

“An Analytical Study On Customer’s Perception Towards Lending Practices Of Co-Operative Banks In The Mumbai Region”

Dr. Parag Ramesh Karulkar,

Assistant Professor, Konkan Gyanpeeth Uran College of Commerce and Arts, Uran-Raigad, University of Mumbai, Maharashtra, India
Email id: prkarulkar26@gmail.com

Mr. Tushar Chandar Mhatre,

Research Scholar, Konkan Gyanpeeth Uran College of Commerce and Arts, Uran-Raigad, University of Mumbai, Maharashtra, India
Email id: tmhatre1@gmail.com

Abstract

Banks and Banking business has made a drastic transformation in the world. It was in 1904, a cooperative movement started by the Government of India on a cooperative basis in the form of cooperative banks to cope with economically weaker sections of society. Cooperative banks are a small financial institution, which belongs to its members, who are playing dual role as an owner and as a customer. The principle of self-mutual help, democratic management with membership open for all are the basics to design the cooperative structure. These banks are traditionally centered to lend small business and needy borrowers.

The present study was conducted to analyze cooperative banks’ lending practices in the Mumbai region (State Maharashtra, Country the India). The research has concluded with suggestions to cooperative banks to improvise lending practices with technological advancement. The present study will help one understand the lending practice of cooperative banks in detail, focusing on Credit Risk Management (CRM).

Key Words: Co-operative banks, Consumer perception, borrowers, Mumbai region

1. INTRODUCTION:

The banks are the base to play a vital role in financial and economic development of the country. A bank works in a knot as a financial agency for public to serve them. As per RBI archives, the banks in India are huge, organized and regulated. Till 31st March 2022, banking sector consist of 12 public sector banks, 21 private sector banks, 43 foreign banks, 44 Regional Rural Banks, 34 State Cooperative Banks, 53 Urban Cooperative Banks, 6 payment banks and 2 local area banks. Technological advancement has given emphasized providing quality services, customer retention and satisfaction. The banks have adopted a customer-centric convenient

banking approach towards their services.

The cooperative banks are performing positive role to uplift the Indian economically weaker section of society, by offering financial help at concessional rate of interest. In past some of the years, the cooperative banks are facing with regulatory constraints, which has been overcome by it with complete sense of management. The cooperative bank is financial institutions equipped with versatility in facilities fulfilling the need of the urban population today. The co-operative banks well organized tiny financial unit in cooperative sector operating its financial operations in urban and non-urban area. Thus, a cooperative bank belongs to its members, who are at the same time the owners and the customers of their bank. Thus, the co-operative banks are engendered by group of people who agree to share common interest providing their members with services related to banking and financial services.

The principle of self-mutual help, democratic management with membership open for all are the basics to design the cooperative structure. These banks are traditionally centered to lend small business and needy borrowers. The co-operative banks are the first ever government sponsored-supported-subsidized banking agency in India. Its supporting financial institutions are the government working at both state and central, National Bank for Agricultural and Rural Development (NABARD) and Reserve Bank of India (RBI). The first aim of a cooperative bank is to make available the products and services to members at concessional rate. They mainly lend not only to small borrowers, businesses, agriculturally based

activities; which includes cattle rearing, farming, milk nature activities etc. but also to small scale industries and activities creating self-employment.

1.1. Significance of the study:

Cooperative Banks in India have brought success to Indian Financial Inclusion. They have empowered and secured the Indian rural since its genesis. At present cooperative banks are working as urban and rural cooperative banks to perform versatile operations including financial, managerial and developmental. In a nutshell, considering time and geographical constraints, it is worthwhile to delve into the lending practices of cooperative banks in the Mumbai region.

1.2. Statement of the problem:

The present study primarily focuses on “An analytical study on customer’s perception towards lending practices of cooperative banks in Mumbai region”, and to study and understand the role of co-operative banks in Mumbai region and its perceived nature.

1.3. Objectives of the study:

- 1) To study the lending practice of cooperative banks.
- 2) To study the demographic profile of borrowers.
- 3) To study the reasons for approaching and availing loans from cooperative banks.
- 4) To study the satisfaction level of the borrower from cooperative banks with their lending practices.
- 5) To give suggestions and recommendations to improve the lending practices of cooperative banks.

2. REVIEW OF THE LITERATURE:

Bhaskaran and Josh (2000), have concluded that the unsatisfied recovery procedure has given rise to Non- performing Assets (NPA) in multiple fold, hence they have suggested to reframe the legal and policy measures with respect to recovery will cooperative banks more efficient in and productive, which leads to its profitability to compete with other commercial banks.

Singh and Singh (2006), have studied the fund’s management with respect to financial margin of District Central Co-operative Banks (DCCBs) in Punjab. It is found that the margin has increased because of higher proportion of own funds and the recovery concerns, which further results in to alarming call for higher provision for Non-Performing Assets (NPA).

Singla (2008), has stressed on managerial and financial constraints to examine the

financial structure and position of 16 banks with respect to debt-equity, Non-Performing Assets (NPA) Capital Adequacy (CA) and profitability.

Dutta and Basak (2008), have suggested that Co-operative banks to accept and apply with tech savvy well network based monitoring system for loans, norms and regular workshops to improve their recovery procedural pattern and output, not only to assist but also to survive in competitive banking-financing business.

Chander and Chandel (2010), have analyzed the financial performance of Haryana State Cooperative Apex Bank Ltd. (HARCO Bank) and found that the said bank as poorly performing bank. Such conclusion has been made on the basis of its profitability index such as quality in earning, capital investing adequacy, liquid assets and most importantly management productivity.

N. A. Kavitha and M. Muthumeenakshi, (2016), have studied the customer's perception with respect to quality of services provided by cooperative banks with reference to Vellore in Tamandu. 120 actual service users have been randomly selected to evaluate their gratitude toward banks and found that they were highly gratified with employees' behavior and their services but dissatisfied towards gradual advancement in banking technology.

Joby Joseph Thoomkuzhy and Merry Elizabeth John, (2018), have analyzed the level of satisfaction of those who are actually availing services from Idukki District Cooperative Bank. They have collected primary data from 4 branches of the said bank with respect services customers have availed and their branch employee's behavior. Overall, all customers were found to be satisfied and asked for services related to Electronic Banking (EB).

3. RESEARCH METHODOLOGY:

The present study is Descriptive type to analyze the lending practices of cooperative banks in the Mumbai region and to understand the perceptions and overall satisfaction of borrowers.

3.1. Collection of data:

Primary Data: The structured questionnaire has been designed to collect primary data and interview methods whenever required.

Secondary Data: The related secondary data were centered out of annual publications and reports of cooperative banks, loan instruction manuals and guidelines on advances, published articles and books and Reserve Bank of India (RBI) archives.

Sample Population: The sample population consist of the bank customers of cooperative banks: Sampling units are the actual borrower of cooperative banks. The sample size is 200 actual loan borrowers from cooperative banks in the Mumbai region. A random sampling method has been used in present research study.

3.2. Analysis of Data:

3.2.1. Gender of the Respondents:

Gender was included to find out the perceptions of males and females towards the lending practices of cooperative banks.

Table 1
Gender of Respondents

Gender	Frequency	Percent
Male	126	63
Female	74	37
Total	200	100

Source: Primary Data

The table: 1 shows; 63 % of the respondents are male and 37 % are female.

3.2.2. Age of the Respondents:

The age was included to find out the age group representing the borrowers of loans from cooperative banks.

Table 2
Age of Respondents

Age Group	Frequency	Percent
18 to 25 years	18	09
26 to 40 years	54	27
41 to 55 years	102	51
56 to 65 years	26	13
Total	200	100

Source: Primary Data

The table: 2 shows; 09 % of the respondents are between age of 18 to 25 years, 27 % are in 26 to 40 years, 51 % are in 41 to 55 years and 13 % are in 56 to 64 years.

3.2.3. Preference or Purpose of Taking a Loan:

Respondents were asked about the purpose for which they availed loans from cooperative banks.

Table 3
Preference or Purpose of Taking Loan

Type of Loan	Frequency	Per cent
Home Loan	90	45.00
Loan Taken for Personal Use	40	20.00
Loan Taken by Consumer	25	12.50
Loan Taken for Educational Purpose	18	09.00
Loan Taken to Purchase of Vehicle	15	07.50
Others	10	05.00
Total	200	100

Source: Primary Data

The above table: 3 data shows that the most of the respondents have availed loan to purchase home and personal use and fewer respondents availed of consumption, educational purpose and to purchase vehicle.

3.2.4. Factors attracting to avail loan from cooperative banks.

Respondents were asked about the factors which attract them to take loans from cooperative banks.

Table 4
Factors attracting to availed loan from cooperative banks

Factors	Frequency	Percent
Comparatively lower interest rate	102	51.00
Longer duration	42	21.00
Less formality	30	15.00
Easy repayment	17	08.50
Regular updates on loan	09	04.50
Total	200	100

Source: Primary Data

The above table: 4 shows that the lower interest rate attracts borrower to avail of loan from cooperative banks.

3.2.5. Term or Period for which loan availed from cooperative banks:

The respondents were asked about the term or period for which they have availed of loans from cooperative banks.

Table 5**Term of loan availed loan from cooperative banks**

Term of Loan	Frequency	Percent
Up to 5 years	20	10.00
5 years to 10 years	152	76.00
More than 10 years	28	14.00
Total	200	100

Source: Primary Data

The table: 5 above shows; that the most of the respondents have availed loans for a period of 5 to 10 years.

3.2.6. Average time required (taken) by the cooperative bank to follow procedure\ process and disbursed the loan:

Respondents were asked about the average time taken by the cooperative banks to process and disbursed the loan.

Table 6**Time is taken to availed loan from cooperative banks**

Term of Loan	Frequency	Percent
Less than 10 days	132	66.00
10 days to 20 days	60	30.00
More than 20 days	08	04.00
Total	200	100

Source: Primary Data

The present study reveals that the majority of cooperative banks take less than 10 days to sanction a loan to a borrower.

3.2.7. Future Preference to avail loan from:

Respondents were asked about their future preference to avail of loans

Table 7

Future preference to avail of loan from

Term of Loan	Frequency	Percent
Public Sector Bank	34	17.00
Private Sector Bank	54	27.00
Cooperative Banks	104	52.00
Foreign Bank	08	04.00
Total	200	100

Source: Primary Data

The present study reveals that the majority of the respondents prefer to take loans from cooperative banks, next to the private sector and public sector banks.

3.2.8. Satisfaction level of borrowers from cooperative banks:

Respondents were asked about their satisfaction level on the following service statements. The statements were asked on a Likert-Scale, in which ranks starts from 1 - Highly Dissatisfied to 5 - Highly Satisfied.

Table 8

Satisfaction level of borrower loan borrowers from cooperative banks

Statements on the Satisfactio level	Frequency (Percent)					Total No. (%)
	5 - Highly Satisfied	4 - Satisfied	3 - Neutral	2 - Dissatisfied	1 - Highly Dissatisfied	
With interest charged by my bank I am.	82 (41.00%)	58 (29.00%)	20 (10.00%)	28 (14.00%)	12 (06.00%)	200 (100)
With time taken by my bank for loan sanctioned and amount disbursement I am.	90 (45.00%)	50 (25.00%)	15 (07.50%)	20 (10.00%)	25 (12.50%)	200 (100)
With loan closure and/or foreclosure procedure followed by my bank I am.	100 (50.00%)	36 (18.00%)	10 (05.00%)	30 (15.00%)	24 (12.00%)	200 (100)
With timely update on my loan details and feedback by my bank employees.	75 (37.50%)	46 (23.00%)	25 (12.50%)	27 (13.50%)	27 (13.50%)	200 (100)

With overall lending practices followed by my bank I am.	120 (60.00%)	24 (12.00%)	10 (05.00%)	25 (12.50%)	21 (10.50%)	200 (100)
Technology used to update loan data details and branch connectivity	60 (30.00%)	48 (24.00%)	50 (25.00%)	30 (15.00%)	12 (06.00%)	200 (100)

Source: Primary Data

The present study reveals that the most of the borrowers were satisfied with the overall above-stated statements of services related to loans borrowed from cooperative banks.

The following are the limitations of the study:

1. The study is restricted to the data of 200 responses only.
2. The perceptions of lending practices of cooperative banks have been considered in general.
3. No specific cooperative banks have been considered.
4. The geographical area of the study is limited to Mumbai region only.

4. FINDINGS OF THE STUDY:

- 1) Most of the borrower were male (63% were male).
- 2) 41 to 50 years represent the age group of borrowers of loans from cooperative banks.
- 3) Most of the (45% per cent of respondents) have borrowed loans for home loan purposes.
- 4) Comparatively lower rate of interest is the most attractive factor to avail loans from cooperative banks. The study concluded that 51% of respondents have availed of a loan for this reason.
- 5) 76 % of borrowers preferred to avail of loans for a period ranging from 5 years to 10 years period.
- 6) Majority (66% of respondents) have availed of loans from cooperative banks because the said bank not only processed, and sanctioned but also disbursed the loan in a short period of time i.e. less than 10 days.
- 7) In future also most of the borrowers prefer to avail of loans from cooperative banks only (51% of respondents).
- 8) Majority of the loan borrower from cooperative banks were highly satisfied;
 - (a) 82 respondents (41.00%) with respect to interest charged by cooperative banks.
 - (b) 90 respondents (45.00%) with respect to the time taken by the cooperative bank to approve and disbursed purpose loan amount.

- (c) 100 respondents (50.00%) with the loan closure and foreclosure procedure followed by the bank.
- (d) 75 respondents (37.50%) with timely updates on loan details and feedback from banks.
- (e) 120 respondents (60.00%) with the overall lending practice followed by cooperative banks.
- (f) There is no significant difference between highly satisfied 60 respondents (30.00%) and neutral 50 respondents (25.00%) about the utilisation of technology and branch connectivity.

5. SUGGESTIONS AND CONCLUSION:

- (a) The banks should launch with new loan schemes of loans such as student loans at no interest, loans for SHG women etc. not only to create new customer base but also to retain the existing one.
- (b) The banks should expand their branch network and connectivity.
- (c) The banks should modify and provide improvise services to customer for betterment.
- (d) The bank should try to avail relaxation to all eligible customers on the grounds of their income status and other financial records.
- (e) The bank should tap deep routed with loan facilities to assist the rural and its economic development.

It is concluded from the data collected and analyzed that the cooperative banks were following the committed lending practice considering the need of time and borrowers with strong commitments and full responsibilities towards them. The same has been easily available in local areas with ease in process and accessibility. Further, it has been observed that with technological advancement the banks prove their productivity in terms of loan data-details availability and branch connectivity.

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