

## **ANALYSIS OF COOPERATIVE BANKS IN INDIA WITH LENDING PRACTICES**

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### **ABSTRACT**

*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 is based on some successful co-op banks in India. 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.*

**KEYWORD:** Cooperative Banks, Lending Practices, Loan, Private & public Sector Banks.

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### **INTRODUCTION**

Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centered on communities, localities and work place groups and they essentially lend to small borrowers and businesses. The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas. These banks, until 1996, could only lend for non-agricultural purposes. As at end-March 2011, there were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a single State, there were 42 UCBs having operations in more than one State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agricultural based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of people for self-employment, industries, small scale units and home finance. These banks provide most services such as savings and current accounts, safe deposit lockers, loan or mortgages to private and business customers. For middle class users, for whom a bank is where they can save their

money, facilities like Internet banking or phone banking is not very important. Although they are not better than private banks in terms of facilities provided, their interest rates are definitely competitive. However, unlike private banks, the documentation process is lengthy if not stringent and getting a loan approved quickly is rather difficult. The criteria for getting a loan from a UCB are less stringent than for a loan from a commercial bank.

### **OBJECTIVES OF THE STUDY**

- To know the lending practices of cooperative banks in India.
- To know different type of loans preferred by different customers.
- To know the satisfaction level of the customers from Bank's lending policies.

### **LITERATURE REVIEW**

- 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.
- Chander and Chandel (2010) analyzed the financial efficiency and viability of HARCO Bank and found poor performance of the bank on capital adequacy, liquidity, earning quality and the management efficiency parameters.
- 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

### **RESEARCH METHODOLOGY**

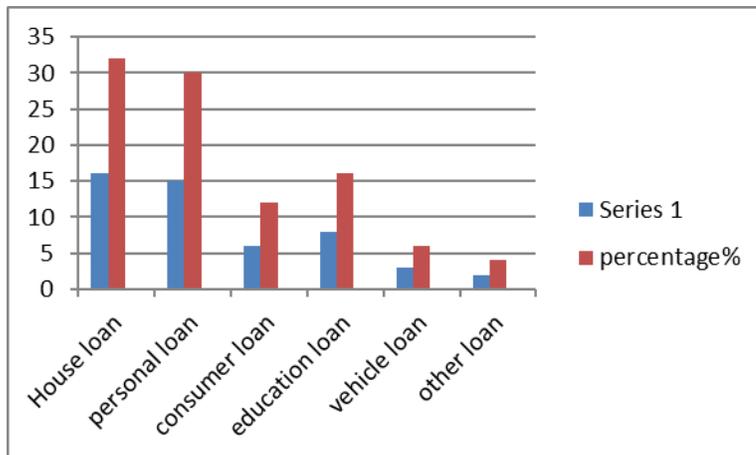
Cooperative banks have wide scope in India so I decide to narrow my objectives of my study. For this purpose secondary data is collected. The sources of secondary data are from different journals, magazines, newspaper, research articles and web sites from internet.

### **DATA ANALYSIS AND INTERPRETATION**

**Table 1: Preferences of the customers for the loans**

<b>Kind of loans</b>	<b>No.ofrespodent</b>	<b>Percentage (%)</b>
House loan	16	32%

Personal loan	15	30%
Consumer loan	6	12%
Education loan	8	16%
Vehicle loan	3	6%
Other loan	2	4%

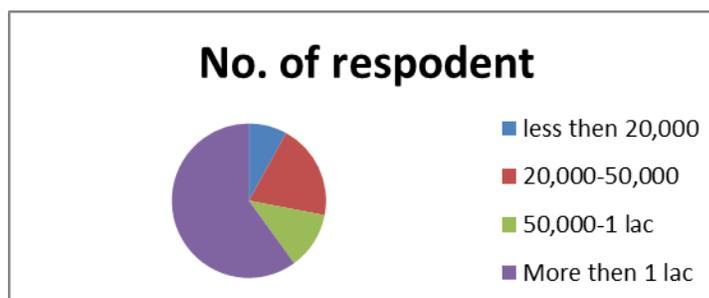


**Figure 1: Preferences of the customers for the loans**

Present study reveals that majority of the respondents have taken house loans & personal loans and less respondents prefer consumer, educational and vehicle loans.

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

Loan amount	NO. of respondent	Percentage (%)
Less than 20,000	4	8%
20,000-50,000	10	20%
50,000-1 lac	6	12%
More than 1 lac	30	60%

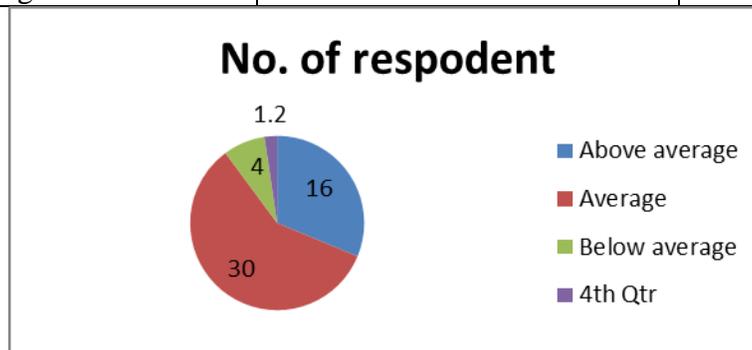


**Figure 2: Range of the amount of loans**

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

**Table 3. 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%

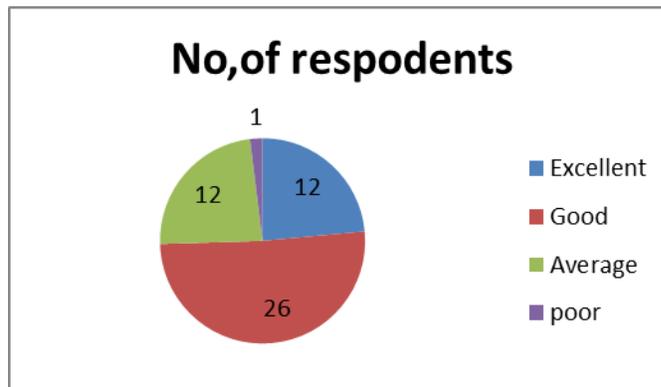


**Figure 3: Ranking of the facilities provided by the co-op. banks**

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 4: 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%

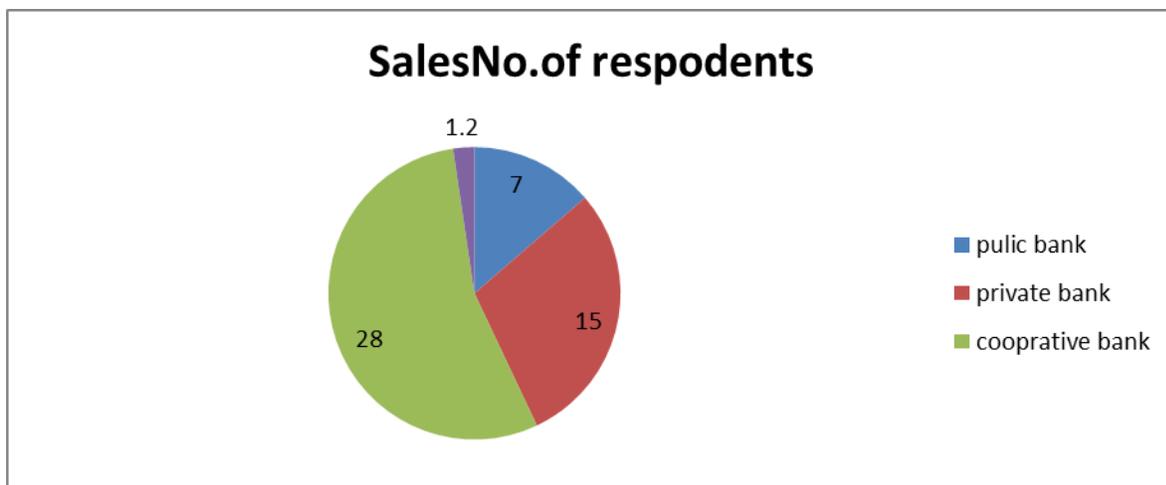


**Figure 4: Customer's ranking for service of the bank**

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 provided by the bank are average, 32% say that its above average and 8% says that its below average

**Table 5: Preferable banks for borrowing facilities.**

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



**Figure 5: Preferable banks for borrowing facilities**

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

## VI. FINDINGS/CONCLUSION

The above study reveals that the most of the people prefers home loans and personal loans as compare to education and other loans, and majority of people take the amount of loan more than one lac. The facilities provided by the co-operative banks are not much sufficient according to the requirements of customers. But the services provided by the banks are almost good or up to average. The majority of population of India prefers co-operative banks to take loans and other facilities. So we find out from the study that co-operative banks are overall good for India and perform better according to the requirements' of customers.

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