



GUIDELINES FOR IMPROVING THE LOAN SERVICES OF THE BANK FOR AGRICULTURE AND AGRICULTURAL COOPORATIVES, CHIANG KWAN BRANCH, ROI ET

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Abstract

The objectives of this study are to explore the guidelines for improving the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province, by analyzing the environment of management, general information, customer behavior and opinions, and to offer the development guidelines for the loan services that are directly in line with customer behavior and opinions. The proposed practices will be advantageous for the loan service operations in the future. The researcher has found both positive and negative impacts on the loan services with regard to the 5 factors, including politics, economy, technology, society and culture and physical evidence. As all these factors have favorable impacts on the services of the bank, the factors that produce some unfavorable impacts are politics and technology. According to the competitiveness analysis, the threat of substitute products creates high impact as customers can use the products of one bank instead of the same products offered by other banks, making this business fiercely competitive. The bargaining power of buyers produces moderate impact since both the bank and customers are engaged in maintaining their relationship. The threat of new entrants and the bargaining power of suppliers make low impact because going into this business requires high starting capital, a large amount of investment fund and the permission from the Bank of Thailand. Regarding the aforementioned external environmental analysis, although it is uncontrollable, it is important to explore the external environmental factors since the results can be used to create the strategies that are in line with business, so that the company is able to adjust itself and operate effectively in the existing environment. The TOWS Matrix was used to develop strategies for improving the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province. The 2 chosen strategies are the W-O strategy which aims to mitigate the weaknesses of the services as much as possible and the S-O strategy which focuses on holding onto the strengths to avoid serious obstacles in the business.

Keywords: loan service, Bank for Agriculture and Agricultural Co-operatives, Roi Et

1. Introduction

Bank for Agriculture and Agricultural Co-operatives (BAAC) was founded in 1966 by the government to provide financial assistance to farmers, farmer associations and agricultural co-operatives which conduct agriculture and other related agriculture business, to increase the incomes and quality of life of farmers, and to financially support agricultural co-operatives to run their activities following the objectives so that they do not resort to non-formal loans. At present, there is an increasing need for loans. Both government and private banks have played an important role in offering more loans to farmers. Nevertheless, although formal loans from various banks are increasingly available, the problems caused by non-formal loans have severe impacts on farmers. The household debt has been increasing constantly since 2010 and the household debt has increased by over 10% in 2014. On the average, 71% of household debt comprises loans from private banks and specialized financial institutions or government banks (Bank of Thailand, 2014). In addition, it is likely that there will be an increase in loan guarantees for farmers consecutively as agricultural activities require large investment loans since farmers have been faced with a number of problems, such as crop price drops and expensive agricultural inputs.

Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province, offers services in Chiang Kwan District, which is an area of 27,619 population. Chiang Kwan District consists of 6 sub-districts (Official Statistics Registration Systems, 2015) and the people are mainly rice farmers. There are currently 5,719 people who are customers of the bank and the total credit of 850 million baht has been given out to loan customers (Main Branch Business Information, 2015).

Banking business is currently intensely competitive as the business has to be adjusted to the rapid changes in customer behavior. All banks must develop and adapt strategies to all aspects to increase the competitiveness of the banks. The emphasis is placed on offering high quality services that meet customer needs. The bank has recently carried out a policy on service quality, namely "Offering efficient services with quality work to satisfy customer needs." In addition, there are clear guidelines for service provision which have been used to define the key performance indicators (KPI), so that everyone in the organization works towards the same goals. This will later reflect the organizational culture, namely "response heartily." Since nowadays the banking business is extremely competitive, the bank has to mainly emphasize on the service quality. At the moment, the main focus of the competition is the service quality as it is what most customers pay attention to. The continuous improvement of the service quality will result in steady and sustainable business growth of the Bank for Agriculture and Agricultural Co-operatives.

2. Research Objectives

The study was conducted in 5 areas, including general information of loan customers, customer behavior, customer opinions and their different levels of opinions on the loan services, their suggestions concerning the loan services and the external environment of the bank's



management. The data collected from the sample group has been used to draw up the strategies to improve the efficiency of the loan services. The strategies must conform to be in line with the customer behavior and to meet the customer needs of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province.

3. Methodology

This applied research adopted descriptive social science research methodology to interpret, analyze and assess the data and used descriptive analytical method to present the research (Mario F.Triola, 1995). Also, descriptive statistics were employed to explain dispersion of the data, frequency, mean value and differences of variables, while inferential descriptive statistics were used to explain relations between the data and hypotheses and the method of inference was used to come to conclusions about the population.

3.1 Framework

As for the framework used in this study, the researcher adopted a system approach. Nowadays, the organization is rapidly expanded and complicated; therefore, it is difficult to examine the organizational behavior. As a consequence, scholars in the field of modern organization theory have started to pay attention to behavior and discovered that organization is a social system that interacts with its environment. The system theory consists of inputs which refer to all administrative resources, including the executive team and loan customers of the bank, process which refers to the systematic use of administrative resources in the operation, including a questionnaire constructed based on related theories and interviews of the executive team to be used in the environmental analysis, outputs which refer to the results of the implementation of the process approach, including the results of the analysis of the environment of management and the guidelines for improving the loan services of the bank, and effects which refer to any situations that arise after the results are achieved.

3.2 Hypothesis

Loan customers of different genders, age groups, education levels, income levels, customer durations and statuses with different numbers of household members share the same opinion on the loan services of the Bank for Agriculture and Agricultural Co-operatives.

3.3 Scope of the study, population and samples

The scope of this study is limited to the environment of management, the opinions of executive team of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province, 3 people, including the bank manager, the assistant bank manager and the district chief and study and the general information of loan customers, their behavior and their levels of opinions on the loan services of the Bank for Agriculture and Agricultural Co-operatives as well as the guidelines for improving the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province. A total number of 5,719 loan customers have been used to calculate the size of the sample using the n formula. As a result, the researcher has set the sample group for the present study at 400 people. The study was conducted in Chiang Kwan District, Roi Et Province, and the target customers were those who used the loan

services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province.

3.4 Research instruments and validation

The instrument used in this study is a questionnaire constructed based on the customer behavior theory and the marketing mix theory to explore the levels of customer opinion about the loan services. As for the content validation of the instrument, the researcher had an expert in human resources examine, criticize and revise the questionnaire in April 2015. In addition, an index of consistency (IOC) was employed to examine the quality of the research instrument and, as a result, the IOC value was 0.9. Later, the reliability of the questionnaire was assessed using the Likert scale to confirm the stability of the instrument and the 400 samples. As the Likert scale was found to be 0.95, the questionnaire was reliable enough to be used in this study.

3.5 Data collection

The data was collected from a sample group of 400 loan customers in 6 sub-districts as the collection was based on geography of locations. After receiving the questionnaires from the respondents, the researcher reviewed the questionnaires and analyzed the data using a microcomputer. The researcher then used SPSS for Windows to analyze statistical data, including percentage, mean value, standard deviation, t-test and ANOVA.

3.6 Research conditions

The hypothesis testing was used to accept or reject the null hypothesis (H_0). The null hypothesis was accepted when the computed significant value was 0.05 or higher and the null hypothesis was rejected when the computed significant value was less than 0.05.

4. Results

4.1 Environmental analysis of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province

In analyzing the environment of management, the researcher has found that politics, economy, technology, society and culture as well as physical evidence have produced positive impacts, while politics and technology have also created negative impacts. According to the competitiveness analysis, the threat of substitute products creates high impact as customers can use the products of one bank instead of the same products offered by other banks, making this business fiercely competitive. The bargaining power of buyers produces moderate impact since both the bank and customers are engaged in maintaining their relationship. The threat of new entrants and the bargaining power of suppliers make low impact because going into this business requires high starting capital, a large amount of investment fund and the permission from the Bank of Thailand. Regarding the internal environment analysis, in terms of marketing, the bank is the market leader in Chiang Kwan District, Roi Et Province. In addition, with regard to finance, the bank is a government bank which is stable and reliable. Concerning personal resources, the officers are knowledgeable and efficient at delivering the information to the customers. The external environment analysis has revealed that The strengths are an increase in opportunity for



farmers to have access to the sources of investment funds and the role as a leading agricultural credit provider, the weakness is the inadequate number of officers which results in slow services, the opportunity is a number of premium customers who have great trust in the bank, and the obstacle is a groups of direct and indirect competitors.

4.2 General information about customers of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province

The general information has been divided into 7 areas, including genders, customer durations, age groups, education levels, annual household income levels and numbers of household members. The researcher has found that most of the respondents are female as there are 233 female respondents. In addition, 127 respondents have been BAAC customers for 10-15 years and 119 respondents have been BAAC customers for 6-10 years. Regarding age groups, 115 respondents are 41-50 years old and 113 respondents are 51-60 years old. In addition, 334 respondents are married. In terms of education levels, 156 respondents have completed secondary education, while 128 respondents have completed primary education. Considering the annual household incomes, 120 respondents have the annual household income of 150,001 – 200,000 baht and 113 respondents have the annual household income of 200,001 – 250,000 baht. Also, 194 respondents have 1-3 members in their household, while 181 respondents have 4-6 members in their household. This set of information was collected from 400 respondents.

4.3 Customer behavior towards the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province

Regarding the customer behaviors, the respondents themselves made the decision to use the loan services and they mostly chose the revolving credit. They used the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province, because the bank was located in their neighborhood and the bank aims to support farmers in particular. The person who had an influence on the decision making was their spouse. The most convenient time for them to use the services was during 9.30-10.30 a.m. and they used the lone services less than once a month.

4.4 Customer opinions and different levels of customer opinion on the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province

Regarding the levels of customer opinion on the loan services, the customer opinion was found at the agree level in all aspects. Considering place, the office is spacious, modern and clean and the location of the bank is very convenient. In terms of products, the interest rates and fees of loans are appropriate and the bank offers a complete range of loan services. Concerning the promotion, the bank organizes the Taweechoke lucky draw event twice a year and the prizes are various items. With regard to people who provide the services, the customers have found that there is the inadequate number of loan officers compared to the amount of loan customers. Regarding the process, it is very fast and convenient for the customers to receive the loans. As for the physical evidence, the office is spacious, modern and clean. In addition, in terms of the service, the customers have found that the services are very convenient. In respect of the different levels of customer opinion on the loan services, customers of different genders,

age groups, education levels, income levels, customer durations and statuses with different numbers of household members share the same opinion on the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan District, Roi Et Province.

4.5 Suggestions from customers on the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province

In the fourth part of the questionnaire, the customers did not give any suggestion about the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province.

4.6 Guidelines for improving the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province

The weighted mean of the strategic management of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province, was found at the good level. Considering the importance of each problem separately, Regarding the analysis of the bank's performance, the problems affecting the performance of the organization that should be solved immediately are ranked from high to low impact as follows: an increase in opportunity for farmers to have access to the sources of investment funds as the bank is a stable and reliable source established especially for farmers and this requires a short-term solution. Having agricultural customers as the customer base and a large number of potential customers as a medium-term solution to preserve the customer base and increase the number of new customers. Then, the insufficient number of loan officers compared to the number of loan customers, the redundant work processes that causes slow services, and the direct and indirect competitors may require long-term solutions.

5. Discussion and Recommendations

5.1 Conclusion

The TOWS Matrix is matching from management environment analysis and the data obtained from the questionnaires answered by the target customers. It was used to develop strategies for improving the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province. The W-O strategies are to mitigate the weaknesses of the services, including decreasing the service time and the service line steps as much as possible, and to clearly allocate the responsibilities to all loan officers. All procedures in the loan services should be assessed in all aspects to find out whether there are some steps that are not required and can be removed and to develop mutual understanding among loan officers about the assigned tasks and responsibilities which will help avoid the redundancy in the operation. Mitigate the weaknesses of the loan services and speed up the services. This strategy can be called WO strategy The S-O strategy is to hold onto the strengths to avoid serious obstacles in the business as much as possible. This strategy aims to maintain the relationship with current customers and increasing the number of premium customers as well as expand the loan customer base to major agricultural customers who have high potential to pay off the loans by using the business opportunities of new target customers and the strengths of investment sources in the development of this aggressive strategy.



5.2 Discussion

The research results have shown that the overall level of customer opinion in all aspects is at the agree level, raking from high to low as follows: place or channel of distribution, interest rates and fees, products, promotion, service officers, loan service procedures, physical evidence and loan service quality. Considering the different levels of customer opinion, the research has found that customers of different genders, age groups, customer durations, education levels and statuses with different numbers of household members and annual household income levels have the same level of opinion on the loan services of the Bank for Agriculture and Agricultural Co-operatives, Chiang Kwan Branch, Roi Et Province. This has also been found in the study of Amnaj Kaewmala (2011) which stated that the customer satisfaction with the place and the environment of loan services was found at the high level. In addition, loan customers of the Bank for Agriculture and Agricultural Co-operatives, Salokbat Branch, who had different genders, age groups, statuses, education levels, careers, income levels and customer durations possessed the same level of satisfaction with the loan services. Moreover, the study of Sarayut Chui-uam, Pornpimol Chalermmeeprasert, Panita Soonthornchai and Pattarawit Uttarin on the level of customer satisfaction with the services of the Bank for Agriculture and Agricultural Co-operatives, Borabue Branch, has shown that the customer satisfaction was found at the high level in all aspects, except for the traditional reception that was rated at the high level of satisfaction. In addition, customers of different genders, age groups, customer durations, careers, banks, frequencies of service use per year, income levels, amounts of deposit, loan credits and service types used at other banks, possessed the same level of satisfaction with the services of the bank.

5.3 Recommendations

5.3.1 Recommendations for Bank for Agriculture and Agricultural Co-operatives

It is important to keep in touch with the customers, especially those who are the heads of the groups, in order to directly and indirectly deliver news and information to each customer. There should be some observe activities of which the acquired knowledge can be implemented to improve the services for customers in the community. These activities also give the officers the opportunity to build a positive relationship and learning experience together. There should also be some follow-ups on the improvement in the quality of life and professional skills, along with the actual events to reach out to more customers. News and information about the bank that is useful for the customers should be advertised regularly in order to familiarize the customers with the bank's services and to deliver the latest information to the customers from generation to generation.

5.3.2 Recommendations for future studies

In the future, there should be a study on factors affecting the service quality in which the data is collected from those who have never used bank services before. This suggested research will reveal whether the customer base can be expanded. The factors with negative impacts should be improved in order to raise the service quality. In addition, if there are competitors in Chiang Kwan District, Roi Et Province, there should also be studies on the competitors concerning both formal loans and non-formal loans which have impacts on credit facility granting to examine the expansion of loans from other sources.

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