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# Trend and Growth of Short-Term Loans of Pandyan Grama Bankin Thoothukudi Main Branch-A Study

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## **ABSTRACT**

India is a country of villages and development of the country depends upon all round progress of rural areas. An attempt has been made to analyse the trend and growth of various components of short-term loans issued by Pandyan Grama Bank during the period 2005-06 to 2015-16 and to study the socio-economic status of the customers of Pandyan Grama Bank (PGB) in Thoothukudi main branch. The present study is based on both primary and secondary data. The simple random sampling technique has been adopted to select customers of Pandyan Grama Bank in Thoothukudi main branch. Secondary data and information are collected from the annual reports of the Annual Reports of Pandyan Grama Bank, the Department of Statistics, Tamilnadu, and Reserve Bank of India, Banking Statistics, books, journals and websites. Percentage analysis, averages, standard deviation Garret ranking method, t-test, trend coefficient, compound growth rate and probability analysis were used for the analysis. The field survey was conducted by personal interview method during the period from August 2017 to

November 2017. It is found that majority of the respondents reasons for opting for the Pandyan Grama Bank as easy terms and conditions was ranked first followed by low rate of interest. Accessibility was ranked third and no other source ranked fourth respectively. It is inferred that institutional loan issued by Pandyan Grama Bank, on an average, over the period was found to be higher than other types of loan. The average amount issued from 2005-06 to 2015-16 was Rs.3,506.90 lakh for crop loan, Rs.6,918.37 lakh for jewel loan, Rs.23,662.09 lakh for institutional loan and Rs.12,092.61 lakh for other loans. The coefficient of variation of crop loan, jewel loan, institutional loan and other loans were 14.65 percent, 46.27 percent, 19.57 percent and 5.01 percent respectively. The values indicate that the other loan was more stable than other components of short-term loan. On the whole the project is concluded that the satisfaction levels of the customers are good with respect to the banking services in the study area. In fine, the suggestions made in the study provide a broad framework for reorganising and

improving the working of the PandyanGrama Bank in the future.

**Keywords:** financial sector, efficiency of banking system, short-term loans, components

## INTRODUCTION

Banks were deliberated as a mainstay to the financial system and play an essential role in economic growth of a country. As one of the objectives of financial sector reform was to improve the efficiency of banking system in India economy (Reserve Bank of India, 2002). The financial system's contributes to the economy depends upon the quantity and quality of its service and efficiency with which it provides them (World development Report, 1989).

Rural and urban areas are well served by the cooperative sector as well as by corporate bodies with national status. There are more than 4,58,782 institutions channelizing credit into the various areas of the economy (Khan, M.Y, 2004). Banking in India is one of the oldest systems that can well be traced to the initial time of development. These activities are normally performed by upper class of the society by storing valuable wealth in so-called secured places like temples & palaces (Curlee, 2002). Though these activities of banking system emerge, that time when no currency was available and only barter system prevails (HankeyThomson, 2002).

The competition induced by the new private sector banks has clearly reenergized the

Indian banking sector as a whole; new technology is now the norm, new product are being introduced continuously, and new business practices have become common place (Mohan R, 2004). An attempt has been made to analyse the trend and growth of various components of short-term loans issued by PandyanGrama Bank during the period 2005-06 to 2015-16 and to study the socio-economic status of the customers of PandyanGrama Bank (PGB) in Thoothukudi main branch.

## OBJECTIVES OF THE STUDY

The main objectives of the study can be stated as below:

1. To study the socio-economic status of the customers of PandyanGrama Bank (PGB) in Thoothukudi main branch.
2. To understand the reasons for opting for the PGB by the sample customers
3. To know the factors motivated to avail the bank loan
4. To analyse the trend and growth of various components of short-term loans issued by PandyanGrama Bank during the period 2005-06 to 2015-16

## METHODOLOGY

The present study is based on both primary and secondary data. Primary data has been collected through interview schedule. The simple random sampling technique has been adopted to select customers of PandyanGrama

Bank in Thoothukudi main branch. A separate interview schedule was designed, pilot tested and used for data collection. This is purely a descriptive study. Class interval technique was used to analysis the age, family size and experience. Secondary data and information are collected from the annual reports of the Annual Reports of PandyanGramaBank, the Department of Statistics, Tamilnadu, and Reserve Bank of India, Banking Statistics, books, journals and websites. Percentage analysis, averages, standard deviation Garret ranking method, t-test, trend coefficient, compound growth rate and probability analysis were used for the analysis. Due to lack of money, energy and lack of time, the researcher has collected the data from 150 respondents in the study area for the purpose of analysis and discussion. The field survey was conducted by personal interview method during the period from August 2017 to November 2017.

## REVIEW OF LITERATURE

Domar and Timbergen (1946) measured the profitability of banks for the economic development purpose and settled the theoretical framework in expanded form which was first introduced by Jorgenson and Nishimizudin for international economic growth comparison and development.

Sharma (1974) said, "The expansion of banking facilities was uneven and lopsided and banks were concentrating their operations in

metropolitan cities and towns. A fairly large number of rural and semi urban centre with reasonable potentialities of growth failed to attract the attention of commercial banks. As far as the deposit mobilization in the rural areas is concerned, much remains to be done." This gives emphasis on the rural and semi urban growth of banks.

Shah (1977) gave his view regarding bank profitability and productivity. He has expressed concern about increased expenses and overheads. Slow growth in productivity and efficiency is due to wasteful work of the banks. He concludes that the higher profitability can be result from increased spread and innovations have a limited role. He favored written job descriptions for improvement of staff productivity. He also emphasized reduction of costs, creation of a team spirit improvement in the management for improving bank profitability and productivity.

Aditya Pun (2003) said, "Technology has enabled banks to target customers, and provide customized products and services to match their individual requirements. The winners will be those banks that make optimum utilization of available technology to innovate, offer customized products and services, and make the most of the resources at their disposal".

K. Eswar (2003) said, "As our market evolve, so customer requirements change, and hence the positioning strategy needs to be

modified. Positioning is not a one-time effort. It is a constant pursuit".

PramodGuptha(2003) said, "Both public and private banks are spending large amounts of money on technology to provide innovative products and services to their customers with more convenience and satisfaction. Technology is reducing the cost of

transaction and helping to increase customer base and enable wider reach".

Guillen and Tschoegi (2008),revealed that traditional banks accepted the change in their functioning in order to be more receptive to the worldwide market demand for new financial product in new competitive market.

**SOCIO-PERSONAL CHARACTERISTICS OF RESPONDENTS (n=150)**

Variable	Categories	Percentage
Gender	Female	72.0
	Male	28.0
Age	Young (15-30)	24.0
	Middle (30-45)	52.0
	Old (45-60)	24.0
Education	Primary	12.0
	Secondary	18.0
	Hr. Sec	30.0
	Graduate	24.0
	Technical	16.0
Family Size (year)	Low(1-3)	28.0
	Medium (4-5)	48.0
	Large (Above 5)	24.0
Family Type	Nuclear Family	70.0
	Joint Family	30.0
Occupation of the respondents	Government	12.0
	Private	42.0
	Business	6.0
	Retired	4.0
	Farmers	36.0
Years of Usage of Bank	Less than 3 years	44.0
	4-6	8.0

	7-9	34.0
	More than 9 years	14.0
Marital status	Unmarried	24.0
	Married	76.0
Monthly income (Rs.)	Below-15000	8.0
	15000-25000	12.0
	25000-35000	18.0
	35000-45000	44.0
	45000&above	18.0
Account Types	Saving Account	64.0
	Current Account	22.0
	Recurring Deposit	8.0
	Fixed Deposit	6.0
Factors motivated to avail the bank loan	Bank Employees	64.0
	Friends and Relatives	16.0
	Self	20.0

Source: Primary Data

## ANALYSIS OF DATA AND INTERPRETATION

It has been found out that out of 150 sample customers, 72 per cent of them are male customers and 28 per cent of them are female customers. It is revealed that the percentage of middle age respondents is more i.e., 52%. The mean age of PandyanGrama Bank customer worked out to be 37.5 years. About 12% of the respondents had primary education, about 18% had high school education, about 30% possessed higher secondary level education and only about 24% had pursued degrees. Further, 16% remained technical education. The majority of the respondents i.e., 48 percentage

of families are having medium size ranging from 4 -5 members. The average size of the family is 4.16.

The table reveals that out of 150 sample respondents, about 76% were married and 24% were unmarried. This table exhibits that, 80 percent of the respondents belonging to the nuclear family. This clearly indicates the declining trend of the Joint family system. it can be said that 42 percentage of the customers of PandyanGrama Bank are employed in private organization, 36 percentage of the respondents are farmers, followed by 6 percentage of respondents doing their own business, only 4 percent of the customers are

retired person and the remaining of them are employed in Government organisation.

It can be inferred that most of the respondents (44%) are using the services of the bank less than three years, 34 percentage of the respondents are using the services of the bank 7-9 years, followed by 14 percentage of respondents are using more than 9 years and only 8 percent of respondents are using 4-6 years respectively. The average years of usage of bank are 5.26.

The study revealed that 8% of the respondents are earning an income up to Rs.15000, 12% of the respondents are earning Rs.15000-Rs.25000 monthly, 18% of the respondents are earning Rs.25000-Rs.35000 monthly, 44% of the respondents are earning

Rs.35000-Rs.45000 monthly and the others (18%) are earning Rs. 45000 & above monthly. The average monthly income of the bank customer's family is Rs. 35040.

It shows majority of customer (64 percent) are having saving account and lowest level in fixed deposit account (6 percent). Further 11 respondents (22 per cent) are having current account and 4 respondents (8 per cent) are having recurring deposit. Saving account takes the high priority among the customers in the study area. It shows the source-wise information about the PGB's loan schemes. Of the 150 customers, 64 per cent received first information from the bank officials, 20 per cent were self-motivated to approach the bank, 16.00 per cent from friends and relatives.

#### REASONS FOR OPTING FOR THE PGB BY THE SAMPLE CUSTOMERS

Reasons for Opting PGB	Mean Score	Rank
Low rate of interest	48.11	II
Easy terms and conditions	63.09	I
Accessibility	53.01	III
No other source	71.83	IV

Source: Compiled from Primary Data

It is found from Table that majority of the respondents reasons for opting for the Pandyan Grama Bankas easy terms and conditions was ranked first followed by low rate of interest. Accessibility was ranked third and no other source ranked fourth respectively.

Short-term loans form part of more than 90 percent of total loans issued by the Pandyan Grama Bank. Short-term loans are issued in the form of crop loan, jewel loan, overdraft and cash credit to various co-operative institutions and other loans which include produce pledge loan and short-term consumer loan. This division attempts to

#### ANALYSIS OF SHORT-TERM LOAN

analyse the proportion of various components of short-term loan over the period of ten years.

their stability during the study period 2005-06 to 2015-16.

The table shows the average loans of various components of short-term loans and

**Average and stability of various components of short-term loan issued by PandyanGrama Bank  
(Rs. in lakh)**

Particulars	Crop Loan	Jewel Loan	Institutional Loan	Other Loans	Total
Mean ( $\bar{X}$ )	3,506.90	6,918.37	23,662.09	12,092.61	45,923.03
Standard Deviation (SD)	513.78	3,201.65	4,630.75	606.23	2,875.22
Co-efficient of Variation (CV) %	14.65	46.27	19.57	5.01	6.26

It is inferred from Table that institutional loan issued by PandyanGrama Bank, on an average, over the period was found to be higher than other types of loan. The average amount issued from 2005-06 to 2015-16 was Rs.3,506.90 lakh for crop loan, Rs.6,918.37 lakh for jewel loan, Rs.23,662.09 lakh for institutional loan and Rs.12,092.61 lakh for other loans. The coefficient of variation of crop

loan, jewel loan, institutional loan and other loans were 14.65 percent, 46.27 percent, 19.57 percent and 5.01 percent respectively. The values indicate that the other loan was more stable than other components of short-term loan.

The calculated values of trend and growth of various components of short-term loans are presented in Table.

**Trend and growth of various components of short-term loans issued by PandyanGrama Bank during the period 2005-06 to 2015-16**

Particulars	Trend Coefficient		$\bar{R}^2$	Compound Growth Rate (in Percent)
	a	b		
Crop Loan	8.1073	0.0082*(0.4782)	0.42	0.82
Jewel Loan	7.8054	0.1670*(6.5488)	0.82	18.18
Institutional Loan	9.8203	-0.0427*(2.7813)	0.43	4.37
Other Loans	10.2731	-0.1921*(-3.768)	0.59	-17.48

<b>Total</b>	<b>10.6909</b>	<b>0.0096*(1.0902)</b>	<b>0.37</b>	<b>0.76</b>
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Figures in brackets represent t-values.

\* Significant at 5 percent level.

It is found from Table that the trend coefficient indicates, on an average, crop loan, jewel loan, institutional loan, other loans and total loans issued were 0.82 percent, 16.70 percent, 4.27 percent, -19.21 percent and 0.96 percent respectively. The higher growth rate was observed in jewel loan followed by institutional loan. The trend coefficient of short term loans were found significant positively, but component of institutional loans were found to be negatively significant.

R<sup>2</sup> value shows that the time variable explains the variations in dependent variables to the extent of 37 percent to 82 percent.

## CONCLUSION

Banks are playing inevitable role in the economic development of the nation and also the people. In the modern arena people cannot lead out life without availing the services of banks. It is observed from the above survey that, maximum levels of respondents are satisfied form the services offered by the banks. But at the same time majority of the respondents are lying in the group of private employment and they are having savings account and current account.

On the whole the project is concluded that the satisfaction levels of the customers are

good with respect to the banking services in the study area. In fine, the suggestions made in the study provide a broad framework for reorganising and improving the working of the Pandyan Grama Bank in the future. The acceptance and implementation of the recommendations made in this study would go a long way towards enabling the RRBs to achieve their objectives in a better way than they are being achieved at present. These suggestions are bound to pave the way for greater success.

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