



DCCBs Loan Disbursement Problems and Prospects with Reference Nizamabad District Beneficiaries – A Study

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ABSTRACT

The central theme of this study is to explore the problems experienced by the beneficiaries of DCCBs in availing of loans and suggesting the measures to overcome the issues. The study adopted the exploratory research approach for the examination of framed objectives. The study considered the convenient sampling method and collected the primary data with drafted questionnaire. The study identified the key problems through the statistical method of exploratory factor analysis and result reveals that delay in loan and cumbersome lending procedure with higher interest rates are acting as hurdle for the beneficiaries in availing of loans.

Key Words: DCCB, banking, technology.

INTRODUCTION

The District Central Co-operative Banks situated at the center of the three tier structure of co-operative credit in Telangana region have been playing a crucial role in promoting agriculture and allied activities by purveying credit to the needy through Primary Agricultural Co-operative Societies (PACS). These banks (DCCBs) act as friend, philosopher and guide to the entire cooperative movement in the district, for they not only safeguard the interests of the PACS but also various other types of credit and non- credit societies in the district. It was propose to examine the problems faced by DCCBs concerning to administration, management, availability of funds and disbursement of loan and recovery of loan and suggest remedial measure for efficient working of DCCBs in Telangana region. The study mainly focused to know the problems faced by DCCBs in disbursing and recovery of agricultural loans and suggest remedial measure for efficient working of DCCBs in Telangana region has been examined with the primary data.

A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also non- banking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. A banking system also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day. The banking system in India should not only be hassle free but it should be able to meet the new challenges posed by the technology and any other external and internal factors. For the past three decades, India's banking system has several outstanding achievements to its credit. The Banks are the main participants of the financial system in India.

The Banking sector offers several facilities and opportunities to their customers. All the banks safeguards the money and valuables and provide loans, credit, and payment services, such as checking accounts, money orders, and cashier's cheques. The banks also offer investment and insurance products. As a variety of models for cooperation and integration among finance industries have emerged, some of the traditional distinctions between banks, insurance companies, and securities firms have diminished. In spite of these changes, banks continue to maintain and perform their primary role accepting deposits and lending funds from these deposits.

REVIEW OF LITERATURE

Seena (2015) examined the management of agricultural credit and the impact of banking sector reforms on agriculture in an academic article. It is highlighted that the Indian agriculture sector is through a transition era in which heavy use of chemical fertilisers, pesticides, and other agricultural chemicals is lowering soil fertility, while increasing population pressures are exerting persistent pressure on agriculture. "Banking sector reforms including establishing prudential requirements, reducing SLR, CRR, and banking diversification all affect the Indian farm industry," the research says.

In their working paper, **Hoda and Terway (2015)** look at India's lending policy for agricultural. Since the 1980s, India has seen a significant increase in institutional loan sources. In the bulk of the country, non-institutional sources of agricultural lending remain dominant. However, since the formation of NABARD in 1982, there has been a drop in non-institutional loans. The research indicates that institutional lending is gaining traction in rural areas,

indicating that rural banking has a lot of room to grow. Commercial banks have dominated the provision of credit to the agricultural sector. Long-term credit and private capital formation are both on the upswing.

Narayanan (2015) examined in her study the nature of relationship between formal agriculture credit and agriculture GDP in India as well as the role of formal Agriculture credit in supporting agriculture growth using state level panel data covering the period 1995-96 to 2011-12. She adopted a mediation analysis framework to map the pathways through which institutional credit relates to agriculture GDP relying on a control function approach to tackle the problem of endogeneity. She strongly advocated that credit is indeed playing its part of supporting of purchase of inputs and perhaps even aiding the agriculture sector respond to its contextual constraints. She also argued that credit can be performing two roles the preservation of productivity levels by supporting mechanization of certain kinds and secondly contributing to the growth of agriculture GDP through the purchase of variable inputs.

In his scholarly study, **Kaur (2016)** investigates the structure and operation of NABARD. He has analysed NABARD's direct finance and refinancing for agricultural and rural development. The National Bank provides lending facilities to numerous banks around the country through specialised programmes. The study also tries to shed light on the many responsibilities that NABARD plays.

Muneendra and Lakshmi (2016) investigated the impact of NABARD's refinance operations on beneficiaries in Andhra Pradesh's Chittoor area in their article. The authors analysed primary data and concluded that NABARD has provided major refinancing to commercial banks, regional rural banks, and district central cooperative banks in Andhra Pradesh's Chittoor district. The authors argue that the quantum of institutional credit in the Andhra Pradesh district of Chittoor has increased as NABARD has raised the quantum of refinance to its client agencies. The data suggests that in allied activities, loan application, sanctioning, and loan use were better than in small business and agricultural."

In their article, **Bhat and Yadav (2017)** investigate the role of NABARD and SIDBI in the development of Indian microfinance. They claim that over the last two decades, India's microfinance industry has grown tremendously. To enhance the rural economy, the NABARD and SIDBI have promoted microfinance activity in rural areas. "NABARD and SIDBI have improved the microfinance sector and observed large resources being targeted towards meeting the credit needs of the underprivileged," the paper says. It is apparent that the availability of low-cost, hassle-free financing has grown in importance at the grassroots level, and hence NABARD and SIDBI's activities are critical in the development of rural communities.

Madhusudan Ghosh (2017) in his article evaluated rural infrastructure facilities in 16 major states of India and examined their impacts on some income and non-income dimensions of rural development. He noticed that despite several public initiatives for infrastructure development in rural India, facilities continue to be poor and progress has been mostly unsatisfactory with differential performance across states. Estimates of regression coefficients of the composite indices and individual indicators of rural infrastructure revealed that improved physical and social infrastructure and livelihood opportunities enhance agricultural productivity and output, improve literacy and life expectancy, and reduce poverty and infant mortality. His results, showing the relative importance of various infrastructures, suggested that the government should prioritise additional investments in electricity, roads, irrigation, housing and telecommunications to enhance overall well-being

Mahesh and Kumaresan (2018) made an attempt to study working performance of co-operative banking in respect of agriculture credit and rural development. Also, both analysed the growth of these banks in India. Authors studied performance of State Co-operative Agriculture and Rural Development banks based on loans disbursed and loans advanced in major 13 states in India during the year 2015-16. The study revealed that the increase in the level of agricultural loans granted by the co-operative banks positively influence the development of agriculture in India. The state co-operative agriculture and rural development banks have been purveying the credit from the NABARD to the PCARDBS or to the farmers directly through their branches. The SCARDBS including the one in Tamil Nadu have been depending on NABARD and governments for their requirements of finance.

OBJECTIVES OF THE STUDY

1. To identify the problem faced by DCCBs beneficiaries in availing the loan
2. To suggest the recommendations to improve access to credit disbursement

SCOPE OF THE STUDY

The study has focused on the DCCBs beneficiaries problems in availing of loans and remedial measures to improve the credit disbursement. The study has considered the Nizamabad DCCB beneficiaries and collected the primary data.

RESEARCH METHODOLOGY:

The study adopted the exploratory research for the examination of problems and remedial measures of DCCBs credit disbursement.

Sampling Method: The study adopted the convenient sampling method for the collection of primary data in Nizamabad DCCBs beneficiaries' perspective. As the study is limited to Nizamabad district DCCBs loan disbursement issues.

Questionnaire: The study has framed the questionnaire keeping in view of two sections i.e. problems and remedial measures relating to credit disbursement. The study collected the opinion in likert scale structure.

TABULATION OF DATA ANALYSIS

1st Objective: To identify the problem faced by DCCBs beneficiaries in availing the loan

Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's test of Sphericity are applied to identify sample adequacy of data that had considered in study which defines the critical problems faced by the respondents in doing business and results had shown as below.

Table 1 Sample Adequacy Test

Kaiser-Meyer-Olkin		0.806
Bartlett's Test of Sphericity	Approx. Chi-Square	803.138
	df	36
	Sig.	0.000

Source: Primary Data

KMO test calculated value is 0.806, which is above the recommend level (0.70) which signifies adequate of data sampling. Further, Bartlett's test of sphericity indicates that chi square calculated value is greater than critical value that concluded significant of data. Thereby confirming that, challenges and opportunities considered in the study are valid for Factor Analysis.

Table 2 Component Matrix

Factors	Component	
	1	2
Delay in disbursement of loan	0.723	
Inadequate financial knowledge	0.847	
valuation of assets for loans is not justifiable	0.844	
Rigidity in Lending Rates	0.851	
Cumbersome Lending Procedures	0.694	
Lack of Corrective Action on Mis-utilization	0.810	
Waiver Syndrome/ OTS Policy of the Government	0.730	
Natural Calamity and Crop Failure		0.903
Absence of Incentive/ Subsidy for Prompt Repayment		0.907

Source: Primary Data

Table illustrates the principal component analysis used to extract problem faced by DCCBs beneficiaries in availing the loan. The result from the above table is shown below,

Component 1: Under the head 1, Rigidity in Lending Rates, Inadequate financial knowledge, valuation of securities for loans is not justifiable are the problems that have been extracted as high loaded with their factor score as 0.851, 0.847 and 0.844 respectively.

While, remaining moderate loaded factors are scored accordingly such as Lack of Corrective Action on Mis-utilization, Waiver Syndrome/ OTS Policy of the Government and Delay in disbursement of loan, with 0.810, 0.730 and 0.723 respectively. The lower loaded component is Cumbersome Lending Procedures (.694) is considered as less opined challenges.

Component 2: Under this component high loaded factors Absence of Incentive/ Subsidy for Prompt Repayment (.907) Natural Calamity and Crop Failure (.903). All the above factors under the head are considered as important for the problems faced by the beneficiaries of DCCB.

2nd Objective: To suggest the recommendations to improve access to credit for the beneficiaries members of DCCBs.

The study examined the suggestive measures to improve the accessibility of credit from the DCCBs. The study has framed the questions in likert scale structure. The study applied the exploratory factor analysis.

Table –3 Sample Adequacy test

Kaiser-Meyer-Olkin		0.806
Bartlett's Test of Sphericity	Approx. Chi-Square	803.138
	Df	36
	Sig.	0.000

Source: Primary Data

KMO test calculated value is 0.806 that is above the recommend level (0.70) which signifies adequate of data sampling. Further, Bartlett's test of sphericity indicates that chi square calculated value is greater

than critical value that concluded significant of data. Thereby confirming that, challenges and opportunities considered in the study are valid for Factor Analysis.

Table – 4 Component Matrix

	Component	
	1	2
Should Conduct Awareness programs of various schemes	0.715	
Procedure for getting loan should be easily and understandable	0.770	
Cost of loan procedure should be low	0.762	
Interest and other service charges should be reasonable	0.650	-0.523
DCCB should show sincere interest to solve borrowers' plan		0.687
DCCB should implements government sponsored schemes	0.575	0.555
a. 2 components extracted.		

Source: Primary Data

Table illustrates the component of solution/suggestions to DCCBs. The result from the above table is shown below.

Under the head **Component-1**, Procedure for getting loan should be easily and understandable and Cost of loan procedure should be low are the Challenges that has been loaded high with their factor score as 0.770 and 0.762 respectively. While, remaining moderate loaded factors are scored accordingly such as Should Conduct Awareness programs of various schemes and Interest and other service charges should be reasonable 0.715 and 0.650 respectively. These are the core components by the respondents as the study shows high possibility in terms of solution/suggestions to be implemented by DCCB The lower loaded component is Refinancing institution should implements government sponsored schemes (.575) is considered as less opined challenges.

Component 2: Under the head **2**, high loaded factors DCCBs should show sincere interest to solve borrowers' plan (.687)All the above factors under the head are considered as important for overcoming the problems faced by the beneficiaries of DCCB.

FINDINGS OF THE STUDY

1. The crucial problem faced by beneficiaries in availing the loan is "Rigidity in lending rates", which is resulting to a negative aspect in its overall disbursement of loans to the beneficiaries.
2. Delay in disbursement is also one of the major finding as many prospective borrowers gets disappointed with the services being offered and due to this reason many of their dealings remains on halt.
3. Cumbersome Lending Procedures it states that due to huge and unresolved procedures it gets difficult for the borrowers to utilize the services provided by DCCB.
4. The suggestions or recommendation given to DCCB to improve access to credit disbursement Procedure for getting loan should be easily made available to the beneficiaries. As India is the agriculture land, most of the population comprise of agriculturalist, the loan process should be designed in such a manner that any lay man can understand it's benefit and the avail procedure so that the loan can be sanctions to every needy person whose growth is hindered only for the reason of finance.
5. Interest and other service charges should be reasonable as no farmer shall suffer due to financial crisis. It shall be the best opportunity to develop the agriculture sector in order to cater the needs of the rising population and demand accordingly.

CONCLUSION OF THE STUDY

The study focused on the problems encountered by the beneficiary members and suggesting the measures to improve the credit accessibility by over the issues. The study adopted the exploratory research approach for the examination of framed objectives. The study collected the primary data from Nizamabad DCCB members. The main issue for beneficiaries is "Rigidity in lending rates", which has a detrimental impact on the entire distribution of loans. As a result of potential borrowers' dissatisfaction with the services supplied, numerous transactions have been halted. Cumbersome Lending Procedures indicates that large and unsettled procedures make it harder for borrowers to use DCCB services. The beneficiaries should be able to quickly access the DCCB's ideas to enhance credit distribution procedures. Because majority of the population in India is agricultural, the loan process should be developed such that any layman can comprehend the advantage and the avail method, so that any needy individual whose development is hampered by

finances may get a loan. Interest and other fees should be modest so that no farmer suffers. It is the perfect time to boost the agricultural industry to meet the increasing population and demand.

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