

**AN ANALYSIS ON THE LENDING PRACTICES WITH SPECIAL REFERENCE TO  
COOPERATIVE BANK, VANIYAMBADI BRANCH**

**Dr. G. Shoba\***

*\*Professor, Department of MBA, Priyadarshini Engineering College, Vaniyambadi*

**ABSTRACT**

The present study is aimed at to identify the lending practices with special reference to cooperative bank and to know the satisfaction level of the customers towards cooperative bank lending policies. Both primary and secondary sources of data were used in this study. A descriptive quantitative study using a self-administered questionnaire was undertaken. The optimum sample size was 250. In order to analyze the customer's behavior to describe the satisfaction level, the researcher have used the SPSS tools for mean analysis, factor analysis, cluster analysis and chi-square were used in this study. It is concluded that 82% are male, 34% of the respondents are in the age group of 26-36 years. Cluster analysis reveals that around 20% of the respondents are extremely satisfied, 38% of respondents are moderately satisfied and 42% of respondent's posses' least level satisfaction with lending practices provided by the cooperative bank. Chi-square analysis revealed that there is a significant association between age and type of loan.

**Key words:** Banking, Dividend, Lending, Package of Practices, and Profits.

**1. INTRODUCTION**

Banking is an important sector and acts as a backbone of economic progress. The banks render vital services to the masses belonging to the various sectors of the economy like agriculture, industry whether small scale or large scale. The Social Control Act of 1968 brought banking industry under the purview of social lending and the nationalization of banks marked a phase of Government control and domination. A co-operative bank on the other hand is run for the benefit of a group of members of the co-operative body. A co-operative bank distributes only a very small portion of its profit as dividend, retaining a major portion of it in business. All the nationalized banks in India and almost all the private sector banks are commercial scheduled banks. There are a large number of private sector co-operative banks and most of them are non-scheduled banks. In the public sector also, within a state, starting from the State capital, there are State Co-operative Banks and District Central Co-operative Banks at the District level. Under the District Central Co-operative Bank, there are Co-operative Societies.

The lending policies of Central Co-operative Banks have undergone many changes due to the implementation of various Agricultural Development schemes. First, such schemes were the intensive Agricultural Development programme which was introduced in 1960. The scheme envisaged “Package of Practices” and meeting of credit needs, a marketing facilities and supply of inputs by Co-operative. The lending policies of Central Co-operative Banks have undergone many changes due to the implementation of various Agricultural Development schemes. First, such schemes were the intensive Agricultural Development programme which was introduced in 1960. The scheme envisaged “Package of Practices” and meeting of credit needs, a marketing facilities and supply of inputs by Co-operative.

## **2. REVIEW OF THE LITERATURE**

Bhaskaran and Josh (2000) concluded that the recovery performance of co-operative credit institutions continues to unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking.

Jain (2001) has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

Singh and Singh (2006) studied the funds management in the District Central Co-operative Banks of Punjab with specific reference to the analysis of financial margin. It was noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets.

Pal and Malik (2007) investigated the differences in the financial characteristics of 74 (public, private and foreign) banks in India based on factors, such as profitability, liquidity, risk and efficiency. It is suggested that foreign banks were better performers, as compared to other two categories of banks, in general and in terms of utilization of resources in particular.

Dutta and Basak (2008) suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Jyoti Gupta & Suman Jain (2012) examined the lending practices of cooperative bank in India. They suggested that the customer has taken more than one type of loan from the bank. The bank should plan to introduce new schemes for attracting new customers for attracting new customers and satisfying the present ones.

Soyeliya Usha L. (2013) analysed the bank's performance along with the lending practices provided to the customers. The results of this study showed that customers are satisfied with the mode of payment of installments and preferred to take long term loan which is more than three years. She suggested that the bank should adopt the latest technology of the banking like ATMs, internet/online banking, credit cards etc.

### **3. OBJECTIVES OF THE STUDY**

- To identify the lending practices at cooperative bank, vaniyambadi branch.
- To know the satisfaction level of the customers towards cooperative bank lending policies.
- To suggest the appropriate measures to improve the efficiency to the cooperative bank.

### **4. SCOPE OF THE STUDY**

The study will be helpful in understanding the current position of the lending procedure of the bank. To develop, implement and evaluate an action plan to improve lending process. Since many people living in rural areas are not aware of these types of services provided by the bank, it would be a great help for them to understand lending practices of cooperative bank.

### **5. LIMITATIONS OF THE STUDY**

- The data collect for the study are restricted only to cooperative bank, vaniyambadi.
- The time period of the research was limited.
- The result is based on primary and secondary data that has its own limitations.
- The opinion of the respondents may be biased.

### **6. RESEARCH METHODOLOGY**

The research describes the lending practices of cooperative bank, vaniyambadi branch and determines satisfaction level of customers towards lending policies. Therefore, the study is

descriptive research. The present study has exhaustively used both primary and secondary data for analysis and interpretation. The primary data were collected from customers through well-structure questionnaire. The secondary data were collected from journals, books, magazines, articles, internet sources and published records of the co-operative bank. The study population includes the customers of co-operative bank, vaniyambadi branch and sampling unit for the study was individual customer. The optimum sample size was 250. In order to analyze the customer's behavior to describe the satisfaction level, the researcher have used the SPSS tools such as mean analysis, factor analysis, cluster analysis and chi-square were used in this study.

## **7. DATA ANALYSIS AND INTERPRETATION**

### **7.1 Socio-Economic Profile of the Respondents**

Socio-economic profile of customers of cooperative bank, vaniyambadi branch described through simple percentage analysis and presented in table 1.

**Table – 1 Socio-Economic Profile of the Respondents**

<b>Particulars</b>	<b>Category</b>	<b>Respondent</b>	<b>Percentage</b>
Age	Less than 26 years	42	18%
	26 – 32 years	86	34%
	33 – 39 years	56	22%
	40 – 46 years	38	15%
	Above 46 years	28	11%
Gender	Male	206	82%
	Female	44	18%
Marital Status	Married	216	86%
	Unmarried	34	14%
Occupation	Government Employee	31	12%
	Engineering	36	14%
	Business	99	40%
	Doctor	8	3%
	Others	76	31%
Reasons for Choosing Cooperative Bank	Friends / Relatives	54	22%
	Trust in the bank	127	29.2%
	Bank employees	69	19.5%
Factors Influencing to receive loan	Reasonable rate of interest	47	19%
	More schemes	82	33%
	Less formalities	60	24%
	Easy repayment	26	10%
	Any other	35	14%

Type of Loan	House loan	30	12%
	Mortgage loan	29	12%
	Gold loan	61	24%
	Government securities	26	10%
	Business loan	27	11%
	Consumer loan	33	13%
	Members surety loan	29	12%
	Cash credit (OD) loan	15	6%
Loan Amount	Less than 50000	16	6%
	50001-100000	49	20%
	100001-300000	98	39%
	300001-500000	48	19%
	More than 500000	39	16%
Terms of Loan	Less than 1 years	26	10%
	1-3 years	72	29%
	3-5 years	52	21%
	5-8 years	47	19%
	More than 8years	53	21%
Average time taken for the processing of the loan	Less than 7 days	76	30%
	7-14 days	112	45%
	More than 14 days	62	25%
Opinion towards the services at Cooperative Bank	Excellent	33	13%
	Good	142	57%
	Average	54	22%
	Poor	16	6%
	Very poor	5	2%

(Source: Primary data)

It is found that 34% of the respondents are from the age group of 26-32 years, 82% of the respondents are males, 18% of respondents are females, 86% of respondents are married, 40% of the respondents are doing business and 30% of respondents have chosen the bank because of trust on the bank. It is also found that 33% of respondents are borrowing from bank because of availability of more number of schemes, 19% of the customers borrowing from cooperative banks because of reasonable rate of interest. A large population of the respondent preferred gold loan i.e., 24%, 13% of respondents preferred consumer loan, 39% of the respondents has taken the loan amount between Rs.1,00,000 – Rs.3,00,000 lakhs, 29% of the respondents have preferred medium term loans between 1-3 years, 45% of the respondents told that average time taken for the processing of the loan is between 7-14 days. From the above table shows that 57% of the respondents have received good services from cooperative bank.

## 7.2 Factor Analysis

The factor analysis is applied to identify and define the underlying dimensions in the original variables. Here 6 variables are identified to study the lending practices among the town cooperative bank. The variables are stated in the form of statements to collect relevant data from respondents. The respondents are asked to give their view for the 6 statements in the Likert Five Point Scale with the alternate option such as highly satisfied, satisfied, neutral, dissatisfied, and highly dissatisfied. A closer examination of the correlation matrix may reveal what are the variables which do not have any relationship. So that all the 6 variables have been retained for further analysis. Further, two tests are applied to the resultant correlation matrix to test whether the relationship among the variables is significant or not.

**Table 2 KMO and Bartlett's test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.756
Bartlett's Test of Sphericity	Approx. Chi-Square	918.106
	Df	15
	Sig.	0.000

(Source: Primary data)

The Kaiser-Mayer-Olkin test is based on the correlations and partial correlations of the variables. The value of test statistic is 0.756, which means the factor analysis for the identified variables is found to be appropriate to the data. The Bartlett's test of sphericity is used to test whether the correlation matrix is an identify matrix ie., all the diagonal terms in the matrix are one and the off-diagonal terms in the matrix are zero. In short, correlation between all the variable is zero. The test value is 918.106. Here the significant value is 0.000 which indicates that there exit significant relationship among the variables. The measure of KMO test and value of Bartlett's test indicate that the present data is useful for factor analysis. The next step in the process is to decide about the number of factor to be derived. The rule of thumb is applied to choose the number of factors for which "Eigen values" with greater than unity is taken by using principal component analysis (PCA) method. The component matrix so formed is further roated orthogonally using varimax rotation algorithm. All the statements are loaded on the two factors. The results so obtained have been given in the tables separately along with factor loadings.

**Table 3 Factors and Total Variance**

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.528	58.792	58.792	3.528	58.792	58.792	2.578	42.971	42.971
2	1.012	16.859	75.651	1.012	16.859	75.651	1.961	32.680	75.651
3	0.736	12.260	87.911	-	-	-	-	-	-
4	0.409	6.815	94.726	-	-	-	-	-	-
5	0.210	3.498	98.224	-	-	-	-	-	-
6	0.107	1.776	100.00	-	-	-	-	-	-

(Source: Primary data)

The total variance accounted for, by all the four factors with Eigen value greater than one is 75.651 per cent and remaining variance is explained by other variables. Among the two factors, the first factor which accounts for around 43 per cent of variance is the prima criteria considered to study satisfaction level pertaining to lending practices by cooperative bank. The table 4 shows the factor matrix where principal component analysis extracted two factors. They are Service satisfaction and Employee satisfaction.

**Table 4 Component Matrix**

S.No	Component	1	2
1	Time taken for loan approval	.880	-
2	Reliable and transparent services	.878	-
3	Repayment period	.823	-
4	Easy query handling	.805	-.483
5	Paper work	.550	-
6	Bank employees cooperation	.594	.664

(Source: Primary data)

Since the factor loadings (coefficients) indicate how much weight is assigned to each factor. Factors with large coefficients for a variable are closely related to that variable.

### 7.3 Segmentation of Respondents

The respondents can be classified in to three categories based on choice criteria. For the purpose of classification of respondents K-means cluster is used.

**Table 5 Final Cluster Centres**

Factors	Cluster		
	1	2	3
Service satisfaction	1.61	3.18	4.38
Employee satisfaction	1.74	2.15	3.33
Total	3.35	5.33	7.71
Average	1.67	2.66	3.85
<b>Rank</b>	<b>III</b>	<b>II</b>	<b>I</b>

(Source: Primary data)

The final cluster centre 5 shows the mean values for the three clusters which reflect the attributes of each cluster. For instance, the mean value of the first cluster are 1.61 and 1.74 respectively. The average score of the first cluster is 1.67 with third rank. The second cluster is ranked second with average score of 2.66. As far as the third cluster is concerned, average score is 3.85 with first rank. It is revealed that first cluster respondents have low score, second cluster respondents have moderate score and third cluster respondents have high score for all the two factors. This means first cluster respondents have low lending practices, second cluster respondents have moderate lending practices and third cluster respondents have high lending practices. The table 6 reveals the cluster means square, error mean square and F-value

**Table 6 ANOVA**

Factors	Cluster		Error		F	Sig.
	Mean Square	Df	Mean Square	df		
Service satisfaction	143.347	2	.318	247	451.167	.000
Employee satisfaction	42.327	2	.272	247	155.459	.000

(Source: Primary data)

The ANOVA table 6 shows that the difference exists among the three clusters in the mean values are significantly different. The F-value of the service satisfaction and employee satisfaction are 451.167 and 155.459 respectively. The significant value for all the two criteria is 0.000. This means that these factors have significant contribution on dividing people into three segments on the basis of the above two criteria.



**Table 7 Number of Case in Each Cluster**

Cluster	Value	Percentage
1	107.000	42.8
2	94.000	37.6
3	49.000	19.6
Valid	250.000	100
Missing	0.000	0

(Source: Primary data)

The table 7 reveals that out of 250 respondents, 49(19.6%) respondents have highly satisfied with lending practices, 94(37.6%) respondents have moderately satisfied with lending practices and 107(42.8%) respondents have low level satisfaction with lending practices provided by the cooperative bank.

#### **7.4 Chi-Square Test**

Chi-Square analysis is done to find out whether there is any significant association between age and the type of loan.

**Table 8 Cross Tabulation of association between Age and the type of loan**

Age	Type of loan								Total
	House Loan	Mortgage Loan	Gold Loan	Government Securities	Business Loan	Consumer Loan	Members Surety Loan	Cash Credit (OD) Loan	
Less than 25 years	6	8	9	4	5	4	4	2	42(17%)
26-32 years	19	10	21	5	2	10	12	8	87(35%)
33-39 years	4	4	20	3	11	7	4	3	56(22%)
40-45 years	1	3	6	9	5	9	4	0	37(15%)
More than 45 years	1	3	5	5	4	3	5	2	28(11%)
Total	31	28	61	26	27	33	29	15	250

(Source: Primary data)

It could be inferred from the table 8 that the highest 61(24%) number of respondents have availed gold loan and in this category customers ranging between age group of 26-32 years have reaped maximum benefit. The second highest number of customers 33(13%) who have availed consumer loan and this category of respondents belongs to the age group of 26-32 years. The third category of the respondents have availed house loan and those who have availed this benefit are in the age group between 26-32 years. We conclude that maximum number of respondents who availed any of the three types of loans is from the age group between 26-32 years.

**H<sub>0</sub>:** There is no significant association between age and the type of loan.

**H<sub>1</sub>:** There is significant association between age and the type of loan.

**Table 9 Association between Age and the type of loan**

	<b>Chi-square Value</b>	<b>df</b>	<b>Significant</b>
Pearson Chi-Square	52.934 <sup>a</sup>	28	0.003

(Source: Primary data)

From the table 9 the significant value is 0.003 which is less than 0.05. So it is significant, hence H<sub>1</sub> is accepted that is there is significant association between age and the type of loan.

## **8. FINDINGS**

It is found that 34% of the respondents ranges between the age group of 26-32 years, 82% of the respondents are males, 86% of respondents are married and 40% of the respondents are doing business. Trust on the bank and bank employees are the main factors for choosing the cooperative bank. From analysis it is clear that majority of the respondents have taken loan from the cooperative banks because of availability of more number of schemes, less formalities and reasonable rate of interest. It's also reveals that majority (24%) of the respondents possess gold loan from cooperative bank. 39% of respondents borrowed loan amount ranges between one lakh to three lakhs. The major portion of population borrowed the loan in medium term (1-3 years) as compared to other terms loan in cooperative bank. Average time taken for processing of loan is between 7-14 days. Around 20% of the respondents were satisfied with lending practices provided by the cooperative bank.

## **9. SUGGESTIONS**

It is suggested that the banks may plan to introduce new schemes for attracting different age group of customers. The bank may also try to improve customer services to a better extent. If the bank upgrades the technology and covers ample customers there is no doubt that it may render remarkable services to its customers. It is also suggested that the bank should attract and retain the existing customers by promotional activities and conducting awareness program.

## **10. CONCLUSION**

It is concluded that the majority of socio-economic background of the respondents shows that 82% are male, 34% of the respondents lies in the age group between 26-36 years. The result

of factor analysis shows that satisfaction level pertaining to lending practices by cooperative bank influenced by employee satisfaction and service satisfaction. Cluster analysis reveals that around 20% of the respondents are extremely satisfied, 38% of respondents are moderately satisfied and 42% of respondents' possess least level satisfaction with lending practices provided by the cooperative bank. Chi-square analysis revealed that there is a significant association between age and type of loan.

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