to smooth their consumption between periods of surplus & deficit. Capital-constrained farmers minimize risk instead of maximizing returns .farmers are categorized as follow.

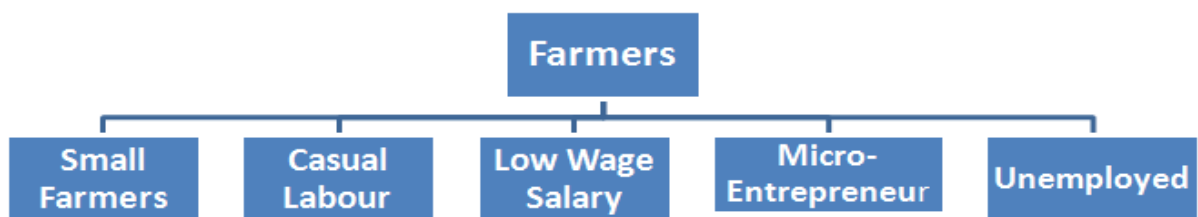


Figure 1: Categories of Farmers

Farmers Require Four Kinds of Financial Services

Credit in the form of loans, personal loans, salary loans, overdraft facilities, or credit lines, is often used as working capital at the beginning of the growing season to purchase inputs and prepare land.

Savings may be in the form of current accounts, savings accounts, or fixed or time deposits. Farmers have a significant need for savings.

Transfer and payment facilities allow for local and international money transfers, remittances, government transfers, and check clearing.

Insurance may cover crops and livestock as well as human life and health.

ICTs have now created the potential to deliver a greater diversity of financial products to greater numbers of rural clients than conventional financial service providers have been able to reach. ICTs can also enhance the government's capacity to monitor and evaluate financial services provided to rural clients and design effective financial policies and regulations for the rural sector. Risk in agriculture can be further classified according to affects of production environment, markets.



Production risks include bad weather, pests and diseases, fire, soil erosion, other kinds of environmental degradation, illness and loss of labor in the farm family. They have a direct, immediate impact on local agricultural production and on supply chain.

Market risks can include volatile prices of agricultural commodities, inputs and exchange rates, as well as counterparty risks, theft, risk of failure to conform with value. These risks usually emanate from market actors and their effects are transmitted back to the farm.

Fig 2: Financial services

Enabling environment risks can include political risks, the risk that regulations will suddenly be applied, risks of armed conflict, institutional collapse etc.

2. Review of literature-

Glendenning, Claire J. Ficarelli, Pier Paolo, The relevance of content in ICT initiatives in Indian agriculture, 2012, paper focused the India Farmers and the importance of Information and communication Technology for the development agriculture sector. He has compared Indian livestock to international market

J. Bouma, J. Stoorvogel, B. J. van Alphen has conducted the research on Changing Paradigm of Agricultural sector in India. Paper focus the role of offered government schemes for the development of area. He has also shown a relationship between advanced technology and opportunities for the development.

There are a number of SL frameworks that have been developed and adapted by donor agencies, NGOs, and research organizations (Arun et al, 2004). One of the most well-known is DFID's framework, which is the one used in this paper. However, the same general principles apply to all. All of the frameworks focus on the intended beneficiaries of development as actors who make choices and strategies based on the resources available to them and the environment in which they exist. As such, these choices are based on perceived opportunities and risks. One quality of poverty is vulnerability to life's vicissitudes, which make up the "vulnerability context" and include factors such as seasonality (i.e. any changes related to the seasons such as commodity price fluctuations), shocks (war, drought, sickness or the death of a relative, etc.), and trends (inflation, decrease of certain types of employment, rising land prices, etc.).

Benjamin (2000) and Hudson (1999) both note that these indirect effects, whether negative or positive, create a challenge for impact assessment of ITC on priority sector lending. Any project assessment needs to be able to take how ICT interact with the environmental effects .basically it help us to make correct choice of the supplier and reasonable cost ,we can avoid unnecessary cost while recognizing the chain of priority sector lending schemes offered by various financial institution at different interest rate .

3.Importance Of The Study-

Understood the Theoretical aspects of ICT on agriculture loan by various documents and articles.

Improving ICT access of services for agriculture growth

Adopting best practices for empowering farming community

Strengthen and promoting resource planning and management at grassroots level.

4.Research Methodology

4.1Research problem-What are the main causes of increasing agriculture loan in Udham Singh nagar and what policies are adopted by bankers to enhance the information regarding priority sector lendings.

Research Questions:-

What are the main area of Priority Sector Lending schemes in Udham Singh nagar?

Do the bankers and farmers have same perception Priority Sector Lending (PSL)?

Does contribution of Information and Communication Technology improves the satisfaction level of farmers?

4.2 Data Collection :-The study was based on both primary data as well as secondary data. The basic research approach used was survey method.

Secondary Data- The sources of secondary data were literatures available in the field of banking particularly public, private and RBI journals, articles, websites etc. This data was collected to classify customer and bankers to get an insight of current PSL scenario.

Primary Data- The primary data was collected by means of structured questionnaire based survey from:

- Private Banks
- Public Banks
- Exit Survey of Customer at Bank Area

Convenience sampling technique was used to select the sample customer from banks. Only those farmers were consider who are availing this facility from last two years (Since 2012) and their account is not converted into Non Performing Asset(NPA).The kumaun region is divided into six cluster (Almora, Bhageshwar, Pithoragarh, Champavat, Nainital, Udham Singh nagar) and from each six public and six private banks was selected

4.1 Table 4.1 Sampling Procedure

Simple random sampling Without replacement Selection of private banks					
ICICI	HDFC	AXIS	KOTAK MAHINDRA	ING VYSYA	YES BANK
Convenience sampling Selection of Public banks and co-operative Bank					
SBI	PNB	CANARA	PUNJAB & SIND BANK	OBC	Co-op. Bank
25	25	25	25	25	25

5. Result and Discussion

5.1 Farmers and bank ratio

Investment decision of customer was also assessed, by asking the respondents to indicate the frequency of bank visits (monthly visits of consumers in the bank). The amount spent on installment was collected by asking the respondents to indicate the amount spent per month on loan and the profit earn by them on monthly basis. The mid points of the categories for these items were used to convert them to numerical data and compute the average monthly investment. Time spent at the bank per visit was also collected on a category scale. In table 5.1 the results are presented on the patronage of young generation of bank using statistical measures like frequency distribution and percentage.

Table 5.1 Frequency of bank Visits (Monthly Visits of Customers in the bank)

Frequency of Customer service in the bank	Frequency	Per cent
Never	10	3
Once a month	47	14.2
Twice a month	16	4.8
Once between three to four months	126	37.8
Once between five to six months	74	22.2
Once by more than six months	60	18
Total	333	100.0

The frequency of visits in the bank was studied and depicted in Fig. 3 using bar diagram, representing the banker behavior. It reveals that 37.8 per cent of the respondents visit the bank approximately three to four times. Investment decision was also assessed, by asking the respondents to indicate the frequency of monthly visits of customer in bank, using category scale. The pilot indicated that there was confusion among the farmers regarding the definition of banking.

5.2 Bankers Perception about Ideal Customer Preference

To identify the match between the perceptions of what the customers want and what retailers believe the customers want, both private and public bankers were asked about their perception on ideal preference of customers regarding different attributes and results came out are as under.

Private banks Out of sample of 150 Private banks , 30 per cent mentioned that consumers consider discount as the most important attribute while selecting the retail outlets, 23.3 per cent mentioned quality as the most important attribute preferred by consumers while

18.6 per cent mentioned variety and service experience and were mentioned by 16.6 per cent and 11.5 per cent respectively.

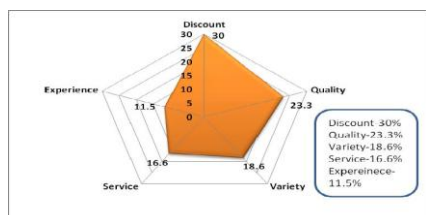


Figure: 3
Ideal Preference of Consumers as per private bankers

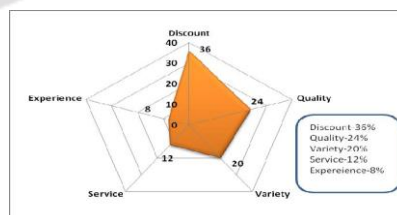


Figure 4:
Ideal Preference of customer as per public banks

Amongst Public bankers, 35 per cent mentioned that customer consider discount as the most important attribute while selecting the retail outlets. Another 24 per cent mentioned that quality as the most important attribute for consumers. Variety was considered as the most important attributes by 20 per cent retailers while service by 12 per cent retailers and shopping experience mentioned by only 08 per cent retailers each (Fig. 4).

3 Evaluation of the importance of ICT in credit section

To scores of observer, the current debate about possible ICT products intervention suggests that we are still relying on the approaches to discretionary in post periods of policy activism. The bank increased their investment ration by 100 basis points to 57%. Commercial banks are presently maintaining ICT investment at 27 % of their net demand time liability as it has been noticed that increase in productivity and liquidity position for banking system

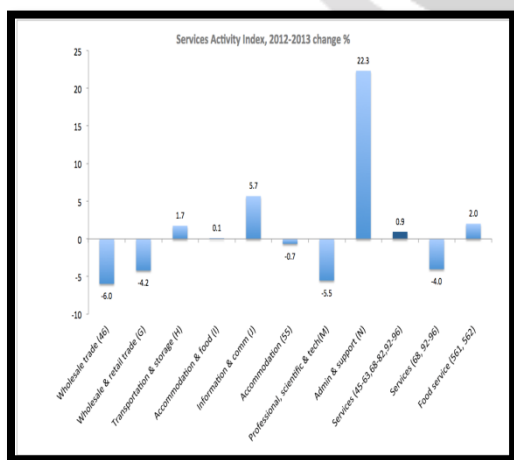
Maximum number of customer proposed that banking has improved a lot in offering customized products, and this will surely leads to better financial environment

4 Effective use of ICT to increase the productivity

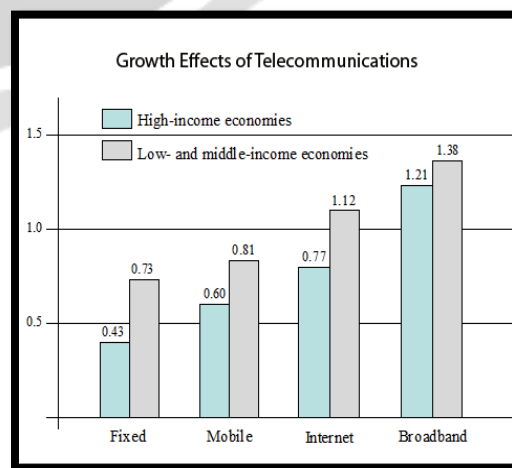
Drastic growth to privatization and extension of financial institution for the lending credit to market is a virtue or vice. By the end of March 2011 budget 2011-2012 has shown various variation in rupees. Date has shown mobilization of Indian citizen by the use of online services On ground bases budget look fine , it will possible to fulfill the aspiration of a one billion population, Finance ministry faced an economy that was just about gathering pace after a massive pull back that threatened to undo nearly all the good work of one decade. This mixture of all the possible advices by assuming a growth 8.5% of Gross domestic products in real term, that is net of the inflation. The estimated inflation rate is 4% for the year; The Indian economy has come a long way just a hope .India with the advanced Industrial structure in the world. Total production of each sectors actually contracted in the year 2011-2012. Budget has substantially raised the allocation for special including the government flags ship by various internet services offered for registering the product and more over for the post service program offered by the industry.

Indicates the ratio of agriculture loan against the other banking instrument It has been clearly shown by the statistical data that intermediary’s services are more powerful than other organized services as domain panel are extremely lengthy. Generally aspirant prefer private banks for payment system because of perks and benefits than other velvety state of affairs.

Year 2012-2013 has made a fair start to getting back on the path of stable growth , while balancing the risk of a continuing global slowdown but without boarded participation , rapid growth cannot be sustained effortlessly for year and year to come but the major issues is to calculate on that basis we are forecasting our future growth ; on the higher rate of foreign direct investment , better approach to other countries or on the basis of increasing scope if ICT by creating employment and most off all static value of money.



Source (economic review RBI (08/02/2014), second issue.)



Source view: www.rbi.org (Feb 2014)

5. Growth of ICT in Banks

Betterment in economic stage and flourishing future for Indians can be achieved by increasing the value of ICT with the supply of internet products.

6. Proposed E-Choupal (Farmer Processor Model)

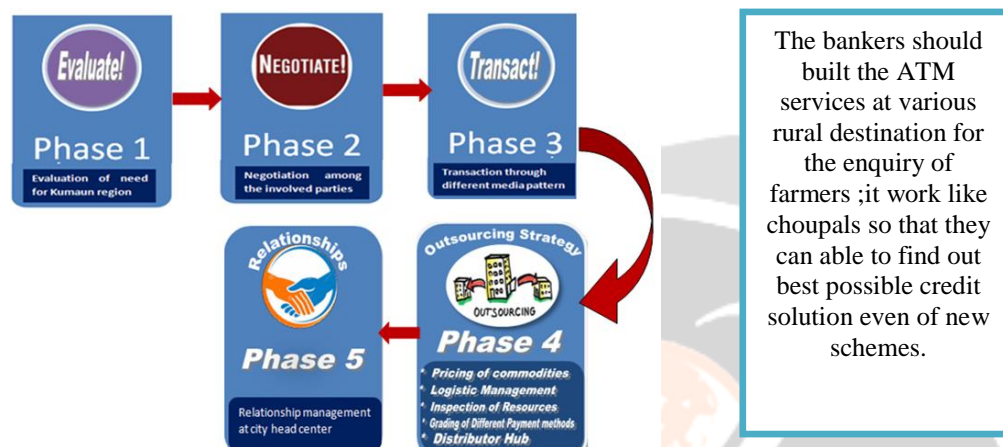


Figure 5: Proposed Model of e-Chaupal

7. Conclusion

The increasing use of ICT has caused the integration of various economic units in a way that has made banking operations to be highly ICT inclined and to benefit immensely from the gains in technological revolution. An empirical analysis was carried out to find out the roles ICT plays in enhancing the mode of operations of some selected banks employing primary data. The study established the following: the gender of the bankers does not affect efficiency in ICT use; bankers' age, educational qualification, computer literacy and type of ICT gadgets, were significant in influencing banks' intensity of ICT usage. Also ICT was found to impact positively the speed of banking service delivery, as well as productivity and profitability. It was then recommended that the banks should train their workers from time to time to keep them abreast of the innovations in the use of ICT. In addition, the need for the banks to procure quality ICT gadgets that will enhance efficiency and customers' retention, among others, was pointed out. This will ensure quality service delivery and productivity which is essential most especially in the country's banks post-consolidated era. This is because attention is now on the ability of banks to retain their existing customers and attract prospective ones, which is mainly a function of their efficient service delivery that depends on the use of ICT. Finally, the study recommends further empirical research to expound more on the roles of ICT and other forms of technological innovations to other sectors of the nation's economy such education, agriculture, health among others. This will help to further appreciate the germane roles modern technologies play in socio-economic advancement

Majority of respondent committed that banks loaning formalities are quite but as in the present scenario kumaun region has shown great performance specially in the district of Udham Singh nagar (rudrapur city) and nainital (haldwani city).

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