DOI:10.26524/jms.2018.25

Confirmatory Factor Modeling On Consumer Buying Behavior Of Rural Credits In Rural Karnataka: Theory Of Planned Behavior As A Reference.

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Abstract

Many financial institutions including government institutions are grappling up to meet financial/banking demands. One of the hurdles could be lack of understanding consumer's financial requirements by financial institutions. On the consumer side, many do not have sufficient financial literacy or formal education and lack experience in handling financial products. The result of this gap is leading to slower adaptation of financial products even though higher demand for financial products is a reality. The purpose of the research to explore various items of measurement pertaining to theory of planned behavior. Data was collected from target rural areas for this purpose. EFA was carried to on 27 indicator variables obtained from literature review. Three items were dropped, and six factors were extracted through EFA. Further reliability was established for six factors during EFA. In the next stage, confirmatory factor analysis (CFA) was carried out to establish measurement model fit. Path analysis between item variables and factors was carried out to check for critical ratios. During CFA, reliability test was carried out again using cronbach's alpha and maximum reliability (H). Followed by convergent and discriminate validity check. The researcher has found that banks need to focus on small borrowers as some of them have good capacity to repay loan with interest. It was observed that regional rural banks have excessive documentation work and also It was observed that rural borrowers still rely heavily on informal loan distributors. The researcher felt that problem of recovery can be resolved through adopting systematic loan applications screening .The researcher suggested based on observation that banks should not be required to furnish any security except personal security

Key words: Cronbach's alpha, EFA, Financial Institute

1. Introduction

The developing world economies are going through rapid economic changes. New emerging economies demand financial infusion at a rapid rate. Many financial institutions including government institutions are grappling up to meet financial/banking demands. One of the hurdles

could be lack of understanding consumer's financial requirements by financial institutions. On the consumer side, many do not have sufficient financial literacy or formal education and lack experience in handling financial products. The result of this gap is leading to slower adaptation of financial products even though higher demand for financial products is a reality (Gaurav et al, 2011).This anomaly is pushing rural consumers to unorganized financial institutions like moneylenders, pawn brokers, chit funds and small private finances in rural India. The unorganized financial institutions charge exorbitant interests on credits and pay less interest on deposits. The objective of thesis is to study absorption of public sector bank(PSU) credits (formal credit) in rural India .The study is restricted to bank credit (formal credit) buying behavior by rural consumers. Bank credits are credits offered by public sector banks. In India, public sector banks are undertaken by state and central government bodies

2. Literature Review

Researcher did literature review on variables influencing buying intention as per theory of planned behavior. Researcher attempted to comprehend different indicator variables influencing major exogenous like Attitude (ATT), Subjective Norms (SN), Perceived Behavioral Control (PBC) and Customer Service by Bank (CS) was added as control to model as literature strongly supported addition as per Lenka, et al (2009) and Sureshchandar,et al(2003). The items were summarised as mentioned in Table 5.1. The questions were drafted on left column along with supporting literature mentioned on right column.

Basu(2005) and Cnaan et al (2012) showed that accessibility of rural bank credits with respect to interest rates and collaterals were considered important items in measuring attitude for procurement of rural credits. Public trust on banks was highly regarded as per Shiralshetti and Kulkarni(2012). Trust in banks is a fundamental requirement to build an interaction between rural folks and public banks. We found a comparative study between formal and informal finance products in the works of Bhende, (1986) where authors showed formal finances such as products offered by public banks were highly regarded by rural consumers due to lesser interest rate as compared to informal finances. Varghese (2005) validates that public sector banks are highly valued. The value of customer service provided by bank employees was highly regarded as per Khan & Mahapatra (2008) and Angur et al (1999).Hence, additional variable was added Customer Service (CS) to TPB model.

Market researchers have attempted to understand effect of social influence on attitude and behaviour of consumers. It is important for marketers to understand social influences on behaviour. In seminal models, social influence plays an important role in deciding buying attitude of the consumer (Howard and Sheth, 1969; Fishbein and Ajzen, 1977; Ajzen, 1991; Engel, Blackwell and Miniard, 1995).Researcher did a literature review on various social influences on rural credit. Kashyap (2012) and Modi (2009) showed that family and friends play

an influential role in buying rural credit. We noted that opinion leaders have very high influence on buying behaviour Desai & Jain (1994) .It appears that family members and friends play an important role in influencing buying behaviour for rural consumers. It can be observed that influencing role of doctors, teachers and ward members is declining .Hence, these were not incorporated in the questionnaire .However , the rural consumers attach high value to opinion leaders of the community .Hence to measure subjective norms , a question related to opinion leaders influential role was included.

In addition to social support, we found that subjective norms with social pressure were important. Kashyap,(2012) and Desai & Jain (1994) have suggested in research that many rural respondents feel compelled to follow family member's advice. Authors opined that some respondents felt obligated to follow friend's opinions .Some authors have particularly mentioned growing role of woman in procuring rural credit. Shanmugam & Das (2004) have opined that public sector banks are on a road map of improvement due to increased interaction with local self help groups. Self help groups are registered association with defined goals. Some of the public sector banks have a tie up with local self help group for credit disbursement and collection. Shiralshetti, and Kulkarni (2012) have mentioned that word of mouth communication plays a pivotal role in banking services.

Hoff & Stiglitz (1990) have mentioned that personnel connectedness of bank employees with consumer is vital for communication. This scenario is quite true in case of rural credit markets. Rural respondents attach high value for contacts with bank employees. They assume that if one has good communicative connections with bankers then he would have higher chances of getting through a bank credit. Financial literacy will help rural consumers make informed decisions as per Banerjee, et al (2005) .Hence an item was added on to perceived behavioural control. Many rural respondents consider physical access to bank is important as per Burgess and Pande, (2003). Physical access to bank improves accessibility.

Public sector banks have collateral requirements. Presently banks accept gold, land as main collaterals. However, banks need to do more experiments on trying on different types of collaterals as per Cnaan,et al (2012).. Many consumer cooperatives accept credit application on other types of collaterals. It is time for public banks to follow suite for more inclusion of rural poor. Many rural respondents opined that financial institution accepting wide variety of collaterals were approachable. At the moment, many villagers have assumed that public sector banks are very rigid as per our observation .However; many cooperative institutions were accepted by rural respondents for being flexible in spite of higher interest on credits.

Table: 5.2- Measurement of Indicator variables

Item Code	Measurement (Indicators) Items	Literature Review
att1	Public Sector Bank credits are given to majority of my fellow villagers	"Basu, P. (2005). A financial system for India's poor. Economic and Political Weekly, 77(1) 35-50"
att2	Public Sector Bank credits have lesser interest rates and less collateral demands	"Cnaan, R. A., Moodithaya, M. S., and Handy, F. (2012). Financial inclusion: lessons from rural south India. Journal of Social Policy, 41(01), 183-205".
att3	Public Sector Bankers are flexible to understand our credit requirements	"Basu, P., and Srivastava, P. (2005). Exploring possibilities: microfinance and rural credit access for the poor in India. Economic and Political Weekly, 17(2)221-250.
att4	Public Sector Bank credits are widely trusted by most of the people	"Shiralshetti, A. S., and Kulkarni, D. D.(2012) Banking with Unbankable. Prashastya, 2(5),124-134.
bit1	Buying credit is more favourable to improve my present economic situation.	Gopalaswamy, T. P. (2009). Problems And Strategies for rural banks, Journal of Rural Marketing, 20(2) 154-165
bit2	Public sector banks are better at credit sanction as compared to other banks- I prefer public sector banks for loans.	Nishi Sharma(2012,) An Empirical Study of Rural Customer's Satisfaction from E-Banking in India , Journal of Internet Banking and Commerce, vol. 17, no.3 (http://www.arraydev.com/commerce/jibc/) Accessed on 17/10/16
bit3	I will make an effort to buy credit from bank	Bhende, M. J. (1986). Credit markets in rural South India. *Economic and Political Weekly*, 15(14)124--130
bit4	I have an urgent situation which demands immediate cash so I need to buy credit.	Varghese, A. (2005). Bank-moneylender linkage as an alternative to bank competition in rural credit markets. Oxford Economic Papers, 57(2), 315-335.
bd1	I have decided to buy credit if bank managers approves.	Francis, J. J., Eccles, M. P., Johnston, M., Walker, A., Grimshaw, J., Foy, R. and Bonetti, D. (2004). Constructing questionnaires based on the theory of planned behaviour. A manual for health services researchers, 2(12)45-60.
bd2	I shall share my experiences of buying credit with others.	Nishi Sharma(2012,) An Empirical Study of Rural Customer's Satisfaction from E-Banking in India ,

		Journal of Internet Banking and Commerce, vol. 17, no.3 (http://www.arraydev.com/commerce/jibc/) Accessed on 17/10/16
bd3	I have collected required documents for loan application at bank.	Ramachandran, V. K., and Swaminathan, M. (2002). Rural banking and landless labour households: institutional reform and rural credit markets in India. Journal of Agrarian Change, 2(4), 502-544.
bd4	I shall not collect information of other bank loan from various sources.	Gopalaswamy, T. P. (2009). Problems And Strategies for rural banks, Journal of Rural Marketing, 20(2) 154-165
P5_bd	I shall try to close loan at the earliest due to high interest rates.	Mailath, G. J., & Mester, L. J. (1994). A positive analysis of bank closure. *Journal of Financial Intermediation*, *3*(3), 272-299.
sn1	Doing what my friends say w.r.t bank credits is important for me	Modi, P. (2009). Rural marketing its definition and development perspective. *International Journal of Rural Management*, *5*(1), 91-104.
sn2	Doing what my family say w.r.t bank credits is important for me	"Desai, S., and Jain, D. (1994). Maternal employment and changes in family dynamics: The social context of women's work in rural South India. Population and Development Review, 115-136".
sn3	Following advice of my opinion leader is important to me	"Kashyap, P., and Raut, S. (2005). *The Rural Marketing Book (Text and Practice)(With Cd)*. Dreamtech Press"
sn4	Following the way of reference groups w.r.t bank credit is important to me	"Shanmugam, K. R., and Das, A. (2004). Efficiency of Indian commercial banks during the reform period. Applied Financial Economics, 14(9), 681-686".
cs1	Bank employees share complete information of loan process.	Angur, M. G., Nataraajan, R., & Jahera Jr, J. S. (1999). Service quality in the banking industry: an assessment in a developing economy. *International journal of bank marketing*, *17*(3), 116-125.
cs2	Bank employees are friendly in dealing with customers for loans	Lenka, U., Suar, D., & Mohapatra, P. K. (2009). Service quality, customer satisfaction, and customer loyalty in Indian commercial banks. *Journal of Entrepreneurship*, *18*(1), 47-64.
cs3	Bank employees are quick in loan processing	Sureshchandar, G. S., Rajendran, C., & Anantharaman, R. N. (2003). Customer perceptions of service quality in the banking sector of a developing economy: a critical analysis. *International journal of bank marketing*, *21*(5), 233-242.

cs4	Bank employees are transparent in processing credit applications	Khan, M. S., & Mahapatra, S. S. (2008). Service quality evaluation in internet banking: an empirical study in India. *International Journal of Indian Culture and Business Managemen*
N5_cs	Bank employees give speedy services on loan applications	Yavas, U. (2007). How similar are frontline bank employees' perceptions of service quality to their customers? A study of female customers and employees in Turkey. *Journal of Financial Services Marketing*, *12*(1), 30-38.
pbc1	You have past experience of applying for bank credits.	Chakraborty K.C (2010)"inclusive growth- role of financial sector", address at the national Finance conclave 2010, KIIT University.
pbc2	Most of banks are nearby to my house	"Burgess, R., and Pande, R. (2003). Do rural banks matter? Evidence from the Indian social banking experiment. Journal of rural markets ,57(12)147-158.
pbc3	I can understand term of bank credits	"Banerjee, A., Cole, S., and Duflo, E. (2005). Bank financing in India. In India's and China's recent experience with reform and growth (pp. 138-157). Palgrave Macmillan UK."
pbc4	I have collaterals to submit for buying credits	"Bhatt, N., and Thorat, Y. S. P. (2001). India's regional rural banks: The institutional dimension of reforms. Journal of Microfinance/ESR Review, 3(1), 65-94".
C5_pbc	I know bank employees personally, Familiarity of lenders makes credits buying easy.	Hoff, K., & Stiglitz, J. E. (1990). Introduction: Imperfect information and rural credit markets: Puzzles and policy perspectives. *The world bank economic review*, *4*(3), 235-250.

3. Theory of Planned Behavior:

The theory of planned behaviour is a developed version of theory of reasoned action. The theory of reasoned action is over reliant on behaviour intention to explain buying behaviour. The theory of planned behaviour addresses over dependency on behaviour intention to explain buying behaviour (Ajzen, 2011). Following is the diagrammatic representation of theory.

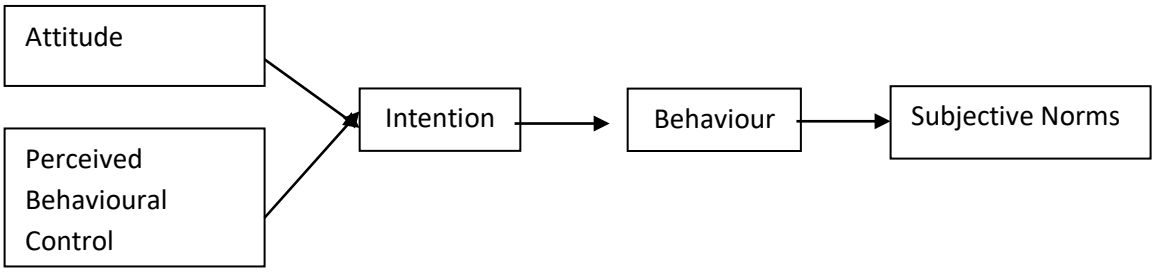

Fig 2.6: Theory of Planned Behaviour; Source: (Ajzen, 2006)

The construct perceived behavioural control was added to model. The perceived behavioural control is convenience of buying product, efficacy skills which facilitates buying decision. The buying intention is dynamic mixture of three main exogenous variables such as attitude, subjective norms and perceived behavioural control. In last two decades there have been lot of addition and deletions to theory of reasoned action and theory of planned behaviour. The modifications do not change basic structure of theories but they improved predictive ability of the model. Ajzen is open to changes for theory of planned behaviour .Important changes made to theory of planned behaviour is technology adoption theory proposed by Todd and Taylor (1995). The technology adoption theory explains technology adoption of internet in business organisations.

4. Rationale and Significance of the Study

4.1 Rapid Urbanization:

Tumbe(2012) argues that India is undergoing circular migration from rural to urban and followed by urban to rural migration. The author analyzed the tendencies of urbanization from 1870 onwards which shows that urbanization pace has slowed down in the recent period of time. The author has compared urbanization of India with other south Asian countries to realize that india's urbanization score is among the lowest. The pace of urbanization lags behind global average and major developing economies from 1971 to 2015.

Tumbe (2012) lists a many reasons to validate this slow urbanization. The freedom to migrate from villages to cities and then back to village offered by Indian government is acting as fetter on the speed of urbanization in India. In countries like china government regulates rural-urban migration through permits and welfare schemes.

The author reckons that migration in India quite seasonal in nature as concentrated in areas such as construction. Construction activities in urban areas are single largest employment source. India has always a gender bias and male workers leave behind their families in rural areas to head for employment opportunities in urban areas. As the time passes, older generations head back to village to live with their families .Again younger generation start migrating from rural to urban areas. The process is further facilitated by family ties in getting jobs in urban areas. With no restriction on rural-urban movement, inadequate infrastructure for woman migrants workers in cities, The net effect is slowing down India's urbanization pace.

Predictions suggest that while urban population will continue to grow , the share of rural will come down only marginally till the year 2020 and nearly two third of the country's population will continue to live in villages .So it will be better for the marketers to enter arena sooner rather than later .

4.2 Rural India as an Agrarian Economy:

In India, most of the rural economy is based on agriculture income. However, this is gradually changing now. Most of the nonfarm activities have taken prominence on income generation compared to farm income. This is only expected to increase further .The increased earning opportunities in rural India have decreased dependence of agriculture on vagaries of a good monsoon ,suggesting that rural markets will be more resilient to fluctuations in rainfall opines Kashyap(2012).

Field observations indicated that multiple sources of income for household are increasingly becoming a norm. With only one family member involved in agriculture as owner or daily wage labourer, while other earning members in family run a small business or shop or work as salaried employees. Apart from increasing household income, this has added benefit of buffering household from income risks in farming due to monsoon vagaries. Additional income provides more constant stream of income to households during lean periods of monsoon.

4.3 The Evolving Rural Consumer:

The rural villages are changing from typical poverty stricken, illiterate to more acceptable societies. The fear of change makes rural consumers reluctant to spend .Rural consumers are value driven and not low price driven in particular. They expect products to help them to improve their earning capabilities. In some way products should enhance their status in society like readymade cloths. Literacy is rising. Exposure to same advisements as urban counterparts has created a demand for typically urban services in rural areas. Villagers are willing to adopt new services if they can see benefits clearly. Better road infrastructure has lead to mobility with people travelling further to seek better services.

The change has been greatest among rural youths. They are most educated and most savvy of all rural consumers , emulating their urban cousins and demanding same high quality in the services they require .They are key drivers for expenditures.

Cultural and social norms are changing with nuclear families creating new roles for woman .Traditionally, men were decision makers for all household purchases, but now woman do participate in decision making for items used in cooking, food items and soaps. They are seven million self help groups (SHG) in India which is approximately 70 million SHG members as mentioned by Das Gupta (2015). The 50 percentage reservation for woman in panchayath raj has also played a major role for participation. Woman reservation in panchayath raj has helped woman to get good exposure in governance.

4.4 The Exploding Middle Class:

The sleeping giant has finally woken up and rural India has finally emerged as the market worth chasing in its own right. The population of 800 millions consisting of 164 million households approximately is yet to prove spending power. Rural population is emerging as vital force to compete against urban markets

Indian rural market has proved workable for doing business by private and public organisations (Guarin &Knorringa, 2014). The rural market is getting more attention from many stake holders .According to an estimate, rural market accounts for 58% of total income of India. The rural expenditure accounts for 67% of total expenditure of India. Rural savings accounts for 39% of total savings of India. The infrastructure is developing at fast pace, nearly 70% percent of rural villages have all weather road connectivity. Mobile penetration has approximately reached 50%. All these parameters indicate rural income is on rise and therefore demand for new products and services is seen in rural markets.

The growth of rural market in future is quite evident according to reports. The present pyramid structure will change to diamond shape in near future as proportion of people earning less than a dollar per day will decrease .The number of rural people earning between 1 USD to 5 USD is going to increase by many folds. The number of rural people earning 5 USD per day will increase three folds in near future. All these numbers suggest that rural market is bound to grow in near future (Kashyap, P,2012).

The rural population earning more than 5USD per day holds lot of promise to marketers. This translates in to income of 750USD or 33750 INR per month. It is more than many earners in urban areas .The cost of living in rural areas is less as housing, food and education costs are virtually free. Lower cost of living improves disposable income for rural people. In rural areas, almost all own homes, so there is no rent to be paid .Some food may be grown leading to savings on household expenditure. Primary healthcare and education are subsidized or even free .As a result, the level of disposable income could be significantly higher.

Other growth factors have contributed like eight good monsoon seasons and two times increases in government support price for the food grains in last ten years have improved prosperity for agricultural sector. In addition to these, Rs720 billion loan waivers has benefited forty to forty five million farmers. Increasing literacy levels, increased mobility, rising aspirations and a greater linkage between urban and rural India have contributed to improved demand. An increased labor force participation in nonfarm sector has resulted in more income. The participation in nonfarm activities is likely to go up in future .Government focus on poverty alleviation and the rural population has led to significant spending on initiatives. The rural employment guarantee scheme includes 100 days of employment with 100 Rs per day payment to labors .Rural employment program has boosted income of bottom of pyramid.

In next decade, it is expected that most of the Indian rural villages would get road connectivity, literacy and better employment opportunities. It is expected that more than 80% of rural houses will be proper houses with more that 80% phone penetration .An integration of rural and small towns to urban India is expected. A major shift towards cash crops has resulted in more income.

5. Statement of the Problem

The study is specific to public sector bank credit. The research deals with buying behaviour of credits by rural population .The literature review and survey of rural consumer's showed that urban consumers were exposed to financial products considerably while their rural counterparts still remain aloof. Financial institutions were already experiencing competition in urban markets and many financial institutions in rural areas were not operating very well (Bhalla,1990). It's time that financial institutions start paying attention towards rural consumers as well as understand buying intentions of rural consumers. Rural consumers form a majority of Indian population .The study was undertaken with intention to advise public sector institutions such as rural banks, post offices, self help group, micro credit, and cooperative societies to realign their financial offering for rural customer to enable seamless buying decisions. In turn, credits will generate alternative income for rural population, at the same time financial institution should make profits. In past, several studies have been done on rural consumer credit purchase linking different variables. However, literature review by researcher has not come across much literature which has directly investigated overall buying intentions of credit. Researcher treated bank credit options as homogeneous offering to get general perceptions of rural consumer requirements. Literature review indicates very few studies or even no studies pertaining to the investigation of various factors using an established model like theory of planned behaviour. Theoretical models assist researcher to enumerate influencing variables. Models assist researchers to establish relationship between variables. Models provide a refined description through incorporation of social, demographic, psychological, physical, and cultural variables. Models measure systematic effects of marketing influences on consumer choices in the form of coherent sequence of information processing leading to buying decision. The study is an effort in bridging gap between credits available and rural consumers buying intentions .The study intends to focus on public sector banks credit offering.

6. Objectives of the Study

1) To establish need for study by research gap analysis.
2) To determine the underlying factors or dimensions of (a) Attitude (ATT) (b) Subjective Norms (SN) (c) Perceived Behavioral Control (PBC) (d) Customer Service.
3) To arrive at a scale to measure (a) Attitude(ATT) (b) Subjective Norms(SN) (c) Perceived Behavioral Control(PBC) (d) Buying Intentions(BIT) (e) Buying Decision(BD) and (d) Customer Service(CS).

7. Research Methodology

"Research design is the blueprint for collection, measurement and analysis of data". Exploratory Research Design (EFA): Exploratory research design was used to get more insights on buying behaviour of credit services. Personal interviews with rural consumers and managers of financial setups of different types and formats were conducted. In some of villages, rural consumers were observed buying financial services in banks while interacting with service providers, families and friends. Observations revealed practical aspects of a rural consumer buying behaviour. It helped to know items influencing buying behaviours. In an abstract way, it has helped to understand how attitude, societal and perceived behavioural control have an impact on buying intention and buying decision. Observation gave a new insight on demographics such as life stage, family structure, financial literacy, income, occupation, land holding influence on buying behaviour . With help of exploratory research design, research objectives and hypothesis were fine tuned and a theoretical framework was developed. A survey was undertaken and questionnaires were administered for sixty rural consumers to check effectiveness and understandability of questionnaires. The questionnaires were converted to local language and administered through scheduling to make corrections in the questionnaires before going for final survey. The sample size of 379 was used to carry out EFA .Maximum likelihood (ML) method was used with promax rotation. CFA was used for confirming extracted variables .Model fit for measurement model was carried out.

8. Analysis and Interpretation

Exploratory factor analysis is adopted whenever researcher intends to explore underlying items influencing factors. EFA is also used to uncover the underlying correlations between items. Higher correlation between item variables represents repetitions of question in respondent's point of view. In essence, both questions measure same kind of response .EFA provides a factor structure. Factor structure is a grouping of different item variables having similar attributes. EFA prepares data for effective structural equation modeling. EFA identifies issues relating to factor measurement. EFA is always used for new data sets for indentifying underlying item variables leading to formation of factors. The advantage of EFA over CFA is that no prior theory is required. A pre existing theory explaining which item belonging to a particular construct is not required. EFA can identify problematic variables easily than CFA. Requirements of EFA is only non nominal indicators have to be imputed. EFA will throw out only reflective factors. Categorical variables cannot be included into EFA analysis (Matsunaga, 2010). The study of factor structure is an interdisciplinary technique used in different fields such as social science, bioinformatics, economics etc. The primary purpose of EFA is to verify underlying items of constructs (Hair et al, 2006). EFA is used as data reducing technique. EFA reduces complexity of data by reducing items into a grouping variable (Costello and Osborne, 2005). During initial stage of study, depth interviews were conducted on rural households and rural bank managers (Experts) to understand various parameters of credits in rural areas .Extensive literature reviews revealed some key variables which could be used as key items. Overall, through depth interviews

and literature reviews, an exclusive list of "twenty seven" item variables impacting buying behaviour were found. (1) Being strongly disagree and (5) for strongly agree. In all 36 rural consumers did not respond completely, 379 was final sample size. Maximum Likelihood (ML) method with promax rotation was used for EFA. Exploratory factor analysis resulted in dropping of three indicators from the questionnaire due to low communalities (<0.5) and low loadings (< 0.6). Out of 27 indicators, researcher found **24 items** resulting in pattern matrix .The pattern matrix suggested six factors. The six factors are named as attitude (ATT) Subjective Norms (SN), Perceived Behavioural Control (PBC), Buying Intention (BIT), Buying Decision (BD) and Customer Service (CS) since, researcher adopted TPB as guideline theory, researcher named factors according to TPB nomenclature. An exploratory factor analysis was done using **Maximum likelihood** method as it was used again during structural equation modeling with **promax rotation** method. Promax rotation method was used as chosen sample size was large .Promax is computationally faster than direct oblimin.Hence, promax rotation was chosen. Next, confirmatory factor analysis was used to confirm the factor structure.

Table: 5.3 Description of constructs and items

Construct	Definition	No of items	Source
Attitude	The feeling of positivity or negativity of bank loans	4	Davis et al (1989) Taylor and Todd (1995)
Subjective Norms	The extent a person gets motivated to comply with peer pressure	4	Taylor and Todd (1995) Wu and Chen (2005)
Behavioral Intention	It is measure of interest /disinterest to use bank credits	4	Venkatesh et al (2003) Venkatesh&Zhang2010)
Buying Decision	It is collective term to measure readiness to buy and after buying activities undertaken.	5	Magali, J. J. (2013) Nishi Sharma(2012,)
Perceived Behavioural Control	This assess the degree to which respondents having control over buying process	5	Gopalaswamy (2009). Nishi Sharma(2012) Kashyap &Raut (2005)
Customer Service at Banks	This variable assess the extent of service received by the customer by bank employees	5	Lenka et al (2009) Angur et al (1999)

Appropriateness of Data: KMO and Bartlett's Test

Table 5.4 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.910
Bartlett's Test of Sphericity	Approx. Chi-Square	7678.714
	df	351
	Sig.	.000

The Kaiser-Meyer-Olkin (KMO) measures sampling adequacy. KMO is an index used to examine the appropriateness of factor analysis (Table-5.2).This index ranges from 0 to 1. High values (from 0.5 to 1.0) indicate factor analysis to be appropriate (Malhotra and Dash, 2007). The value which is equal to 0.80 or above is considered meritorious (Hair et al 2006). From table 5.4, the Kaiser-Meyer-Olkin measure of Sampling Adequacy was 0.910 denoting good result. The Bartlett's test of sphericity shows sufficient correlations exist between item variables. The correlations between item variable is essential for grouping them together. The magnitude of Bartlett's tests higher the better (Hair et al, 2006) (chi squared value-7678.714). Sufficient correlation between item variables makes data fit for carrying out exploratory factor analysis. A significant result (Sig <0.05) shows database is not an identity matrix i.e. variables do relate to each other in a meaning full way to run EFA.

8.1 Communalities:

Communality is measure of an extent of items correlating with other items in database. Higher communalities between items are better. Items variables with low communalities (0.0-0.4) resist loading on any factor. Items with low communalities are potential candidates for removal. Three item variables were found to have low communalities.

8.2 Total Variance Explained:

Six factors have been extracted as total cumulative variance exceeded 74 % (Malhotra and Dash, 2007). The percentage of variance is a measure of variance explained by all identified factors. The percentage of variance statistic is useful in analyzing and evaluating a factor (Aaker et al.,2006) .The percentage of variances has been included in Table: 5.5(A) and Table: 5.5(B). We can observe that variances % for each factor increased after dropping three items.

8.3 Factor Structure:

Factor structure refers to inter correlation between item variables. Item variables were tested during EFA. Magnitude of loadings shows influential role of each item variable in deciding a factor. In a sample of nearly 379 and above; the factor loadings of 0.600 and above considered

significant (Hair et al, 2006). Items C5_pbc, N5_cs and P5_bd have low factor loadings and low communalities.

The indicators C5_pbc, N5_cs and P5_bd were dropped during revised exploratory factor analysis. "C5_pbc" denoted familiarity of bank employees. It was observed that in most public sector banks, bank employees were transferred routinely so the scope for rural respondents building familiarity with bank employees was limited. Additionally, most public sector bank employed people from different places who didn't understand local culture or people. Respondents felt that familiarity of bank employees is not relevant as most bank employees were outsiders. "N5_cs" represented speedy service. Most respondent felt that bank employees did excessive due diligence before grant of credit as compared to cooperative banks. The speed of credit processing was dependent on completeness of required document submission. Many respondents felt that public sector banks have requirement of excessive collateral related documentation. Many respondents felt that speed of service in banks in not relevant. "P5_bd" represented closure of bank loans. In the past, government of Karnataka has waived off farmers loans. Many respondents felt that closure of loan account is not important as they anticipated rural loan waive off. Closure of bank loan was not considered important.

8.4 Factor Naming and Reliability.

Once the acceptable factor loading solution was obtained, it is important to allot a name or meaning to the factor. Based on grouping of items and factor loadings, six factors have been named accordingly. The names of factors, items, and their explained variance have been summarized below (Table: 5.5(A) and Table: 5.5(B)).

Reliability measures set of variables consistently loading on single factor. Reliability can be tested using cronbach's alpha for each factor. The cronbach's alpha should be above 0.7; as shown in below Table: 5.5(A) and Table: 5.5(B), all factors have cronbach's alpha more than 0.7(Bland, and Altman, 1997).

Factor 1: ATTITUDE (ATT)**:**

This emerged as most important factor explaining 37.073 % Table 5.5(B) out of total variance. Factor consist variables measuring beliefs related to access, interest rate affordability. It includes flexibility of bankers on collateral requirements. It also includes item on trust in banks. The cronbach's alpha was 0.938.

Factor 2: SUBJECTIVE NORM (SN)**:**

The second factor explains 13.122% Table 5.5(B) out of total variance. Factor measure related to motivation to comply advice of people whom consumers consider important. The cronbach's alpha was 0.924. This is known as subjective norms which means following advice of important people.

Factor 3: PERCIVED BEHVAIOURAL CONTROL (PBC)**:**
This emerged as important factor explaining 10.514 % of total variance. Factor consist variables related to past experiences of dealing with bank loans, physical access, financial literacy and repaying ability of credit or collateral availability. The cronbach's alpha is 0.898. This variable measures ability or control of consumer to procure loans.

Factor 4: BUYING INTENTION (BIT)**:**
This variable explains intention of buying by the rural consumer. It includes preference for public sector bank loans, urgency of procuring loan to meet an economic requirement and willingness to make an effort to get loan. This factor explains 7.098 % of total variance. The cronbach's alpha was 0.911.

Factor 5: CUSTOMER SERVICE (CS)**:**
This variable assesses customer service received from bank employees during the process of buying credit. The factor includes items related to information sharing, cooperative attitude, availability and transparency in loan grants. This factor explains variance of 6.307% . The cronbach's alpha for this variable was 0.900.

Factor 6: BUYING DECISION (BD)**:**
This variable explains tendency of decision making towards buying credit by consumer. This also includes items related to post buying. This factor explains 4.283 % of total variance. The cronbach's alpha was 0.846.

Table: 5.5(A): Factor Structure and Reliability of EFA (Before item dropping)

Construct	Items	Cronbach's Alpha	% of Variance	M	SD	Range
Attitude(ATT)	4	0.938	36.201	3.98	0.701	0.984-0.783
Subjective Norms(SN)	4	0.924	12.622	2.25	0.91	0.912-0.834
Perceived Behavioral Control (PBC)	5	0.901	9.443	3.82	0.74	0.978-0.507
Buying Intention (BIT)	4	0.911	6.769	3.72	0.933	0.881-0.819
Customer Service(CS)	5	0.894	5.813	2.73	0.832	0.922-0.552
Buying Decision(BD)	5	0.842	3.963	3.7	0.795	0.780-0.493

Table: 5.5(B): Factor Structure and Reliability of EFA (After items dropping)

Construct	Items	Cronbach's Alpha	% of Variance	M	SD	Range
Attitude(ATT)	4	0.938	37.073	3.98	0.701	0.784-0.987
Subjective Norms(SN)	4	0.924	13.122	2.25	0.91	0.838-0.916
Perceived Behavioral Control (PBC)	4*	0.898	10.514	3.75	0.865	0.696-0.964
Buying Intention (BIT)	4	0.911	7.098	3.72	0.933	0.820-0.879
Customer Service(CS)	4*	0.9	6.307	2.99	0.947	0.662-0.938
Buying Decision(BD)	4*	0.846	4.283	3.92	0.708	0.614-0.781

* represents dropped items

8.5 Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) was taken up after exploratory analysis of underlying items. A confirmatory factor analysis assumes researcher has fair idea of factor structure. CFA expects researcher to have prior estimate of number of factors influencing outcome. CFA also expects researcher to have a prior knowledge of which item variable would load on a particular factor. In EFA, we explored factor structure; how items relate with each other within a factor. In CFA, researcher confirms factor structure obtained in EFA. Researcher used established Theory of Planned Behaviour (TPB). We have dropped three items during EFA .We have 24 indicators measuring six factors. In CFA, we try to *confirm* the item variables obtained from literature review and EFA. Now, the plan was to go ahead with CFA to check if the model remains stable in its factor – item loading. However, if model don't show high supporting indices, then researcher can redo EFA to figure out best items-factors allocation. One can also do CFA first followed by EFA as well.

The dual approach of EFA followed by CFA is strongly recommended for structural analysis. The structural equations will be unreliable if measurement model lacks reliability and validity (Hair et al, 2006). Researcher collected data from 379 respondents to do confirmation of measurement model .The data was collected from districts of Karnataka. As a thumb rule, sample size was more than five times number of variables as per TPB theory guideline.

The measurement model was revised and confirmed using confirmatory factor analysis. Researcher covaried error terms for better model fit. Covarying error terms is allowed for better model fit. Internal consistency using cronbach's alpha, convergent and discriminant validity was performed to ensure data validity and reliability.

8.6 Validity and Reliability in CFA:

The thesis adopts two fold strategies as proposed by Anderson and Gerbing (1988). The strategy involves exploring items using EFA followed by confirming factor structure using CFA. This strategy is strongly recommended for meaningful structural equation analysis. Based on data collected from 379 samples, the measurement model was revised, confirmed using confirmatory factor analysis (CFA). Convergent and discriminant validities were performed to ensure data validity and reliability. .Finally measurement model fit was ensured.

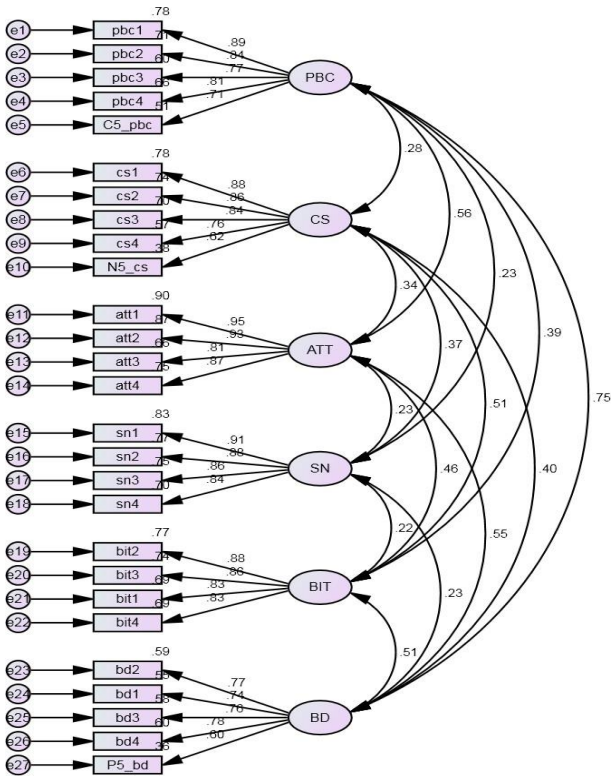

Fig 5.1(A): Measurement Model (Before dropping Items)

Table: 5.6(A): Validity of Measurement Model (Before dropping Items)

	CR	AVE	MSV	MaxR(H)	BIT	PBC	CS	ATT	SN	BD
BIT	0.913	0.723	0.262	0.914	**0.850**					
PBC	0.903	0.652	0.563	0.955	0.394	**0.807**				
CS	0.895	0.634	0.260	0.969	0.510	0.283	**0.796**			
ATT	0.940	0.796	0.309	0.981	0.463	0.556	0.341	**0.892**		
SN	0.927	0.761	0.136	0.985	0.216	0.229	0.369	0.233	**0.872**	
BD	0.851	0.535	0.563	0.986	0.512	0.750	0.401	0.553	0.228	**0.732**

VALIDITY CONCERNS

1. Discriminant Validity: the square root of the AVE for BD is less than one the absolute value of the correlations with another factor.
2. Discriminant Validity: the AVE for BD is less than the MSV.

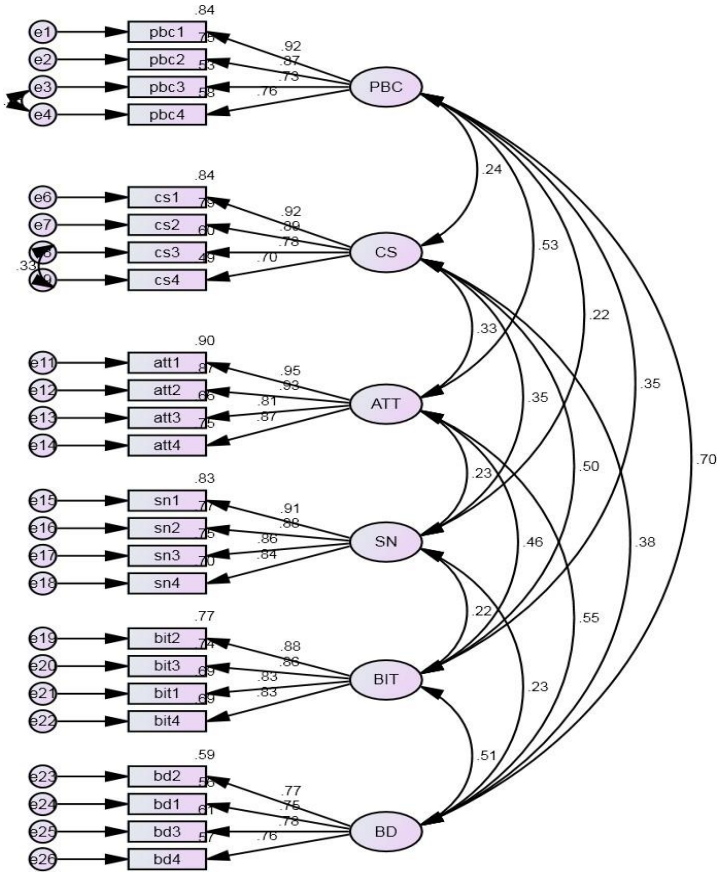

Fig 5.1(B): Measurement Model (After dropping Items)

Table: 5.6(B): Validity of Measurement Model (After dropping Items)

	CR	AVE	MSV	MaxR(H)	BIT	PBC	CS	ATT	SN	BD
BIT	0.913	0.723	0.263	0.914	**0.850**					
PBC	0.892	0.676	0.496	0.956	0.351	**0.822**				
CS	0.894	0.680	0.246	0.971	0.496	0.241	**0.825**			
ATT	0.940	0.796	0.304	0.982	0.463	0.532	0.327	**0.892**		
SN	0.927	0.761	0.120	0.985	0.216	0.224	0.347	0.233	**0.872**	
BD	0.849	0.584	0.496	0.986	0.513	0.704	0.378	0.551	0.233	**0.764**

CR- Composite Reliability
AVE- Average Variance Extracted
MSV- Maximum shared variance
Max R(H)- Maximal Reliability

9. Validation and Acceptance of the Model

9.1 Reliability (CFA):

Reliability of the model is assessed by Composite Reliability (CR) values. If the CR values are said to be greater than 0.7 then measurement model is said to be reliable (Nunnally,1978).In model, composite reliability (CR) values for model were greater than 0.70 .Hence measurement has good reliability (Refer Table 5.6(B)). In the above table, Composite reliability is sensitive to scale of items so we do not emphasise much on CR. Hence, we used different formula for Maximal Reliability (H) (Macdonald and Fraser, 1988). Maximal Reliability (H) is a robust measure to calculate reliability .It is not scale size dependent. The threshold for H is 0.7. We have maximal reliability (H) values greater than 0.7 for the entire variables (Refer table5.6 (B)) .The measurement model has demonstrated adequate reliability.

9.2 Convergent Validity (CFA):

Convergent validity deals with items which don't correlate with other items within a factor. Low convergent validity means latent factors not being well explained by item variables. There are two methods for establishing convergent validity. (1)Standardized factor loading should be significantly related to latent construct. The loading should be minimum 0.5, (Hair et al, 2006). The CFA results (see Table5.7) indicated that each factor loadings of item were statistically significant at 0.001 levels. In addition, the standardized factor loadings ranged from 0.696 to 0.948, and no loading was less than the recommended level of 0.50. (2) Convergent validity of the model can also be established by assessing AVE values. AVE greater than 0.5 is a threshold for convergent validity (Fornell and Larcker, 1981). Table 5.6(B) shows that the AVE of each constructs exceeded the cut-off of 0.5. Hence, all constructs of the measurement model demonstrated adequate reliability and convergent validity. We observed that covariance's between constructs were significant refer Table 5.8.

Table: 5.7 Regression Weights:

Path			Estimate	Std Estimates	S.E.	C.R.	P	Label
pbc1	<---	PBC	1.000	.919				
pbc2	<---	PBC	.925	.867	.040	23.256	***	par_1
pbc3	<---	PBC	.814	.725	.048	17.073	***	par_2
pbc4	<---	PBC	.804	.762	.043	18.542	***	par_3
cs1	<---	CS	1.000	.917				
cs2	<---	CS	.963	.890	.040	24.202	***	par_4
cs3	<---	CS	.793	.777	.041	19.216	***	par_5
cs4	<---	CS	.704	.696	.044	16.037	***	par_6
att1	<---	ATT	1.000	.948				
att2	<---	ATT	1.007	.931	.029	34.834	***	par_7
att3	<---	ATT	.873	.814	.037	23.707	***	par_8
att4	<---	ATT	.929	.869	.033	28.022	***	par_9
sn1	<---	SN	1.000	.908				
sn2	<---	SN	1.066	.876	.043	24.942	***	par_10
sn3	<---	SN	.986	.865	.041	24.250	***	par_11
sn4	<---	SN	1.094	.838	.048	22.729	***	par_12
bit2	<---	BIT	1.000	.875				
bit3	<---	BIT	1.103	.863	.050	22.076	***	par_13
bit1	<---	BIT	.984	.833	.047	20.769	***	par_14
bit4	<---	BIT	1.085	.829	.053	20.608	***	par_15
bd2	<---	BD	1.000	.768				
bd1	<---	BD	1.132	.752	.078	14.436	***	par_16
bd3	<---	BD	1.100	.780	.073	15.009	***	par_17
bd4	<---	BD	1.172	.756	.081	14.526	***	par_18

Note:

a) C.R is the "critical ratio" obtained by dividing the estimate of the covariance by its standard error.

b) C.R exceeding 1.96 represents significance level of 0.05.

c) Some critical ratios were not calculated because loading was set to 1 to fix construct variance.

d) *** denote item loadings in CFA model were significant at 0.001 level.

Table 5.8 Covariances

			Estimate	S.E.	C.R.	P	Label
PBC	<-->	CS	.143	.034	4.164	***	par_19
PBC	<-->	ATT	.237	.028	8.482	***	par_20
PBC	<-->	SN	.113	.029	3.901	***	par_21
PBC	<-->	BIT	.174	.030	5.839	***	par_22
PBC	<-->	BD	.218	.023	9.300	***	par_23
CS	<-->	ATT	.188	.033	5.638	***	par_24
CS	<-->	SN	.227	.039	5.857	***	par_25
CS	<-->	BIT	.316	.041	7.780	***	par_26
CS	<-->	BD	.151	.025	5.918	***	par_27
ATT	<-->	SN	.114	.027	4.144	***	par_28
ATT	<-->	BIT	.221	.029	7.527	***	par_29
ATT	<-->	BD	.165	.020	8.080	***	par_30
SN	<-->	BIT	.117	.031	3.766	***	par_31
SN	<-->	BD	.079	.020	3.872	***	par_32
BIT	<-->	BD	.171	.023	7.462	***	par_33
e3	<-->	e4	.088	.016	5.627	***	par_34
e8	<-->	e9	.119	.023	5.246	***	par_35

9.3 Discriminant Validity (CFA):

Discriminant validity checks are carried out to see existence of cross loading. It is carried out to check if items variables load on other factors. The latent variables are better explained by own item variables. Discriminant validity is established by assessing (1) MSV < AVE and (2) Square root of AVE to be greater than inter-construct correlations (Refer Table: 5.6(B)) .The table 5.6(B) shows good discriminant validity. In sum, the findings revealed good discriminant validity for all constructs.

9.4 Correlations

The correlation Table 5.9 reveals that correlations between the variables were positive and significant. Perceived behavioural control and buying decision has highest correlation (0.704) followed by attitude and buying decision (0.551). Note that none of the correlations were higher than 0.8., emphasizing that factors are distinct.

Table: 5.9: Correlation between Items

Path			Estimate
PBC	<-->	CS	.241
PBC	<-->	ATT	.532
PBC	<-->	SN	.224
PBC	<-->	BIT	.351
PBC	<-->	BD	.704
CS	<-->	ATT	.327
CS	<-->	SN	.347
CS	<-->	BIT	.496
CS	<-->	BD	.378
ATT	<-->	SN	.233
ATT	<-->	BIT	.463
ATT	<-->	BD	.551
SN	<-->	BIT	.216
SN	<-->	BD	.233
BIT	<-->	BD	.513
e3	<-->	e4	.363
e8	<-->	e9	.333

9.5 CFA Model Fit

Model fit is a measure of fit between theoretical model and observed data model. A measurement model fit should be assessed to ensure structural model fit. The measurement model is assessed for goodness of fit. The goodness of fit is ascertained by CMIN/df ratio. The CMIN/df ratio should be between 3.0- 5.0 (Hair, et al 2006). Additionally, model fit is ascertained by values of CFI, GFI. The values for CFI and GFI should be greater than 0.9 and a value lesser than 0.05 for RMSEA. However, a cut off value near to 0.95 for CFI and GFI and cut off value closer to .08 for RMSEA are considered for better model fit (Hu and Bentler 1999). The measurement model (Refer table 5.10) yields an acceptable model fit. It is to note that three items were eliminated during EFA. It is worth noting that model fit was improved using a conservative strategy, GFI and RMSEA were improved in measurement model. The measurement model fit data is presented as below

Table: 5.10: Model Fit of Measurement Model

	CMIN/df	CFI	GFI	AGFI	SRMR	RMSEA	PCLOSE
Criteria	< 3	>0.95	>0.95	>0.80	<0.09	<0.05	>0.05
Measurement Model	1.698	0.976	0.920	0.898	0.0381	0.043	0.947

10. Findings and Recommendations

1. Based on general observation of working nature in regional rural banks, researcher suggests that policy makers should allow private banks to operate in rural areas. The entry of private banks into rural areas could give good demonstration effect on public banks on reducing transaction costs making rural banking profitable. The entry of private banks into rural areas would create competition among banks. The competition among banks would weed out bad banks from good banks creating a space for new private entrants.

2. Based on understanding of literature review, researcher suggests government's influence on waiver of interest accrued on farm loans and periodic announcement of interest waivers by governments has to be avoided. Governments ceiling on interest rates with compensatory subsidiaries to banks will hamper credit culture. Waiver announcements will create expectations among farmers that low interests to continue forever. Interest waivers announced by government was used to service debts. Such measures have negative impact on financial system. On other hand government should focus more on risk mitigation associated with agriculture. Government need to focus more on crop insurances; reduce middle man in distribution chain for better pricing of farm produce.

3 The regional rural banks are involved in lending through third party and direct lending. The regional rural banks have to make an effort to identify individual small borrowers who are quite capable of paying interest rates. During the study, it was also noted that some of small and marginal farmers have substantial good income from different non farming sources. Some of the small time business rural business operators may not be really poor. Due to continuous land fragmentation, many of the Indian farmers have lesser land holding and eventually these farmers have started many non agricultural related businesses to suffice for their income. For small borrowers there could be a mechanism developed by the banks to lay emphasis on identification of small borrowers.

4. The regional rural banks have excessive documentation work. The documents are related to financial dealings and properties holdings of the rural farmers. Procurement and availability of the documents by illiterates and rural poor may not be always possible. These situations would lead to many intermediataries. Such intermediaries could make it their profession to exploit the borrowers for helping them to get loans from the Regional Rural Banks with certainty and within the minimum time. Regional rural banks can simplify and standardize their loan application and

documentation formalities to reduce number of documents required to make loan processing easy and much simpler.

5. It was observed that rural borrowers still rely heavily on informal loan distributors such as pawn brokers, moneylenders etc. These informal sources offer quite flexible loan conditions and flexible disbursements. Regional rural banks can make an effort to study the requirements of rural borrowers who get loan from informal sources. Regional rural banks can design loan services based on requirements of these small borrowers.

6. The problem of recovery can be resolved through adopting systematic, methodical and professional practices at the lending stage. Concept of project lending invites lots of risks, project lending needs be analyzed activity and return basis ensuring technical and economical viability.

7. As regards to advances to weaker sections, it is suggested that the weaker sections of rural society or poor borrowers (like artisans, craftsman, Adivasis, Harijans, Small Trader, small entrepreneurs) should not be required to furnish any security except personal security nor should they be confronted with complicated forms and procedures. The Regional Rural Bank should ensure that the borrower is a genuine person and that the loan given to him would be used for productive purpose.

11. Limitation of the Study

1. The research has been undertaken only in rural areas of Karnataka state. The research area was restricted to Karnataka state. Single state was selected for the purpose of homogeneity in sample. For further studies, researchers can include many states.

2. The focus of research was on credits. The study doesn't take in account of many other banking services such as savings account, insurance etc. Researcher learnt from the literature that most of the issues in banking were related to credit so researcher selected credit. In addition to this, considering limited cognitive ability of rural respondents, researcher wanted to keep questionnaire as simple as possible. However in future, researchers can undertake other areas of banking.

3. Researcher focussed only on public sector banks for study. Indian government is pursuing rural banking reformation aggressively. In the last decade more than 72000 rural banks were established for bringing the rural poor in to mainstream banking. Researcher was curious to know progress of banks operating in rural areas. Researcher has chosen rural banks for the study. Researcher has not included other credit institutes such as cooperative, private, microfinance and chit fund sectors for the study.

12. Conclusion

Many financial institutions including government institutions are grappling up to meet financial/banking demands. One of the hurdles could be lack of understanding consumer's financial requirements by financial institutions. On the consumer side, many do not have sufficient financial literacy or formal education and lack experience in handling financial

products. The result of this gap is leading to slower adaptation of financial products even though higher demand for financial products is a reality. The purpose of the research to explore various items of measurement pertaining to theory of planned behavior. Data was collected from target rural areas for this purpose .EFA was carried to on 27 indicator variables obtained from literature review. Three items were dropped and six factors were extracted through EFA .Further reliability was established for six factors during EFA. In the next stage, confirmatory factor analysis (CFA) was carried out to establish measurement model fit .Path analysis between item variables and factors was carried out to check for critical ratios. During CFA, reliability test was carried out again using cronbach's alpha and maximum reliability (H). Followed by convergent and descriminat validity check. The researcher has found that banks need to focus on small borrowers as some of them have good capacity to repay loan with interest .It was observed that regional rural banks have excessive documentation work and also It was observed that rural borrowers still rely heavily on informal loan distributors. The researcher felt that problem of recovery can be resolved through adopting systematic loan applications screening .The researcher suggested based on observation that banks should not be required to furnish any security except personal security

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