

## **A Study on Cooperative Banking Lending Process**

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### **Abstract:**

The banking industry has greatly benefited the global economy. Banking activity, which appears to be as easy as taking deposits from savers and then lending the same money to borrowers, promotes the flow of money to investments and productive uses. This then enables the economy to expand. Without the banking industry, our savings would lay dormant in our homes, entrepreneurs would be unable to raise the funds, and regular individuals who had been dreaming of buying a new car or home would not be able to do so. As a result, the government chose to create cooperatives as the institutional agency to address the issue of usury and rural debt, which has turned into a scourge for the populace. Cooperative banks function as a balancing center in such a scenario. Several cooperative banks are currently engaged in multifaceted activities such as financial, administrative, supervisory, and development in order to grow and improve the cooperative credit system. In a nutshell, the cooperative banks must serve as a friend, mentor, and advisor to the entire cooperative system. The analysis is based on a few profitable cooperative banks in Delhi, India. Here, a study of the bank's operation and the lending policies it uses for its clients is started. The client has taken multiple types of loan.

**Key words:** Cooperative banking, Lending, Money, Investment.

### **Introduction:**

Cooperative banks are tiny organizations operating in both urban and rural areas that are formed in the cooperative sector. These banks mostly lend to small borrowers and enterprises since they have historically been focused on communities, localities, and workplace organizations. Despite not having a legal definition, the term "Urban Co-operative Banks" (UCBs) refers to main cooperative banks that are situated in urban and semi-urban areas. Before 1996, these banks were limited to lending for non-agricultural uses. There were 1,645 UCBs functioning in the nation as of the end of March 2011, the bulk of which were unscheduled UCBs. Furthermore, 42 UCBs were operating in more than one State, despite the fact that the majority of UCBs were only functioning in a

single State. This constraint, however, is no longer prominent today. While rural co-operative banks primarily finance agricultural activities such as farming, cattle, milk, hatchery, personal finance, and so on, as well as some small scale industries and self-employment driven activities, urban co-operative banks primarily finance various categories of people for self-employment, industries, small scale units, and home finance. These banks offer most services to private and business customers, such as savings and current accounts, safe deposit boxes, and loans or mortgages. Internet banking and phone banking are not very crucial to middle-class customers who utilize a bank to save their money. Although they do not give as many services as private banks, their interest rates are significantly lower.



**Objectives:**

1. To aware about Indian cooperative banks' lending policies.
2. To assess and contrast the effectiveness of Indian cooperative banks.
3. To investigate the influence of "size" on the effectiveness of cooperative banks.
4. To make recommendations for the best ways to boost cooperative banks' productivity.
5. To understand the various loan types that various client groups choose.
6. To learn how satisfied consumers are with the lending practices of the bank.

**Literature Survey:**

Various studies were done, and various recommendations were made in an effort to improve the efficiency of financial institution operations. The Narsimham Committee (1991) placed a strong emphasis on capital adequacy and liquidity; the Padamanabhan Committee (1995) recommended CAMEL rating (in the form of ratios) to assess financial and operational efficiency; the Tarapore Committee (1997) discussed non-performing assets and asset quality; the Kannan Committee (1998) offered its opinion on working capital and lending techniques; and the Basel Committee (1998 and revised in 2001) recommended capital adequacy norms and risk management. A management strategy. Numerous other committees were established by the Reserve Bank of India to bring about reforms in the banking sector with an emphasis on the strengthening of the financial health of the banks. The Kapoor Committee (1998) recommended a credit delivery system and credit guarantee, and the Verma Committee (1999) recommended seven parameters (ratios) to judge financial performance. For the effective analysis and interpretation of the financial and operational elements of financial institutions, notably banks, experts offered a variety of

**Data Analysis:**

tools and methodologies. In order to forecast business failures and the impending incidence of bankruptcy among these institutions, they have focused on the examination of the financial viability and credit worthiness of money lending organizations. Bhaskaran and Josh (2000) came to the conclusion that despite the adoption of prudential laws, the recovery performance of co-operative credit institutions remained unsatisfactory and contributed to the rise of NPA. To make cooperative credit institutions more effective, profitable, and in line with competitive commercial banking, they proposed legislative and regulatory recommendations. Jain (2001) conducted a comparative performance analysis of the District Central Cooperative Banks (DCCBs) in Western India, namely Maharashtra, Gujarat, and Rajasthan, and discovered that Rajasthan's DCCBs had outperformed Gujarat and Maharashtra's in terms of profitability and liquidity. With particular reference to the examination of financial margin, Singh and Singh (2006) analyzed the finances management in the District Central Cooperative Banks (DCCBs) of Punjab.

**Methodology of research:**

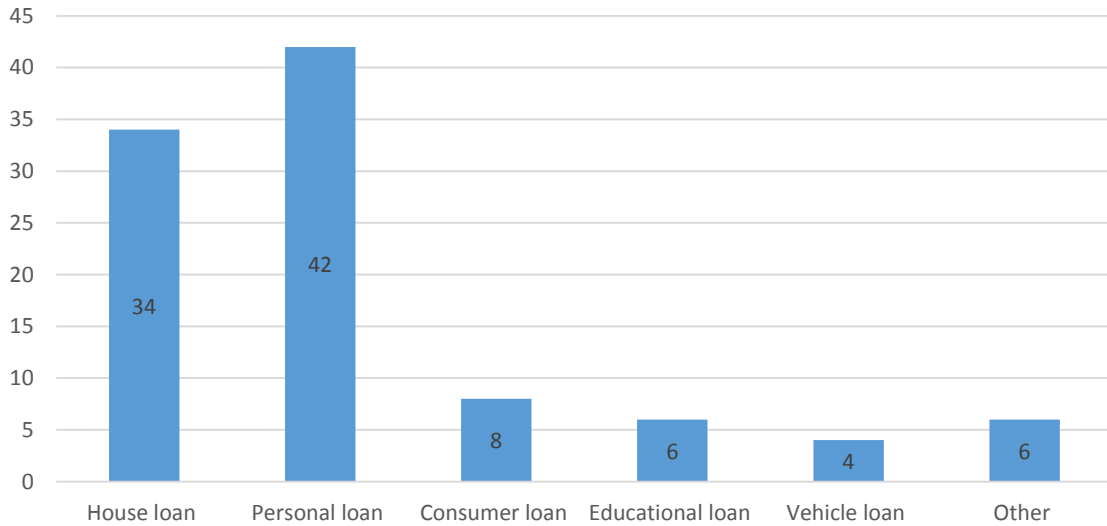
This study uses descriptive research to identify the lending procedures of the bank and gauge client satisfaction. The approach employed involved a questionnaire and an interview with seasoned loan officers. Primary Data collected through Observation and structured Questionnaire. Secondary Data was collected through Bank annual reports, Loan and advance manuals, Books, Articles and research papers and Internet etc. The population of the study comprised bank customers, and the study's sampling unit was the individual customer. 50 respondents made up the sample size Nashik city.

**Table: 1 Customers Preferences for the loans**

Sr. No.	Particulars	Respondents	Percentage
1	House loan	17	34.00
2	Personal loan	21	42.00
3	Consumer loan	4	8.00
4	Educational loan	3	6.00
5	Vehicle loan	2	4.00
6	Other	3	6.00
<b>Total</b>		<b>100</b>	<b>100.00</b>

(Source: Field Survey, 2022)

**Graph: 1 Customers Preferences for the loans**



(Source: Field Survey,2022)

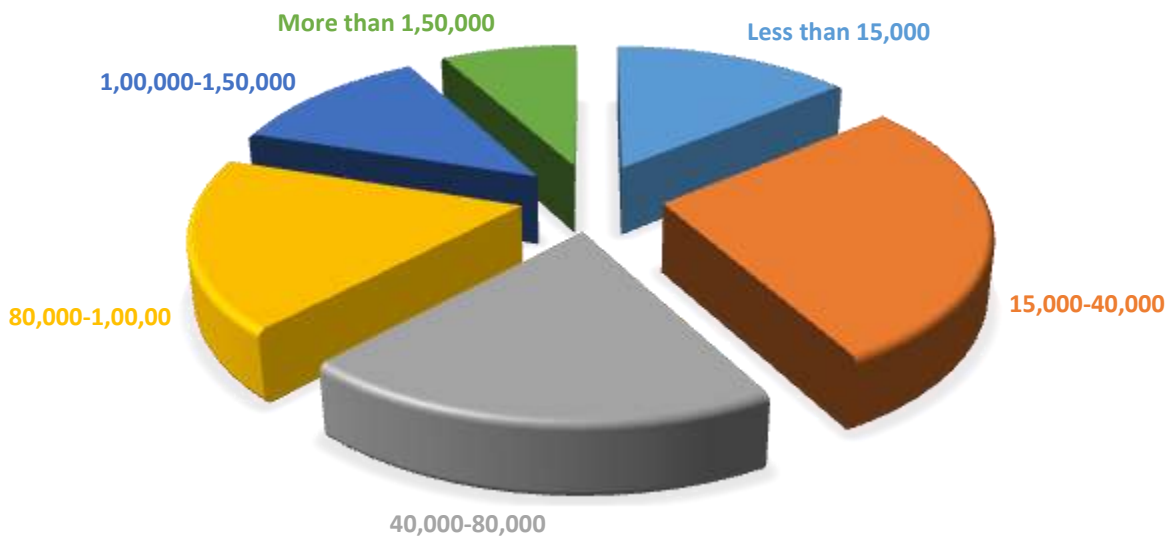
The results of the current study show that the majority of respondents have taken personal and home loans, while fewer respondents favor consumer, student, and auto loans.

**Table: 2 Range of amount of loans**

Sr. No.	Particulars	Respondents	Percentage
1	Less than 15,000	7	14.00
2	15,000-40,000	14	28.00
3	40,000-80,000	10	20.00
4	80,000-1,00,00	9	18.00
5	1,00,000-1,50,000	6	12.00
6	More than 1,50,000	4	8.00
<b>Total</b>		<b>100</b>	<b>100.00</b>

(Source: Field Survey, 2022)

**Graph: 2 Range of amount of loans**



(Source: Field Survey, 2022)

According to the current study, 14% of respondents prefer loans of less than Rs. 15,000, 28% prefer loans of Rs. 15000-40000, 20% prefer loans of Rs. 40000-80000, 18% prefer loans of Rs.

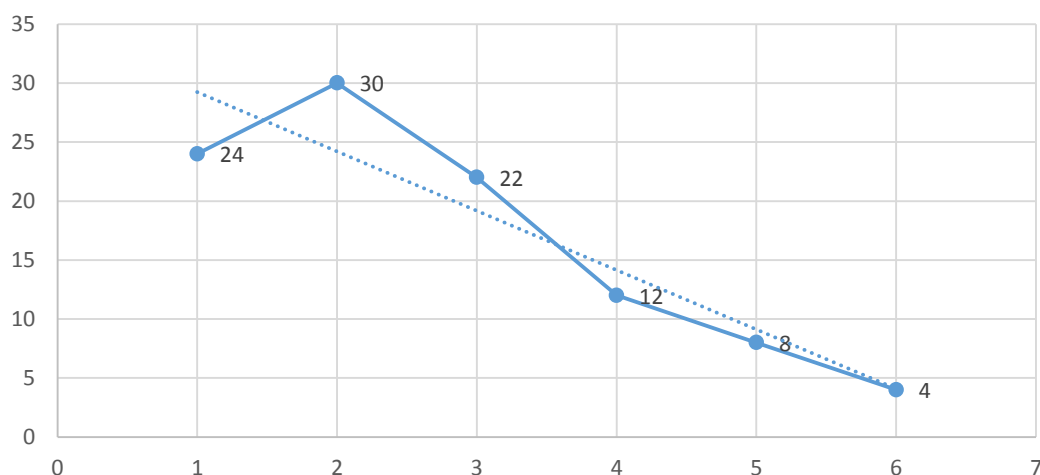
80000- 1,00,000. At last 12% prefer loans between 1000000-150000 and more than 150000 loan was preferred by the 8% respondents.

**Table: 3 Term of loans**

Sr. No.	Particulars	Respondents	Percentage
1	Less than 6 Months	12	24.00
2	6 Months	15	30.00
3	6-12 Months	11	22.00
4	1-2 Year	6	12.00
5	2-3 Year	4	8.00
6	More than 3 Years	2	4.00
<b>Total</b>		<b>100</b>	<b>100.00</b>

(Source: Field Survey, 2022)

**Graph: 3 Term of loans**



(Source: Field Survey, 2022)

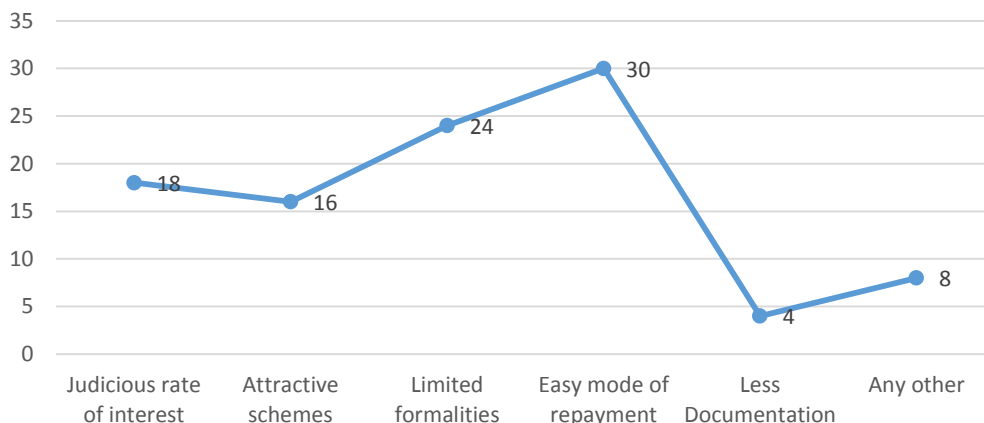
According to the study, 24% of respondents take out loans for a term of less than 6 months, 30% respondents taken loan for up to 6 months, 22% between 6-12 Months, 12% between 1-2 year, 8% 2-3 year and 4% more than 3 years.

**Table: 4 Reason for preferring Cooperative banks**

Sr. No.	Particulars	Respondents	Percentage
1	Judicious rate of interest	9	18.00
2	Attractive schemes	8	16.00
3	Limited formalities	12	24.00
4	Easy mode of repayment	15	30.00
5	Less Documentation	2	4.00
6	Any other	4	8.00
<b>Total</b>		<b>100</b>	<b>100.00</b>

(Source: Field Survey, 2022)

**Graph: 4 Reason for preferring Cooperative banks**



(Source: Field Survey, 2022)

According to the study, 18% of respondents take loans because banks have Judicious rate of interest, 16% of respondents take loans because banks have Attractive schemes, 24% of respondents take loans because banks have Limited formalities. Whereas, 30% of respondents take loans because banks have Easy mode of repayment, 4% of respondents take loans because banks have Less Documentation and 8% given any other reason.

**Result of the Study:**

1. According to the report, Majority of the respondents had mortgage loans from this bank.
2. According to the report, the majority of consumers choose to take out long-term loans lasting more than three years.
3. The bank follows a relatively straightforward process when granting loans.
4. Simple repayment and less hassles are the key variables influencing the loans chosen by customers.
5. The staff's quality of services is acceptable because the bank only serves a tiny portion of the population and takes good care of its clients.
6. The method of installment payback is acceptable to the customers.
7. The processing of loans takes less time on average

Urban Cooperative Banks (UCBs) had an improvement in their financial performance in 2010–2011, however several of the UCBs that reported negative CRAR have raised some questions. State Cooperative Banks (SCBs) and District Central Cooperative Banks (DCCBs) in the

rural cooperative sector reported profits, but the lower-level institutions, namely Primary Agricultural Credit Societies (PACS), continued to suffer significant losses. It was discovered that long-term cooperatives' financial performance was significantly worse than that of its short-term counterparts. Additionally, it was noted that although being extensive across the nation, the cooperative branch network remained concentrated in a few areas. Additionally, the cooperative network in the country's northeastern part was not very extensive. System (RTGS) starting in November 2010. Additionally, the Reserve Bank's annual policy statement for 2010–11 calls for the introduction of an internet banking channel for UCBs that meet specific requirements and the inclusion of financially stable UCBs in the Negotiated Dealing System (NDS). Banking business was primarily concentrated in favor of larger UCBs, according to an analysis of deposits and advances base wise distribution of UCBs.

**Problems before Cooperative Banks:**

1. The cooperative financial organization is dealing with serious issues that are limiting their ability to ensure credit flows smoothly.
2. A limited capacity for resource mobilization.
3. Low Recovery Level.
4. Expensive transaction costs.
5. Long-term administration of the interest rate structure.

As a result of cooperative legislation and administration, government intrusion is now a common occurrence in the cooperative institution's daily operations. The following are some of the issue areas that result from

the application of the cooperatives legislation: Governmental control of cooperatives on purpose; Governmental nomination of the board of directors; Participation of the nominated director; Deputation of government officials to cooperative institutions, etc.

#### **Suggestions**

1. The banks should use cutting-edge banking techniques including online banking, credit cards, ATMs, etc.
2. The banks should prepare to launch fresh initiatives aimed at luring in new clients and retaining existing ones.
3. The banks should prepare for branch expansion.
4. Banks need to do a better job of enhancing their customer services.

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