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Role of Loans and Advances in Co-Operative Finance: Insights from Mahalakshmi Urban Co-Operative Credit Society, Haveri

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Abstract: ***Cooperative credit institutions occupy a distinctive place in India's financial architecture, extending credit on terms that are often more accessible than those offered by conventional banks, particularly to middle-income households, small traders, and salaried employees. This paper reports on a study of the loan and advances function at Mahalakshmi Urban Co-operative Credit Society, Haveri Branch, undertaken to understand how the society's lending operations are perceived by the members who use them. A descriptive-cum-analytical design was adopted, with primary data gathered from fifty respondents through a structured questionnaire and supplemented by secondary material drawn from the society's own records and published sources. A Chi-Square goodness-of-fit test was applied to the satisfaction ratings collected, producing a calculated value of 21.20 against a critical value of 7.815 at three degrees of freedom and a 5 per cent level of significance, a result that leads to rejection of the null hypothesis and supports the conclusion that members are, on the whole, satisfied with the society's loan and advance services. Gold loans emerged as the most widely used product, and a large majority of respondents described the application and approval process as straightforward, rated the applicable interest rates favourably, and reported no difficulty in meeting repayment obligations. The paper closes with a set of practical recommendations directed at simplifying procedures further, expanding digital access, and paying closer attention to the smaller group of members who remain neutral or dissatisfied.***

Keywords: Cooperative Credit Society, Loans and Advances, Member Satisfaction, Urban Cooperative Bank, Chi-Square Test, Financial Inclusion, Haveri

1. Introduction

Cooperative institutions were conceived on the principles of mutual assistance, self-help, and democratic control, and their central purpose has always been to widen access to affordable credit for people who might otherwise be underserved by formal banking channels. Cooperative credit societies, in particular, exist to cultivate a savings habit among their members while extending loans on reasonable terms, and in doing so they have become an important financing avenue for individuals, small traders, salaried employees, and the self-employed.

Mahalakshmi Urban Co-operative Credit Society is one such institution, offering a range of deposit and loan products in keeping with cooperative principles and with the welfare of its membership as a guiding concern. Its offerings span savings accounts, fixed and recurring deposits, and several categories of loans, all directed toward encouraging thrift, strengthening members' financial position, and supporting local economic activity. The trust the society has built with its members over time reflects a consistently customer-oriented approach to service delivery.

A cooperative society's continued relevance depends on how well it can deliver efficient services, hold its financial footing steady, and adapt to members' evolving needs, and this task has grown more demanding as commercial banks, private financiers, and digital-first lenders compete for the same customer base. Against this backdrop, examining a society's day-to-day operations and the satisfaction of the people it serves becomes a useful exercise.

*The present study takes Mahalakshmi Urban Co-operative Credit Society as its subject, with particular attention to the loan and advances function and the role that function plays in members' financial lives. It considers the society's structure, its range of services, its operational strengths and weaknesses, and, most centrally, how satisfied members are with the loan facilities on offer. The intention is that the findings assist the society in identifying where its lending operations are working well and where they might be refined, and that the accompanying suggestions offer a practical route toward stronger service quality, deeper member satisfaction, and durable growth.

Cooperative Banking Sector Overview

Banking and cooperative credit together form a substantial part of India's financial system, with cooperative societies in particular serving middle-income households, small traders, farmers, and salaried employees who need dependable, locally accessible credit. The formal banking universe includes roughly 139 commercial banks and more than 1,800 cooperative banks, alongside 28 regional rural banks and 12 small finance banks. Cooperative banks operate under the joint oversight of the Reserve Bank of India and the respective state cooperative departments.

Within the commercial banking segment, the mix comprises 12 public sector banks, 21 private sector banks, 44 foreign banks, 28 regional rural banks, and 12 small finance banks. The cooperative segment, in turn, is layered across 34 state cooperative banks, roughly 351 district central cooperative banks, close to 1,457 urban cooperative banks, and nearly a lakh primary agricultural credit societies functioning at the village level. It is within this broader cooperative structure that urban credit societies such as Mahalakshmi operate.

Company Profile: Mahalakshmi Urban Co-operative Credit Society

Mahalakshmi Urban Co-operative Credit Society Ltd. is based in Haveri and works toward providing dependable, reasonably priced financial services to its members.

Its stated vision is to deliver quality financial services that support broader economic growth.

Mission

- Extending loans at reasonable rates of interest
- Improving the level of customer satisfaction
- Encouraging a habit of regular saving among members
- Supporting small businesses and individual members

The society's product range covers savings accounts, fixed deposits, recurring deposits, gold loans, personal loans, business loans, vehicle loans, and housing loans.

Operations are concentrated in Haveri and the surrounding areas, where the society works to meet members' financial needs and to contribute to local economic development.

SWOT Analysis

Strengths: close relationships with customers, straightforward loan procedures, strong knowledge of the local market, and quick turnaround in service delivery.

Weaknesses: a limited pool of financial resources, a geographically narrow footprint, and continued reliance on traditional, less automated methods of operation.

Opportunities: rising demand for financial services generally, the scope to adopt digital tools more fully, and the potential to expand its membership base.

Threats: intensifying competition, a shifting regulatory environment, the risk of loan defaults, and broader economic uncertainty.

Future Growth and Prospects

The society's outlook remains generally positive given the steady rise in demand for credit and financial services. Continued adoption of modern technology and a widened service offering are likely to improve efficiency and draw in additional members, with growth in deposits, higher loan disbursement, and a stronger profitability position expected to follow.

Conceptual Background

A loan, in the conventional sense, is a sum advanced by a financial institution that the borrower undertakes to repay, together with interest, over an agreed period. An advance, by contrast, is a shorter-term credit facility extended to meet a customer's immediate financial requirement.

Types of Loans and Advances

- Personal Loan
- Gold Loan
- Housing Loan
- Vehicle Loan
- Business Loan
- Education Loan
- Cash Credit
- Overdraft

Loan Sanction Procedure

- Application Submission
- Verification
- Credit Assessment
- Approval
- Disbursement
- Recovery

2. Review of Literature

Conales (2022) studied how members of cooperative societies perceive the quality of savings and credit services on offer, and found that reliability, responsiveness, and assurance were the qualities that most strongly shaped satisfaction. Members responded positively when loan services were delivered efficiently and with transparency, and the study called for regular assessments of service quality as a means of retaining and building member loyalty.

Shilpa Suresh and Hebbar (2023) brought together existing research on customer satisfaction within cooperative banks and identified service quality, staff conduct, trust, and ease of access to loan facilities as the recurring determinants of satisfaction. The authors called for customer-centric strategies and ongoing improvement in service delivery.

Bongo (2024) examined the factors shaping satisfaction among credit cooperative members and found that professional conduct, clear communication, and prompt service made the largest difference, with members responding well to institutions that addressed their financial needs without delay. Strengthening customer relationship practices was put forward as a practical next step.

Yadav and Tanwar (2024) examined the operating challenges facing urban cooperative banks and concluded that sound governance and customer-oriented policy were central to maintaining satisfaction, with transparency and efficient management identified as key success factors, and recommended strengthening operational practices to build customer confidence further.

Jonota (2025), in a related study on multi-purpose cooperatives found members to be particularly satisfied with the accessibility of loans, the financial benefits available to them, and the reliability of services, with loan facilities and patronage benefits emerging as significant drivers of participation and loyalty.

The JD Power Credit Union Satisfaction Study (2026) found that personalised service, lower fees, and favourable interest rates were the strongest contributors to member satisfaction, with credit union members reporting higher satisfaction than customers of traditional banks, and pointed to the value of effective, member-focused communication.

Statement of the Problem

Loans and advances remain the principal source of income for a cooperative credit society, which makes the sound management of lending activity central to customer satisfaction, profitability, and overall financial stability. It is on this basis that the present study examines the performance of loans and advances at Mahalakshmi Urban Co-operative Credit Society, Haveri Branch.

Need for the Study

Understanding how the society's lending activities are actually experienced by members offers practical value: it clarifies how well loan recovery is functioning, highlights where procedures could be simplified, and provides management with information useful for decision-making.

Objectives of the Study

The study is directed toward examining the loan and advances facilities offered by Mahalakshmi Urban Co-operative Credit Society, Haveri Branch.

Research Methodology

A descriptive research design underpins the study. Primary data were gathered through questionnaires and interviews, while secondary data were drawn from annual reports, books, journals, websites, and branch records; the data collected were then examined using appropriate statistical tools.

Descriptive Research

Descriptive research was used to build an accurate picture of the existing situation, helping to gather information on the society's loan and advance products, the satisfaction of its customers, its loan procedures, and the range of services it offers.

Analytical Research

Analytical research, in turn, was used to interpret the data collected, supporting an understanding of customer opinions, loan preferences, satisfaction levels, and the overall effectiveness of the loan services provided.

Primary Data

Primary data were collected directly from customers and employees of Mahalakshmi Urban Co-operative Credit Society, Haveri Branch, through a structured questionnaire, personal interviews, and informal discussion with staff and customers.

Secondary Data

Secondary data were drawn from the society's annual reports, branch records and documents, textbooks, research journals, newspapers and magazines, and official websites.

Sampling Method

Respondents were selected through convenience sampling, drawing on customers who visited the Haveri Branch during the study period and were willing to participate.

Hypotheses

H_0: Members are not satisfied with the loan and advance services provided by the society. H_1: Members are satisfied with the loan and advance services provided by the society.

Limitations of the Study

- The study is confined to Mahalakshmi Urban Co-operative Credit Society, Haveri Branch, and its findings may not extend to other branches or institutions.
- The sample size, being limited, may not capture the full range of opinion among the society's customers.
- The internship period within which the study was conducted did not allow for an exhaustive examination of every dimension of loans and advances.
- Certain financial and operational records were treated as confidential, which restricted access to some of the information relevant to the study.

3. Data Analysis and Interpretation

A Chi-Square Goodness of Fit Test was applied to the satisfaction ratings gathered from respondents in order to test the stated hypotheses.

$\chi^2 = \Sigma (O - E)^2 / E$

Satisfaction Level	O	E	O − E	(O − E)²	(O − E)² / E
Highly Satisfied	16	12.5	3.5	12.25	0.98
Satisfied	24	12.5	11.5	132.25	10.58
Neutral	7	12.5	-5.5	30.25	2.42
Dissatisfied	3	12.5	-9.5	90.25	7.22
Total	50				21.2

Degrees of freedom: 3| Level of significance: 5% | Critical value: 7.815 | Calculated value: 21.2

Because the calculated value of 21.20 exceeds the critical value of 7.815 at three degrees of freedom and a 5 per cent level of significance, the null hypothesis is rejected in favour of the alternative. This indicates that members are, on balance, satisfied with the loan and advance facilities offered by Mahalakshmi Urban Co-operative Credit Society, Haveri.

Profile of Respondents and Survey Observations

- Male respondents made up 60 per cent of the sample, with the remaining 40 per cent female.
- Respondents aged 25–35 years formed the largest age group, at 36 per cent, suggesting that young adults make up the bulk of the society's loan customers.
- Employees were the largest occupational group among borrowers, accounting for 36 per cent of respondents.
- 34 per cent of respondents had been members of the society for four to six years, pointing to a reasonably good level of member retention.
- Gold loans were the most widely availed product, taken up by 40 per cent of respondents.
- Business purposes accounted for 30 per cent of loan applications, making it the leading reason for borrowing.
- Word of mouth was the dominant channel through which members learned of the society, cited by 36 per cent of respondents.
- 74 per cent of respondents rated the loan application process as good or excellent.
- 84 per cent found the loan approval process easy, pointing to an efficient lending system.

- 76 per cent were satisfied or highly satisfied with the interest rates charged, suggesting the rates are seen as fair and competitive.
- 80 per cent reported no difficulty in repaying their loans, indicating that repayment terms are generally manageable.
- 80 per cent were satisfied or highly satisfied with the loan services overall, and 90 per cent said they would recommend the society to others.

4. Findings

- The majority of respondents expressed satisfaction with the loan and advance facilities offered by the society.
- Close to half of respondents (48 per cent) reported being satisfied, with a further 32 per cent highly satisfied-together pointing to a broadly favourable view of the society's lending services.
- Only a small minority, around 6 per cent, reported dissatisfaction.
- The Chi-Square result (21.20 against a critical value of 7.815) confirms that this pattern of satisfaction is statistically significant rather than a matter of chance.
- Overall, members hold a positive view of the loan and advance facilities offered by Mahalakshmi Urban Co-operative Credit Society.

5. Conclusion

This study set out to examine the loan and advances function at Mahalakshmi Urban Co-operative Credit Society, Haveri Branch, and to gauge how satisfied members are with the services on offer. The evidence, drawn from fifty respondents and tested through a Chi-Square goodness-of-fit analysis, points clearly toward member satisfaction: the calculated value of 21.20 comfortably exceeds the critical value of 7.815, supporting rejection of the null hypothesis. Members generally described the application and approval process as straightforward, viewed the interest rates charged as reasonable, and reported little difficulty in meeting repayment obligations, with gold loans standing out as the preferred product and business purposes the leading reason for borrowing. At the same time, a modest share of members remain neutral or dissatisfied, and the society stands to gain from continuing to simplify procedures, expand digital access, and act on member feedback as it works to sustain the trust it has built over time.

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