

A study on Changing Trends in Lending Practices with special reference to Cooperative Banks

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Abstract- Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre. At present there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system. In brief, the cooperative banks have to act as a friend, philosopher and guide to entire cooperative structure. The study of the bank's performance along with the lending practices provided to the customers is herewith undertaken. The customer has taken more than one type of loan from the banks. Moreover they suggested that the bank should adopt the latest technology of the banking like ATMs, internet / online banking, credit cards etc. so as to bring the bank at par with the private sector banks.

Introduction

Co-operative Banks are much more imperative in India than anywhere else in the world. The distinguishing character of this bank is service at a lower cost and service without exploitation. It has gained its magnitude by the responsibility assigned to them, the hopes they are supposed to fulfill, their number and the number of offices they manage. Co-operative banks role in rural financing continues to be essential day by day, and their business in the urban areas has augmented extraordinarily recent years mainly due to the quick increase in the figure of primary co-operative banks. In rural areas, so far as the agricultural and allied activities are concerned the contribution of credit was insufficient and moneylenders would take advantage of the poor people in rural areas providing them loans at higher rates. It was the reason that co-operative banks mobilize deposits, deal in agricultural & rural credit with a wider outreach, and afford institutional credit to the farmers. Co-operative banks have also been vital instruments for various development schemes, particularly subsidy based programmers' for the poor's. The Co-operative banks in rural areas primarily finance agricultural based performance like; Farming, Cattle, Personal finance, Milk, Hatchery. The Co-operative banks in urban areas provide money to activities like; Small Scale Units, Social Services-Health, Education Home finance, Consumers finance, Self-employment, Industries, Personal finance, etc. Some of the forward-looking Co-operative banks have developed satisfactory competencies to the extent that they are able to face state and private sector banks.

A co-operative bank is defined as "a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. The term Urban Cooperative Banks, although not properly and officially defined, refers to the primary cooperative banks located in urban and semi-urban areas. These banks, until 1996, were permitted to lend money only to non-agricultural purposes. This distinction remains today. These banks have conventionally been in the region of communities, localities working out in fundamental nature, loans to small borrowers and businesses. Today their scope of operation has expanded significantly.

Objectives of the study:

- To know the lending practices of cooperative banks in India.
- To suggest the appropriate measures to improve the efficiency of the Cooperative banks.
- To know different type of loans preferred by different sets of customers.
- To know the satisfaction level of the customers from Bank's lending policies.

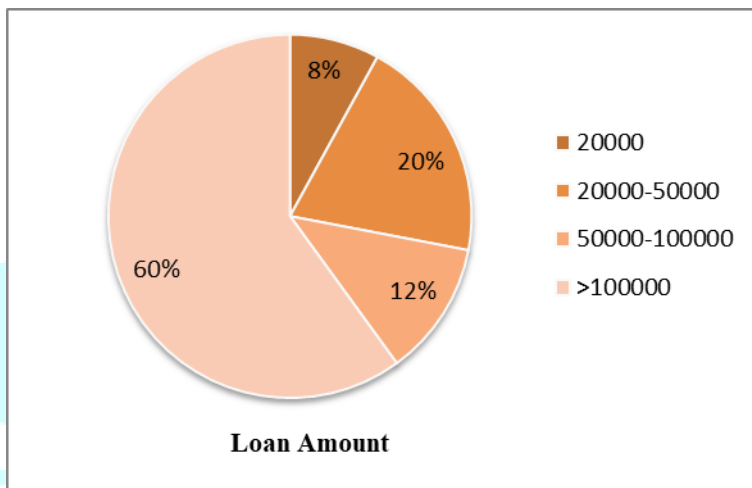
Research Methodology

The methodology adopted for the purpose of this study was collection of necessary data from primary and secondary sources. The primary data collected from Interview and Questionnaire method. The secondary data collected from annual reports, certain statements, the articles and research papers, relevant records and various books.

Data Analysis and Interpretation

Table 1. Range of the amount of Loans

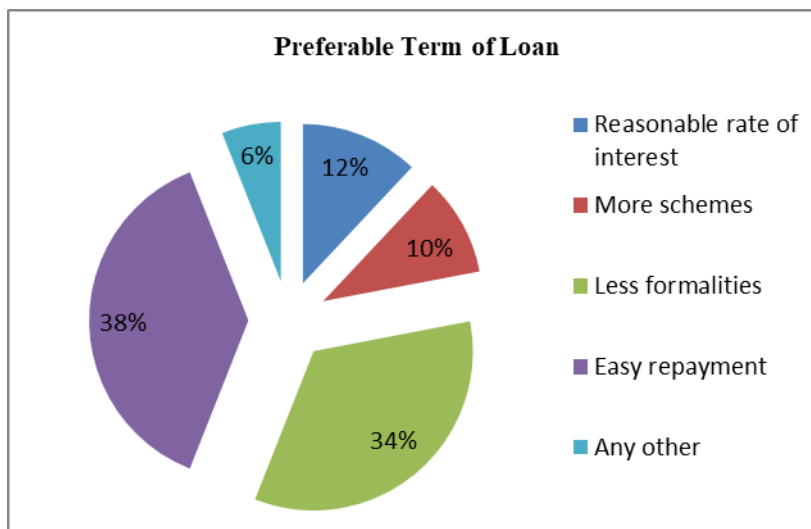
Loan Amount	No. of Respondent	Percentage (%)
20000	4	8%
20000-50000	10	20%
50000-100000	6	12%
More than 100000	30	60%



Present Study reveals that 8 % people prefer loan less than 20,000, 20 % respondents prefer 20,000 to 50,000,12 % prefer more than 50000 and 60% of the respondents prefer more than 1 lac loan amount for their needs.

Table 2 Preferable term of loan

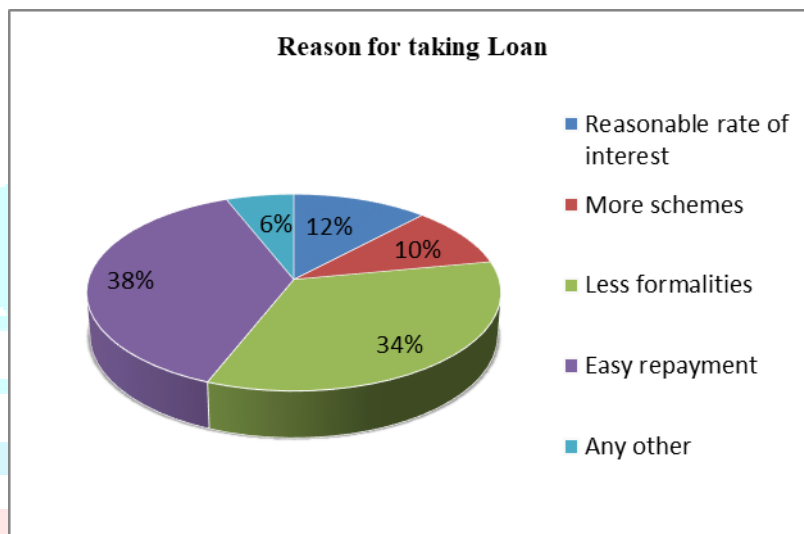
Term of Loan	No. of respondent	Percentage(%)
Less than 1 year	66	16%
1 to 3 years	10	20%
More than 3 years	32	64%



The Study shows that 64 % respondents take loan for more than 3 years, 20 % take loan for 1 to 3 years and 12% respondents take loan for the period of less than 1 year.

Table 3. What prompted the customers to take loan from cooperative banks

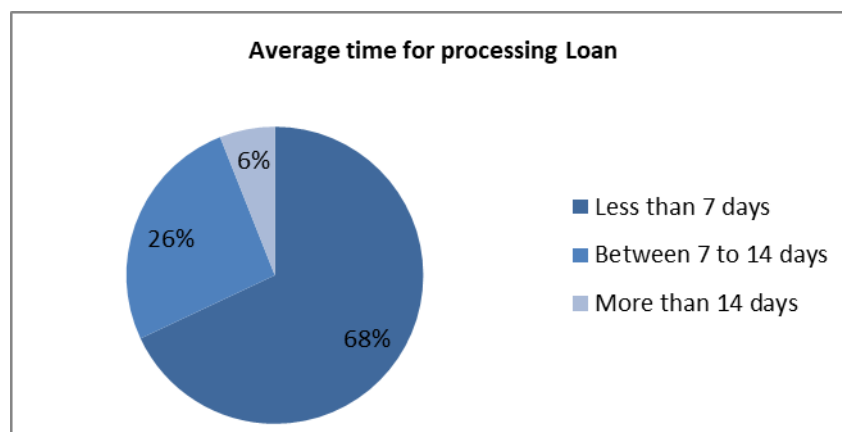
Reason for taking loan	No. of Respondent	Percentage (%)
Reasonable rate of interest	6	12%
More schemes	5	10%
Less formalities	17	34%
Easy repayment	19	38%
Any other	3	6%



Study reveals that 38 % take loan because banks provide easy payment,34% take loans because of less formalities and other respondents take loan because of reasonable rate of interest, more schemes .

Table 4. Average time taken for the processing of the loan

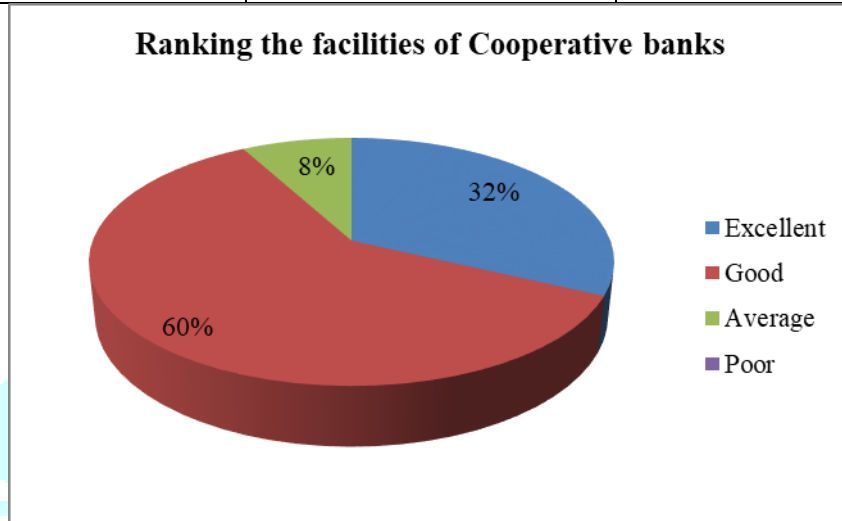
Average time for processing of loan	No. of respondent	Percentage (%)
Less than 7 days	34	68%
Between 7 to 14 days	13	26%
More than 14 days	3	6%



Study reveals that 68% respondents says that average time taken for processing of the loan is less than 7 days, 26% says that it takes 7 – 14 days and 6 % says that it takes more than 14 days.

Table 5. Ranking of the facilities provided by the co-op. banks

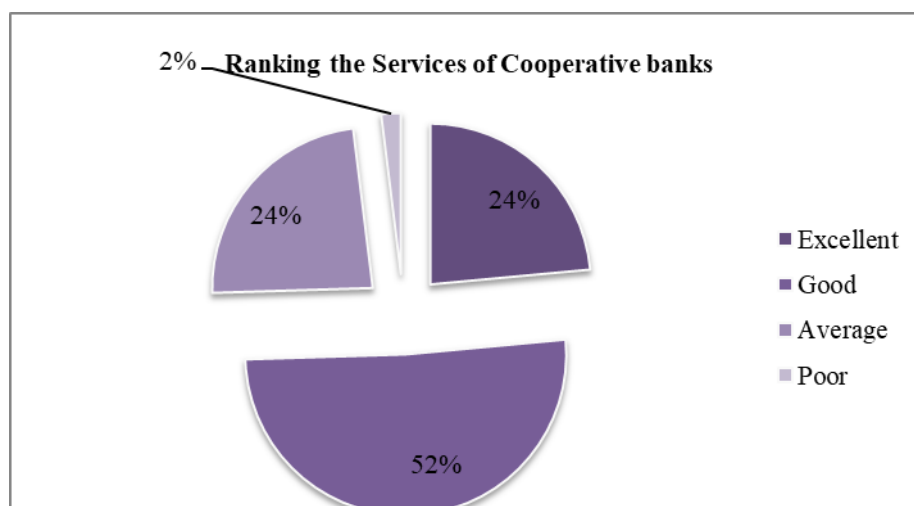
Rank the facility	No. of respondent	Percentage (%)
Above average	16	32%
Average	30	60%
Below average	4	8%



Study shows that 60% of the respondent says that facility provided by the bank are average, 32% say that its above average and 8% says that its below average.

Table 6. Customer’s ranking for service of the bank

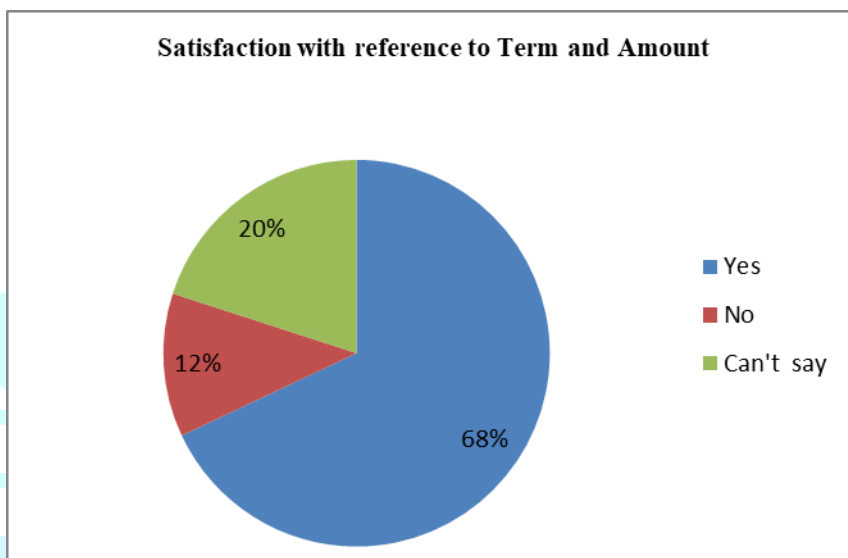
Rank the customer services	No. of respondent	Percentage(%)
Excellent	12	24%
Good	26	52%
Average	12	24%
Poor	1	2%



Study shows that 52% of the respondents says that customer service of the bank is good, 24% says that it is excellent and another 24 % says its average and only 2 % says its poor.

Table 7. Satisfaction of the customers with the amount & period of installment.

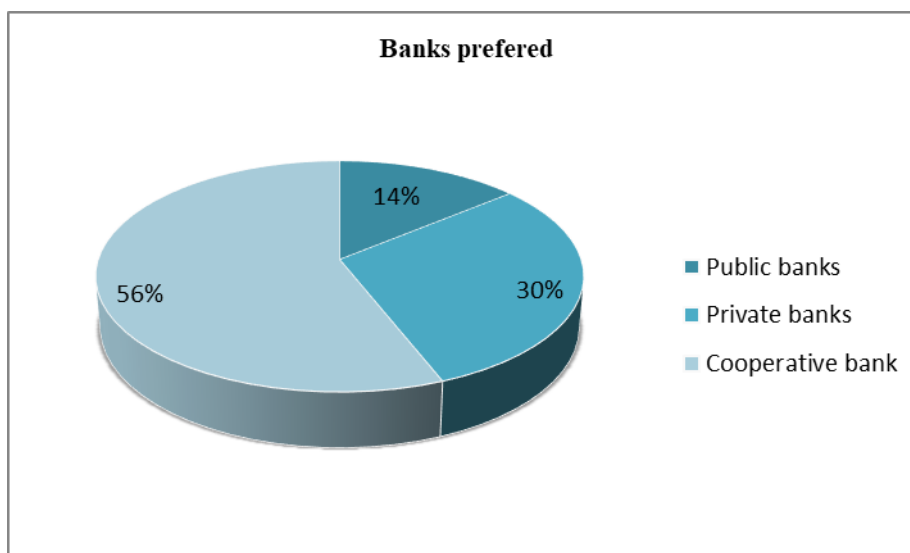
Reply Status	No. Of respondent	Percentage (%)
Yes	34	68%
No	6	12%
Can't say	10	20%



Study reveals that 68% are satisfied with the amount and period of installment, 12 % are not satisfied and 20 % can't say.

Table 8. Preferable banks for borrowing facilities

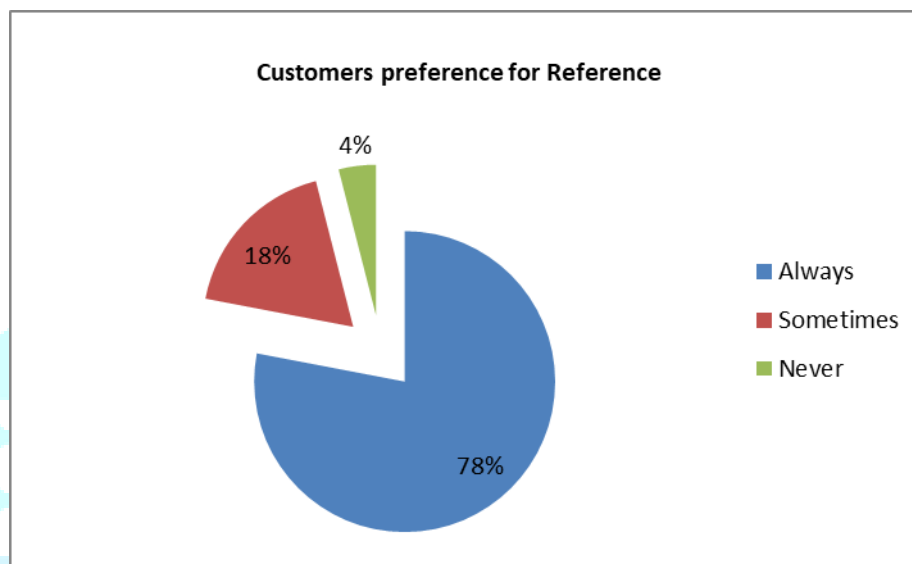
Preferable banks in future	No. of respondent	Percentage (%)
Public banks	7	14%
Private banks	15	30%
Cooperative bank	28	56%



Study shows that 56 % of the respondents will prefer loans from co-operative banks, 30 % from the private banks and 14 % from the public banks.

Table 9. Customers who would like to refer the co-op. banks to their friends and relatives

Bank refer to others	No. of respondent	Percentage (%)
Always	39	78%
Sometimes	9	18%
Never	2	4%



78% of the respondents would like to refer the bank to their friends and relatives which shows that they are satisfied from the services and lending practices of the bank.

Suggestion and Conclusion:

The cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit such as Limited ability to mobilize resources, Low Level of recovery, High transaction of cost etc. Due to cooperative legislation and administration, Govt. interference has become a regular feature in the day-to-day administration of the cooperative institution. Some of the problem area that arise out of the applicability of the cooperatives legislative are: Deliberate control of cooperatives by the government, Nomination of board of director by the government, Participation of the nominated director by the government, Deputation of government officials to cooperative institution etc.

The state cooperative banks are not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions. Prior approval of RBI is mandatory for opening of new branches of SCBs. The SCBs are required to submit the proposal for opening of new branches to RBI through NABARD, whose recommendation is primarily taken into consideration while according permission.

Further, the banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones. The Cooperative banks should plan for expansion of branches and improve the customer services of the bank to a better extent.

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