

Challenges Before Co-operative Thrift and Credit Societies in the Globalised Era with Reference to Disbursement of Loan

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Credit Societies along with Urban Co-operative Banks constitute the most important and growing segment of the co-operative sector, which is totally self-reliant and most vibrant. The co-operative movement was started in India to ameliorate the conditions of the rural masses. However, it was soon realized that co-operation offers solution to the difficulties encountered not only by the agriculturalists, but also by urban people in respect of credit, as well as other aspects of their business and life.

The Employees' Co-operative Thrift and Credit Societies [E.C.T.C.S.] are the major non-agricultural credit co-operatives catering to the financial needs of the professional classes of people. They are especially helpful to the salaried class. They provide them consumption and other loans. Provision of loans to members and inculcation of the principle of thrift and savings in the minds of the members are two important functions of these societies. The deposits mobilized are recycled in the same local area, from where the deposits have come.

The important income of the society is the interest on loans. But the main problem are delays in sanctioning of loans by the societies. So, the present study attempts to study delays in sanctioning of loans by the societies. The study has been carried out with the following objectives.

1. To analyze the reasons for delays in sanctioning of loans.
2. To find out the association between the profile of the employees and their perception about delays in sanctioning of loans.

PROFILE OF THE STUDY AREA

Kanyakumari District consists of two Revenue Divisions namely Nagercoil and Padmanabhapuram, each headed by a Revenue Officer. The Nagercoil Revenue Division consists of two Taluks: Agasteeswaram with its headquarters at Nagercoil and Thovalai with its headquarters at Boothapandi. The Padmanabhapuram Revenue Division consists of two Taluks: Kalkulam with its headquarters at Thuckalay and Vilavancode with its headquarters at Kuzhithurai.

SAMPLING PROCEDURE

The total number of E.C.T.C.S in Nagercoil and Thuckalay revenue divisions are 26 and 15 respectively. Out of these societies, only 23 and 13 societies are selected for the study.

In order to study the employees' perception on the societies, from each society two employees have been selected at random. The total employees selected for the study are 72.

TIME TAKEN TO PROCESS THE LOAN APPLICATION

The time taken to process the application of loans is a major problem in the E.C.T.C.S. After Globalization, commercial banks are competing with each other and are reducing the processing time to evaluate the loan applications. New private sector banks never like to take more than 24 hours to process the loan applications. Other commercial banks are trying to cope with this. But the co-operative banks and the E.C.T.C.S take more time to process the loan applications. This is also identified as a major drawback of the societies by the members. Hence, an attempt has been made to reveal the average time taken by the societies to process the loan applications. The 'time taken' was confined to less than 15 days, 15 to 30 days, 31 to 45 days, 46 to 60 days and more than 60 days. The distribution of employees according to their view on time taken to process the loan applications is shown in Table 1.

The first two categories of time taken to process the loan applications were 31 to 45 days and 46 to 60 days which constitute 26.39 and 20.83 per cent to the total respectively. The number of staff with a view of only less than 15 days to process the loan applications constitutes only 15.28 per cent to the total. In societies at Nagercoil, the time taken as per the view of the staff was 31 to 45 days, which constitutes 26.09 per cent of the total staff of the societies. In societies at Thuckalay, this was also 31 to 45 days as per the views of 26.92 per cent of the staff.

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Table No. 1. Time Taken to Process the Loan Applications

Sl. No.	Time Taken	Societies at Nagercoil		Societies at Thuckalay		Total	
		No. of Employees	Percentage	No. of Employees	Percentage	No. of Employees	Percentage
1.	Less than 15 days	8	17.39	3	11.54	11	15.28
2.	15-30 days	9	19.57	5	19.23	14	19.44
3.	31-45 days	12	26.09	7	26.92	19	26.39
4.	46-60 days	9	19.57	6	23.08	15	20.83
5.	More than 60 days	8	17.39	5	19.23	13	18.06
	Total	46	100.00	26	100.00	72	100.00

SOURCE: Primary Data.

REASONS FOR DELAY IN SANCTIONING THE LOAN

Compared to the commercial banks, the societies usually take more time to sanction the loan. In order to avoid these delays in future, it is imperative to analyze the reasons for such delay. Even though, the reasons for it are too many, the present study confined these reasons to only eleven. These eleven reasons are identified with the help of reviews (Lal and Lavania, 1986; Singh et al., 1989; and Palanisamy et al., 1991). The employees were asked to rate the above said eleven reasons at five point scale with options highly agree, agree, moderate, disagree and highly disagree. The scores assigned on the scales were 5,4,3,2 and 1 respectively. The mean scores of the reasons have been calculated to exhibit their importance.

Table No. 2.: Reasons for Delay in Sanctioning the Loan

Sl. No.	Reasons	Mean Score		
		Societies at Nagercoil	Societies at Thuckalay	't'-Statistics
1.	Partially filled application	3.4508	3.6833	-0.3199
2.	Approval from societies	3.7881	3.0672	0.9697
3.	Influence of union	2.9193	2.7336	0.3492
4.	Lack of supporting document	3.8182	3.4569	0.5608
5.	Lack of income proof	3.6903	2.9987	1.2962
6.	Official formalities	2.5783	3.6069	-1.9907*
7.	Political pressure	2.6811	2.8084	-0.3126
8.	Non response from members	3.0234	3.1143	-0.1134
9.	Lack of guarantor certificate	3.4341	2.9091	0.7089
10.	Chairman's remarks	3.8217	2.9843	2.1141*
11.	Official influence	2.9106	3.2491	-0.4046

* Significant at five per cent level.

Table 2 indicates the important reasons for delay in sanctioning of the loan by the societies. In the societies at Nagercoil, the highly viewed reasons for such a delay were chairman's remarks, lack of supporting document and approval from the societies since their mean scores were 3.8217, 3.8182 and 3.7881 respectively, whereas not seriously viewed reasons were official formalities and political pressure, since the respective mean scores were 2.5783 and 2.6811. In the societies at Thuckalay, the seriously viewed reasons were partially filled applications, official formalities and non-response from members, since the mean scores were 3.6833, 3.6069 and 3.1143 respectively. The lesser viewed reasons were influence of union and political pressure, since the respective mean scores were 2.7336 and 2.8084. Regarding perception about the reasons, the significant differences among the employees in two groups of societies are noticed in the case of official formalities and Chairman's remarks, since the respective 't' statistics were significant at 5 per cent level.

IMPORTANT FACTORS FOR DELAY IN SANCTIONING THE LOAN

Factor analysis was administered to identify the important factors leading to delay in sanctioning the loan. It results in three important factors namely borrowers, official and social. The factor loading of the reasons in each factor and their reliability coefficient are presented in Table 3.

The extracted three factors by the factor analysis explain the eleven reasons for delay in sanctioning the loans to the extent of 66.17 per cent. The most important factor leading to the delay is 'borrowers', since its Eigen value and the per cent of variation were 3.0962 and 24.25 per cent respectively. It consists of five variables with the reliability coefficient of 0.7309. The second important factor was 'official' factor. It consists of three variables with the reliability coefficient of 0.7524. The Eigen value and the per cent of variation of this factor were 2.1676 and 21.69 per cent respectively. The last factor identified by the factor analysis was 'social' factor which consists

Table No. 3 : Factor Loading of the Reasons for Delay in Sanctioning of Loan

Factors (Eigen value)	Reasons	Factor loading	Reliability coefficient	Per cent of variation
Borrowers (3.0962)	Partially filled application	.9021	0.7309	24.25
	Lack of supporting document	.8173		
	Lack of income proof	.7304		
	Non response from members	.6557		
	Lack of guarantor certificate	.6338		
Official (2.1676)	Approval from societies	.8909	0.7524	21.69
	Official formalities	.8134		
	Chairman's remarks	.7568		
Social (1.4502)	Influence of union	.8447	0.8717	20.23
	Political pressure	.8062		
	Officers' influence	.7608		

of three variables with the reliability coefficient of 0.8717. The Eigen value and the per cent of variation explained by this factor were 1.4502 and 20.23 per cent respectively. The very important reasons in the above said three important factors were partially filled application, approval from societies and the influence of union.

ASSOCIATION BETWEEN THE PROFILE OF EMPLOYEES AND THEIR PERCEPTION ON REASONS FOR DELAY

The profile of the employees may have its own role in their perception about the reasons for delay in sanctioning loan. So the present study has made an attempt to analyze the significant association between the profile of the employees and their perception on the factors leading to delay was drawn from the mean scores of the various reasons for delay in each factor. In order to find out the association, the one way analysis of variance was applied. The resulted 'F' statistics are presented in Table 6

Table No. 4 : Association between the Profile of Employees and their Perception on Delay in Sanctioning of Loan

Sl. No.	Profile Variables	F-statistics		
		Borrowers	Official	Social
1.	Gender	2.8681	3.9801*	2.4068
2.	Age	2.0786	2.8677*	3.1142*
3.	Level of education	2.9291*	2.3781*	2.7081*
4.	Years of experience	2.0114	1.8681	2.6408*
5.	Monthly income	2.3417	2.5496*	2.8331*
6.	Banking orientation	2.7882*	2.5093*	3.0193*

*Significant at 5 per cent level

Regarding the perception on the borrowers, the significant difference among the staff was identified when they were classified on the basis of their level of education and banking orientation since the respective 'F' statistics were significant at five per cent level. The significant associating profile variables in the perception on the official factor leading to delay were gender, age, level of education, monthly income and banking orientation since the respective 'F' statistics were significant at 5 per cent level. In the perception of 'Social' factor, the significantly associating profile variables were age, level of education, years of experience, monthly income and banking orientation.

SUGGESTIONS

Based on the findings of the study, the following suggestions are to be carried out to strengthen the E.C.T.C.S.

One of the main weaknesses of E.C.T.C.S is the lack of professionalism due to which, in many cases, the Board cannot make efficient use of funds. The National and State level apex bodies should take initiatives to introduce professionalism in their member societies by providing training so that the societies can use their funds effectively in these days of competition.

An advisory body may be formed with professional persons either from the Board of Directors or from outside. For example, an accountant, a lawyer or a financial expert may be included in this body.

To face competition, the cooperative societies should make the best use of information technology and computerize their functioning at the earliest.

Elections should be conducted regularly. The Boards should be given freedom with regard to decision-making and steps should be taken to overcome political interference.

To make the cooperative societies more efficient, management audit should be conducted every year. Cooperative societies should be encouraged to avail loans from outside financial institutions.

Quick sanctioning of loan is very essential for the societies to face the competition from private banks and commercial banks. Loan sanctioning formalities may be reduced to facilitate the societies to sanction loan within a few days.

The present study concludes that the performance of the Employees Cooperative Thrift and Credit Societies are better than other cooperative societies. If the problems are properly rectified by the concerned authorities, the prospects of these societies will be exemplary.

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Table no 10 shows a disagreement on the treatment of stock of small companies riskier than the stock of big companies. It is viewed that 26 % investor respondents strongly disagree that stock of big companies are less risky than the stock of small companies. 22.67% also disagree with less degree. But 42 % respondents agree with the statement. Again 9.33 % people have no opinion to share.

SUMMARY AND CONCLUSION

The behaviour of markets, which are composed of both rational and noise traders, is not well understood. Behavioural Finance studies the irrational behaviour of investors in the market based on a mental bias. It also explains the factors responsible for such behaviour. Behavioral finance rests on the pillars of limits to arbitrage and investor psychology.

It is observed that majority of the investors believe that security of the investment is the first priority. Further if investors make profits, they relate the profit with own analysis and evaluation but if they loose money in the market, they try to make the other person responsible for the loss. They also claim that emotions are not effective while making investment decision. Investors also prove the disposition effect, when wide majority claim that in case of uncertainty, they prefer to sell profit making stocks. They also believe that under uncertain market conditions they buy a share, which remained profitable for them in past also. Majority of investors also believe that in case of availability of plenty investment options, rational decision making is a better option. Reverting of any investment decision should be based on the goodwill of the company, and a vast majority accepts it. Investors are more or less divided on two different issues of dealing with the emotions of joy of gratification and regret of loss and believing that big companies are less risky than smaller companies. Investors at various places acknowledge the role of emotions and irrational behavior and accepted that some time they are not fully logical. It is finally concluded that behavioural aspect of investors is evident in the survey analysis.

Only two things are infinite, the universe and human stupidity, and I'm not sure about the former.

Albert Einstein

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