

**CUSTOMER SATISFACTION OF SHGS WITH THE
PRIMARY AGRICULTURAL COOPERATIVE
SOCIETIES(PACS): EVIDENCES FROM THE FIELD**

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Abstract

This paper analyses and discuss about the customer satisfaction of the members of SHGs who obtained microfinance from the Cooperative banks, since India is the homeland of the SHG Bank linkage programme model of microfinance. The study concludes that the Cooperative banks treat the SHG members as customers and all the respondents informed that they were treated as good customers. The study concludes that majority of the respondents (87.7%) are satisfied with the banking services of the PACS and 11.7% of the respondents are satisfied to some extend and there is only one unsatisfied customer and the study reports that there is a significant relationship between the year of SHG formation and satisfaction of banking services. The study also found that there is inadequacy of loans and women members were forced to visit many times to obtain loans.

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1 INTRODUCTION

The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia. The launching of Pilot phase of the SHG (Self Help Group) Bank Linkage programme in February 1992 is considered as a landmark development in banking with the poor. The strategy involved is simple viz. forming small, cohesive and homogenous groups of the poor, encouraging them to pool their savings regularly and using the pooled corpus to make small interest bearing loans to members and in the process members of SHG learn financial discipline. This paper discuss about the customer satisfaction of the members of SHGs who obtained microfinance from the Cooperative banks, since India is the homeland of the SHG Bank linkage programme model of microfinance.

2 REVIEW OF LITERATURE

A study commissioned by NABARD in Tumkur and Mysore(Karnataka) covering 900 respondents revealed that banks in many cases had a higher risk perception and gave smaller size loans which resulted in inadequate loans resulting multiple borrowing and access to informal sources of funds.

Other studies have reported that lack of credit and high interest rate(Mishra et al. 2001), commercial banks were not prompt in linking SHGs for loans(Singh (2001), inadequate credit (Shylendra 2003),lack of timely and adequate credit (Vadivoo & Sekar (2004), inadequate capital and delay in sanctioning of loan (Ramanunny (2005),lack of orientation and initiative of bank staff to the concepts and the needs of Self Help Groups, insistence on collaterals for loans to groups and discouragement by some banks not to form more groups as it means more work for them (Rao 2005), insufficient loans(Bharathi 2005; Joseph and Easwaran 2006), loans to members not based on purpose of loans and treatment of entire savings of Self Help Groups by banks as collateral security for the loans(Chaim 2006), overemphasis on repayment (Ahmad (2006), inadequate loans and long waiting period to get loans (Ghate 2007), banks are skeptical of lending to the microfinance sector because of high transaction cost and high default rate leading to escalation of Non-Performing Assets(Jyotirmayee 2008), Indian banks used to be of the opinion that there was a serious obstacle to linking the poor to the formal banking system due

to the high costs involved in managing small credit amounts without the usual collateral (Pallavi & Birajdar 2009), banks have been slow in entering the field of microfinance from the angle of both promoter as well as lender (Rao & Radhika 2011), commercial banks neither have the network for lending nor supervision on a larger scale (Singh 2009).

3 PROBLEM OF THE STUDY

The NABARD in its Status of Microfinance India 2010-11 Report has stated that SHGs availing fresh loans has shown a decline of about 25 % during 2010-11 and the rate of growth in the number of SGGs having loan outstanding with the banks has also declined during 2010-11 compared to 2009-10. Cooperative banks have a share of 13 per cent of borrowing groups, but only 9 per cent of loans outstanding. The average savings at INR 6,600 per SHG is the lowest among different types of banks. Average outstanding loans per group have also been lowest in case of cooperative banks at INR 29,700. Hence the present study is an attempt to examine the customer satisfaction of Self Help Groups women and to examine whether cooperative banks satisfies the need of the members of the SHGs. The present study is from the stand point of the members of the SHGs only.

4 RESEARCH OBJECTIVE

The Research objective of this study is to determine to what extent the members of Self Help Groups satisfied with the services of Cooperative banks.

5 RESEARCH METHODOLOGY:

5.1 Selection of study area

With the backdrop of the review of literature, the study was conducted in Vellore and Thiruvallur districts of Tamil Nadu in India to know to what extent women members of SHGs in rural areas are satisfied with the banking services. From each district one block was selected for the study viz. Ramakrishnarajupet and Alangayam blocks in Thiruvallur and Vellore district respectively.

5.2 Selection of respondents

A total of 180 women respondents from 90 SHGs were selected for the study and pre tested questionnaire was used as a tool to collect primary data. Respondents who obtained loans from Primary Cooperative societies only were selected for the study. Samples were drawn from two Blocks and random sampling technique was used in the selection of samples. The study was conducted during April – May 2012.

5.3 Analysis of data

Simple statistical tools viz. frequency, per cent and ANOVA were used to analyse the data using SPSS.

6 Personal Factors

6.1 Age of the respondents

For the study 180 women respondents, comprising 105 women from Thiruvallur district and 75 from Vellore district were selected. Table 1 shows the age wise distribution of the respondents. The study reported that 71 per cent of the respondents were less than 40 years of age and only 4.4 per cent of the respondents were above 51 years.

Table 1 Age of the respondents

S. No.	Age	Frequency	Per cent
1	Less than 25 years	27	15.0
2	26 to 30 years	31	17.2
3	31 to 40 years	70	39.0
4	41 to 50 years	44	24.4
5	Above 51 years	4	4.4
	Total	180	100.00

Source: Primary data

6.2 Education of the respondents

Illiterates constitute nearly 29 per cent of the respondents. The table 2 shows that most of the respondents (62.8 per cent) have studied up to SSLC standard and one respondent was a graduate.

Table 2 Education of the respondents

S. No	Details	Frequency	Per cent
1	Illiterate	52	29.0
2	Up to S.S.L.C	113	62.8
3	Higher Secondary	14	7.8
4	Degree	1	0.6
	Total	180	100.00

Source: Primary data

6.3 Loan amount

The study indicated that 51 per cent of the respondents received loan up to INR 7000 as microfinance loan from banks and totally 80 per cent of the respondents received loan up to INR 12500 as micro finance loan.

Table 3 Loan amount of the respondents

Loan amount in INR	Frequency	Percent
4000	2	1.1
4500	1	0.6
5000	61	33.9
6000	13	7.2
6500	6	3.3

7000	9	5.0
7500	10	5.6
8000	7	3.9
8500	2	1.1
10000	12	6.7
12000	6	3.3
12500	15	8.3
14000	2	1.1
15000	14	7.8
16000	1	0.6
17000	1	0.6
18000	1	0.6
20000	3	1.7
24000	2	1.1
25000	6	3.3
28000	1	0.6
32000	1	0.6
35000	1	0.6
38000	2	1.1
40000	1	0.6
Total	180	100.0

Source: Primary data

7 Results And Discussions

Fifteen variables were identified for the study and response of the respondents were obtained and analysed. The result of analysis is tabulated as below:

Table 4 Customer satisfaction

Variables	Yes		No	
	Frequency	%	Frequency	%
Opening in Time	180	100	0	0
Quick service	167	92.8	13	7.2
Delivery of service with patience	177	98.3	3	1.7
Hearing of grievances	163	90.6	17	9.4
Treating SHG women as customers	180	100	0	0
Delay in opening of SB accounts	4	2.2	176	97.8
Entry of transactions in the pass book in time	179	99.4	1	0.6
Delay in loan sanction	2	1.1	178	98.9
Whether the necessary documents are explained at the time of issue of loan application	173	96.1	7	3.9
Whether unnecessary documents are insisted	12	6.7	168	93.3
Frequent visits for the loan	58	32.2	122	67.8
Adequacy of loan	114	63.3	66	36.7
Loan availability in time	166	92.2	14	7.8
Whether transactions are recorded in the loan register	179	99.4	1	0.6
Follow up of loan utilization	157	87.2	23	12.8

Source: Primary data

The study reported that the Cooperative banks treat the SHG members as customers and all the 180 respondents informed that they were treated as good customers. Similarly all respondents informed that the PACS open in time. Majority of the respondents (98.3%) are happy that the staff of the PACS deliver services with a smiling face and patience. 99.4% of the respondents reported that entries are made in pass book and loan ledgers in time. Women members are happy that the staff explain about the required documents to be enclosed at the time of issue of application itself and 93.3% of the respondents said that the PACS are not insisting

unnecessary documents. 98.9% of the respondents reported that there is no delay on sanction of loan but 36.7% of the respondents said that loan amount is inadequate and 7.8% respondents expressed that loan was not disbursed in time.

Majority of the SHG members expressed that there is a quick service (92.8%), there is no delay in opening of SB accounts (97.8%) and there is no delay in sanction of loan (98.9%).

Only 87.2% of the respondents reported that there is a follow up of loan sanction. The most important negative views are repeated visits to get loan (32%) and inadequacy of loan (36.7%).

The study concludes that majority of the respondents (87.7%) are satisfied with the banking services of the PACS and 11.7% of the respondents are satisfied to some extent and there is only one unsatisfied customer.

Table 5 Overall satisfaction

Factors	Frequency	%
Highly satisfied	71	39.4
Satisfied	87	48.3
Moderate	21	11.7
Unsatisfied	1	0.6
Highly unsatisfied	0	0

Source: Primary data

7.1 Analysis of relationship

The study found that there is no relationship between the age, education of the respondents, loan amount and place of residence (district) and customer satisfaction through cooperative banking services.

Table 6 ANOVA

Relationship between	F	Sig	Result
Age and overall satisfaction	2.084	0.085	NS

District and overall satisfaction	1.778	0.184	NS
Education and overall satisfaction	2.346	0.074	NS
Year of SHG formed and overall satisfaction	3.875	0.001	S
Loan amount and overall satisfaction	1.146	0.301	NS

NS= Not Significant, S=Significant

Source: Output of SPSS

There is a significant relationship between the year of SHG formation and satisfaction of banking services at 1 % level of significance ($p=001$).The study concludes that there is a significant relationship between the year of SHG formation and satisfaction of banking services.

8 CONCLUSIONS

The study reported that 71 per cent of the respondents were less than 40 years of age and only 4.4 per cent of the respondents were above 51 years. 62.8 per cent of the respondents have studied up to SSLC standard and 51 per cent of the respondents received loan up to INR 7000 as microfinance loan from banks and totally 80 per cent of the respondents received loan up to INR 12500 as micro finance loan. The study concludes that the Cooperative banks treat the SHG members as customers and all the respondents informed that they were treated as good customers. Similarly all respondents informed that the PACS open in time. The study concludes that majority of the respondents (87.7%) are satisfied with the banking services of the PACS and 11.7% of the respondents are satisfied to some extent and there is only one unsatisfied customer. There is a significant relationship between the year of SHG formation and satisfaction of banking services. The study also found that there is inadequacy of loans and women members were forced to visit many times to obtain loans.

9 SUGGESTIONS

- 1) The bank managers may be sensitized to sanction loan to the customers with one or two visits since every visit to the banks involve cost factors. The bankers may give a check list of required documents and banks may simplify the lending procedure.

- 2) The loan amount sanctioned by the cooperative are lesser than the loan amount sanctioned by the commercial banks, hence the coop banks may enhance the quantum of loan.
- 3) Necessary follow up action should be made to ensure proper utilization of loans hence returns are generated to repay the loan from the income generating activity and the wage earner should become an entrepreneur.
- 4) Documents required to be explained check list should be prepared for revolving fund loans and economic activity loans of SHGs..

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