Borrower's Level Of Satisfaction About Loan At Co-Operative Banks

Dr. P. PRAVEEN KUMAR

Asst. Professor

Saveetha School of Management,

Saveetha Institute of Medical and Technical Sciences, Chennai – 77.

Mail Id: *praveenkselva@gmail.com*

Mobile: *8883558355*

Ms. NUSRATH FATHIMA. R

Student,

Saveetha Institute of Medical and Technical Sciences, Chennai – 77.

Mail Id: *nusrathfathi16@gmail.com*

Mobile: *9123522912*

ABSTRACT

The banks offer loans and advances which are advantageous to the individuals as well as companies in a greater extent. The bank financing plays a most momentous task in the progression and diversification of businesses. This enables the firms to congregate their short term and long term needs on the basis of money. Non-Performing Assets (NPA) being the major reason for monetary gloominess. It replicates on credit value of our financial system during natural disasters, industrial sickness and changes in political party. Owed to a demand in the economy, present study shows interest in gathering information from a customer of banking sector regarding their satisfaction level about loan to recognize their repayments. The loan should be intended for each customer and in addition, the bank ought to be capable of satisfying the customers. Results argue that majority of the borrowers are satisfied with loan processing system and repayment mechanism.

INTRODUCTION

The loans are kind of advances provided to the required party in order to make an explicit purchase for their personal or business needs. These loans can be paid in a restricted quantity of installments. It is mandatory that each and every financial institution must have a systematic loan review process. The Non-Performing Assets (NPA) directly has an effect on interest rate as well as on pledged jewellery and receiving credit or scrounging from the bank. NPA must require to get dwindled by every year. The banks must think regarding the capacity of loan ought to be provided on the foundations of repayment capacity. The economic welfare in a straight line deals on all individual life style in addition to the pattern of the spending. Owing to non- payment of the loan, bank faces massive slaughter from their side. These become ineffective property or burden for the banks. Thus, due to amplified demand, every individual are forced to approach the banks for procuring loans. It is the responsibility of the banks to have some quantity of the capital as reserve in order to restore the non-payable loans. The banking sector is specially having high collision on standard living of each individual and moreover it reproduces on the earnings of every economy. The spending for societal advantages gets exaggerated due to NPA augmentation. This results in poor societal development association.

REVIEW OF LITERATURE

Yan et al. (2018) explain about enhancing relationship between borrowers and lenders by scrutinizing the big data. The study projects an approach based on the motivation that utilizes text mining in addition to classifier techniques in order to recognize the drive of lenders and borrowers.

Maier (2016) puts forward crowd lending platforms required to kick off the double switching behaviour. The study illustrates that the crowd lending is done mainly for simplicity, flexibility, rapidity and process transparency. The verdict of the study demonstrates the satisfaction on crowd funding and switching of financial services.

Bai and Lu (2018) elaborate the method of undesirable selection in credit market using mortgage applications as sample which are permitted by the lenders but are rejected by applicants. The results of the study reveal that low risk applicant is more probable to reject loan offer unless the offer is given by informed lender.

Dia and Vanhoose (2018) examined the interface among the market competition, costs for fixed regulatory compliance, capital regulation, monitoring decisions and portfolio of the banks. The study investigates the interaction among impacts of modifications in the direction of degree of competition and capital requirements regulation that will manipulate the bank choices and market outcomes.

Walks (2018) presented data with descriptive and inferential analyses to exhibit the relationship among the stages of automobile dependence in addition to burdens of household indebtedness.

Been at al. (2013) sculpt the upshots of the delinquent mortgage loans. The study observed the impacts of servicer, property, borrower, loan and neighborhood. The results make it evident that the characteristics of high risk loan are less expected that the loan is customized.

Bhuiyan and Ivlevs (2018) discussed that the female entrepreneurs of microcredit are highly pleased with the financial security and life achievement. Grimsby (2018) studied that in which way the firms having publicly subsidized loans of innovation execute relative to relevant groups of control. The spillover effect is usually greater for the welfare enhancing programs.

Bouwens and Kroos (2018) scrutinized the impact of allotment of the decision rights on outcome of loan through utilizing data from bank. Kim et al. (2014) portray that withstanding the battery of the robustness tests embraces utilization of alternative database that acquire the impact of 2008 financial crisis and financing alternatives.

Salleh et al. (2014) exemplify viability of the leveraged circuit that is interest free. The prior efficiency consuming net present values are elaborated in the study. The decrees of the study points out that pareto-efficiency of interest liberated circuit is in disparity for challenging interest bearing proposals of payday lenders as well as the mainstream financiers.

Lee et al. (2016) probe the aspects that are affecting housing tenure choice. It is clear that household sector term choices fluctuate on the basis of administrative regions. The housing purchases usually increases with the greater accessibility to the private loans.

Chemla and Hennessy (2016) discussed that the privately conversant firm alarms debt to speculator as well as the investors in safe assets. The study expressed that government can improve the wellbeing by questioning safe bonds along with crowding out risky debt. The study also explains that the Government may possibly diminish the risky debt and portfolio distortions which lessen the investments.

BORROWER'S LEVEL OF SATISFACTION ABOUT LOANS

In order to capture loan borrower's responses on level of satisfaction, questionnaire has been developed with the combination of categorical and metric variables. Categorical variables include gender, occupation, age and educational qualification of borrowers. This study focuses on the borrowers of co-operative banks in Chennai, India. Responses were measured using analysis of mean, frequency, factor, cluster and variance. Borrower's details are displayed in Table 1.

Table 1: Demographic Details of Borrowers

Gender	***Frequency***	***%***	***Age***	***Frequency***	***%***
Male	35	61.4	Less than 25 years	12	21
Female	22	38.6	25 to 35 years	22	38.6
Total	57	100.0	More than 35 years	23	40.4
Occupation	***Frequency***	***%***	*Total*	57	100.00
Employed - Private sector	11	19.3	***Education Qualification***	***Frequency***	***%***
Employed - Public sector	17	29.8	UG	28	49.1
Business	10	17.5	PG	17	29.8
Others	19	33.4	Others	12	21.1
Total	57	100.0	*Total*	57	100.0

Responses have been captured from 57 borrowers. Out of which 61.4 percent (35) are male and 22 are female. Around 80 percent of the borrowers are greater than 25 years old. Public sector employees (29.8 percent) prefer co-operative banks for taking loans. Educated people are rushing to co-operative banks with several agendas. Their responses on satisfaction level are compiled in Table 2.

Table 2: Borrower's Level of Satisfaction about Loans

S. No.	***Level of Satisfaction about Loans***	***Mean***	***Rank***
1.	Complete information is given regarding the loan obtained (Information)	2.82	10
2.	Processing time taken by the bank for sanction is fitting (Time)	3.25	2
3.	Documents asked by the bankers for sanctioning the loan are tolerable (Documents)	3.12	8
4.	Interest charged by bankers against the loan is affordable (Interest)	3.04	9

5.	Collateral security for the loan amount is realistic (Security)	3.14	7
6.	Mode of repayment of loan is trouble-free (Mode of Repayment)	3.18	6
7.	It is easy to meet the bank officers in the branch (Accessibility)	3.19	5
8.	While sanction of loans, bankers show preferences (Partiality)	3.23	4
9.	Repayment schedule is good (Schedule)	3.25	2
10.	Bankers are promoting all types of loans in the bank (Promotions)	3.86	1

Mean value of promotions (3.86) is greater than time and schedule (3.25), partiality (3.23), accessibility (3.19), mode of repayment (3.18), security (3.14), documents (3.12), interest (3.04) and information (2.82). Loan officers spend time in promoting all types of loans offered by their bank where as they fail to provide complete information about specific loan.

This study uses ten variables to measure borrower's level of satisfaction about loans. Factor analysis tries to measure similarities of ten variables and group them into factors.

Table 3: KMO & Rotation Sums of Squared Loadings

Component	*KMO*	*Total*	*% of Variance*	*Cumulative %*
1	0.657	3.105	31.045	31.045
2		2.170	21.701	52.746

Table 3 shows two components with KMO value of 0.657 and cumulative percent of 52.746. It argues that factor analysis categorized ten variables into 2 factors. The value of KMO (>0.6) highlights that data from 57 respondents is sufficient for running factor analysis. The analysis also points that these two factors explain 52.7 percent of variance.

Table 4: Rotated Component Matrix

S. No.	*Level of Satisfaction about Loans*	*Component*	
		Processing	*Repayments*
1	It is easy to meet the bank officers in the branch (Accessibility)	0.763	-
2	Complete information is given regarding the loan obtained (Information)	0.752	-
3	Processing time taken by the bank for sanction is fitting (Time)	0.718	-
4	Documents asked by the bankers for sanctioning the loan are tolerable (Documents)	0.690	-
5	Bankers are promoting all types of loans in the	0.591	-

	bank (Promotions)		
6	Collateral security for the loan amount is realistic (Security)	0.552	-
7	Mode of repayment of loan is trouble-free (Mode of Repayment)	-	0.866
8	While sanction of loans, bankers show preferences (Partiality)	-	0.840
9	Interest charged by bankers against the loan is affordable (Interest)	-	0.511
10	Repayment schedule is good (Schedule)	-	0.497

Table 4 thrashes out the details of categorization. Variables related to loan processing namely accessibility, information, time, documents, promotions and security appear in factor 1. Whereas, factor 2 holds variables related to loan repayments namely mode of repayment, partiality, interest and schedule.

In this section, cluster analysis is applied to group the borrowers based on their responses towards level of satisfaction about loans at co-operative banks. The results of cluster are explained in Table 5.

Table 5: Final Cluster Centers

Level of Satisfaction about Loans	***Clusters***		
	Low Satisfaction	***Medium Satisfaction***	***High Satisfaction***
Processing	2.48	2.80	3.93
Repayments	1.95	3.39	3.49
Number of Cases	10	22	25

Table shows three sets of cluster with cases of 10, 22 and 25 respectively. The borrowers were grouped based on their responses. Out of 57 borrowers, 10 are less satisfied with loan processing system and repayment mechanisms. Majority of the borrowers (25) are highly satisfied with loans provided by co-operative banks in Chennai. The disparity between borrower's demographic details and their level of satisfaction on loans is gauged by analysis of variance (ANOVA).

Table 6: Demographic Details of Borrowers Vs Level of Satisfaction about Loans

Level of Satisfaction about Loans	***Age – F Value***	***Educational Qualification – F Value***	***Occupation – F Value***
Processing	1.394	1.764	1.502
Repayments	0.841	2.159	1.340

***5 percent sig. level*

Table 6 shows F value from results of ANOVA. It is clear that F values are insignificant at five percent level. Results conclude that irrespective of demographic profile, responses remain constant.

CONCLUSION

A separate department can be provided for maintenance of loan activities. Subsequently, this can assist in giving information about credit worth, trends in portfolios, procedures and policies. This will possibly weaken the difficulties in fiscal terms and adhere effectiveness. The initial step taken to trim down NPA is to condense loan sanctioning quantity and payback period should be unmitigated. Banks must be careful in getting additional detail with reference to the customer who stipulate for loan. The banks must know about their repayment capacity before providing loan. The bank be supposed to ponder on plummeting interest therefore it can assist the customers to pay back their loans. The excess payment and surplus burden lead to the non-payment.

REFERENCES

1. *Bai, Y., & Lu, L. (2018). Households rejecting loan offers from banks. Journal of Banking & Finance.*
2. *Been, V., Weselcouch, M., Voicu, I., & Murff, S. (2013). Determinants of the incidence of US mortgage loan modifications. Journal of Banking & Finance, 37(10), 3951-3973.*
3. *Bhuiyan, M. F., & Ivlevs, A. (2018). Micro-entrepreneurship and subjective well-being: Evidence from rural Bangladesh. Journal of Business Venturing.*
4. *Bouwens, J., & Kroos, P. (2018). The effect of delegation of decision rights and control: The case of lending decisions for small firms. Management Accounting Research.*
5. *Chemla, G., & Hennessy, C. A. (2016). Government as borrower of first resort. Journal of Monetary Economics, 84, 1-16.*
6. *Dia, E., & VanHoose, D. (2018). Fixed costs and capital regulation: Impacts on the structure of banking markets and aggregate loan quality. Journal of Financial Stability, 36, 53-65.*

7. *Grimsby, G. (2018). Partly risky, partly solid–Performance study of public innovation loans. Research Policy, 47(7), 1344-1365.*
8. *Kim, M., Surroca, J., & Tribó, J. A. (2014). Impact of ethical behavior on syndicated loan rates. Journal of Banking & Finance, 38, 122-144.*
9. *Lee, C. C., Ho, Y. M., & Chiu, H. Y. (2016). Role of personal conditions, housing properties, private loans, and housing tenure choice. Habitat International, 53, 301-311.*
10. *Maier, E. (2016). Supply and demand on crowdlending platforms: connecting small and medium-sized enterprise borrowers and consumer investors. Journal of Retailing and Consumer Services, 33, 143-153.*
11. *Salleh, M. O., Jaafar, A., & Ebrahim, M. S. (2014). Can an interest-free credit facility be more efficient than a usurious payday loan?. Journal of Economic Behavior & Organization, 103, S74-S92.*
12. *Walks, A. (2018). Driving the poor into debt? Automobile loans, transport disadvantage, and automobile dependence. Transport policy, 65, 137-149.*
13. *Yan, J., Wang, K., Liu, Y., Xu, K., Kang, L., Chen, X., & Zhu, H. (2018). Mining social lending motivations for loan project recommendations. Expert Systems with Applications, 111, 100-106.*