A Study on Loan Management and Factors Affecting Repayment Performance in Souharda Cooperative Societies

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***Abstract*—Souharda Cooperative Societies play an important role in providing financial assistance through various non-agricultural loans such as business, vehicle, housing, gold, and personal loans. Effective loan management is essential for maintaining financial stability and reducing the risk of loan defaults. The present study focuses on the loan management practices adopted by Souharda Cooperative Societies and the factors affecting repayment performance of borrowers. The study is based on both primary and secondary data collected through questionnaires, journals, annual reports, and previous studies. The findings reveal that proper sanctioning procedures, borrower appraisal, documentation, guarantor systems, monitoring, and recovery mechanisms help improve repayment discipline and reduce default risk. The study also identifies factors such as low income, business losses, high interest rates, family responsibilities, medical emergencies, and poor financial planning as major causes of repayment difficulties among borrowers. Further, the Chi-Square test indicates that there is no statistically significant relationship between income level and repayment frequency. The study concludes that effective loan management practices and borrower financial awareness are essential for improving repayment performance and ensuring financial sustainability in Souharda Cooperative Societies.**

***Index Terms*—Loan Management, Repayment Performance, Souharda Cooperative Societies, Financial Stability**

I. INTRODUCTION

Souharda Cooperative Societies play an important role in promoting financial inclusion and supporting the economic development of members, especially in rural and semi-urban areas. These societies provide various financial services such as savings facilities and loans to meet the changing needs of people. In recent years, non-agricultural loans like business loans, vehicle loans, housing loans, gold loans, and personal loans have increased significantly due to diversification of occupations and rising financial requirements.

Effective loan management is essential for the financial stability of Souharda Cooperative Societies. Loan management includes proper sanctioning, monitoring, and recovery of loans to reduce credit risk and improve repayment performance. Proper documentation, verification, and regular follow-up help societies maintain healthy loan portfolios.

Repayment performance is influenced by factors such as income level, business conditions, family expenses, multiple borrowings, and economic instability. Poor repayment may lead to defaults and affect the financial sustainability of cooperative institutions.

The present study focuses on understanding the loan management practices adopted by Souharda Cooperative Societies and identifying the major factors affecting repayment performance of borrowers. The study helps in understanding how effective management practices contribute to better loan recovery and financial stability.

A. Objectives of The Study

- To know the management practices adopted for sanctioning, monitoring and recovery of loans.
- To identify the factors affecting the repayment of loans by borrowers.

B. Need for The Study

Souharda Cooperative Societies play a significant role in providing non-agricultural loans for business, housing, vehicle purchase, and other personal needs. With the increasing demand for such loans, effective loan management has become essential to maintain financial stability and reduce the risk of loan defaults. Proper sanctioning, monitoring, and recovery practices help cooperative societies improve repayment performance and maintain healthy loan portfolios.

The study is needed to identify the major factors affecting repayment behavior among borrowers. Factors such as income instability, business losses, family expenses, and multiple borrowings may influence timely repayment of loans. Understanding these factors can help Souharda Cooperative Societies strengthen their loan management practices, improve recovery strategies, and ensure better financial sustainability.

C. Limitations of the Study

- The study is limited only to borrowers of Saphala Souharda Sahakari Sangha Niyamitha and may not represent all Souharda Cooperative Societies.
- The research is limited to selected variables related to loan management and repayment performance, while other external economic factors may also influence repayment behaviour.

II. REVIEW OF LITERATURE

Priya Goel and Dr. Devender Pathak (2014) studied repayment performance in cooperative banks and found that rising NPAs, weak recovery systems, and poor management practices negatively affected loan repayment. The study concluded that effective loan management and recovery practices are essential for financial stability.

Alphonse Nsengiyumva and Jean Bosco Harelimana (2020) found that effective loan management practices such as client appraisal, credit risk control, and collection policies positively influenced the financial performance of cooperative institutions. The study concluded that proper loan management improves financial sustainability and profitability.

III. RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature. The study mainly focuses on loan management practices and factors affecting repayment performance in Souharda Cooperative Societies.

a) Sources of Data

The study is based on both primary and secondary data.

Primary Data: Primary data was collected from borrowers and officials of Souharda Cooperative Societies through a structured questionnaire and personal interaction.

Secondary Data: Secondary data was collected from journals, annual reports, websites, and previous research studies related to loan management and repayment performance.

b) Sampling Technique

Convenience sampling method was used for selecting respondents for the study. The study was conducted among 146 borrowers of Saphala Souharda Sahakari Sangha Niyamitha.

c) Statistical tool used

Chi-Square Test

IV. LOAN MANAGEMENT PRACTICES

Souharda Cooperative Societies follow a systematic and disciplined loan management system to reduce financial risk and maintain financial stability. Since lending is one of their major activities, the loan management process is divided into three important stages: sanctioning, monitoring, and recovery.

A. Comprehensive Sanctioning and Appraisal Process

Before approving loans, the society carefully evaluates the borrower's repayment capacity, income source, employment stability, and existing liabilities. It also checks the borrower's past repayment history to reduce the possibility of default.

The society requires proper documentation such as promissory notes, loan agreements, No-Dues Certificates, and authorization letters. These documents provide legal security and clearly define repayment conditions.

For certain loans, guarantors are required. The surety system creates collective responsibility and encourages borrowers to repay on time, thereby reducing credit risk.

B. Multi-Layered Monitoring and Supervision

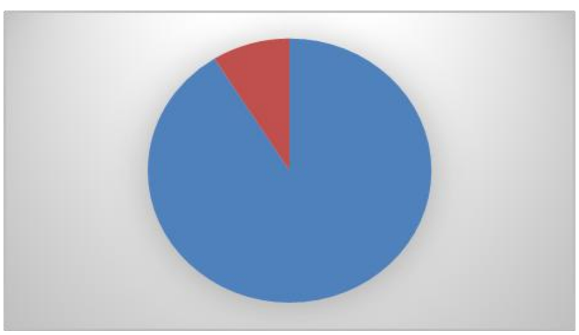
After loan disbursement, continuous monitoring is carried out to ensure timely repayment and prevent irregularities.

In vehicle loans, the society keeps hypothecation rights over the vehicle and monitors insurance and tax payments.
In deposit-based loans, a lien is marked on fixed deposits, preventing withdrawal until the loan is repaid.
In salary-based loans, installments are deducted directly from salaries, ensuring regular repayment and reducing default risk.

C. Recovery and Default Management
Souharda Cooperative Societies follow clear recovery procedures to protect their financial interests while maintaining member relationships.
Loan agreements contain default clauses that allow immediate recovery action in case of non-payment.
In vehicle loan defaults, the society can seize and auction the hypothecated vehicle to recover dues.
For deposit-based loans, outstanding amounts are automatically adjusted against the deposit maturity value, ensuring guaranteed recovery.
Overall, the structured loan management practices of Souharda Cooperative Societies help minimize non-performing assets, improve repayment discipline, and strengthen the financial stability of the institution.

V. FACTORS AFFECTING LOAN REPAYMENT BY BORROWERS

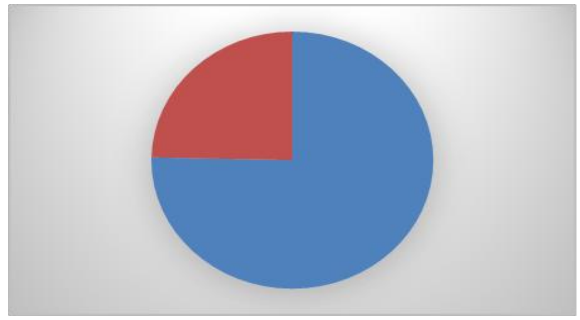
1. Income Level



Analysis: The data shows that 91.1% of borrowers believe income level affects loan repayment, while only 8.9% disagree.

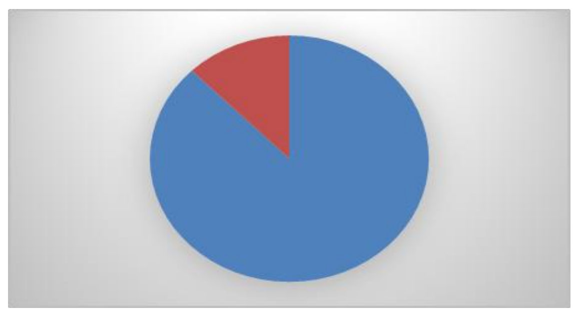
Interpretation: This indicates that stable income is the key factor influencing repayment capacity. Any reduction in income may increase the risk of loan default.

2. Business Losses and Irregular Income



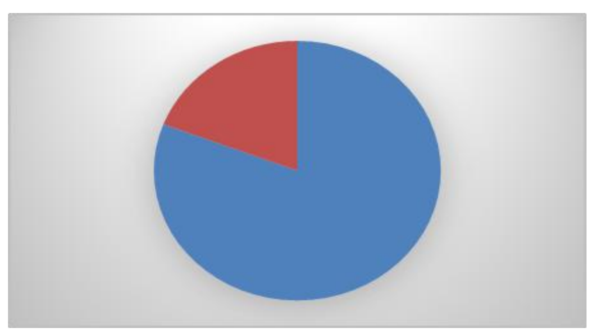
Analysis: About 75.3% of respondents stated that business losses or irregular income affect their loan repayment, while 24.7% said it does not affect them.
Interpretation: This shows that unstable income is a major reason for repayment difficulties, especially among borrowers with irregular cash flow or self-employment income.

3. Size of Loan



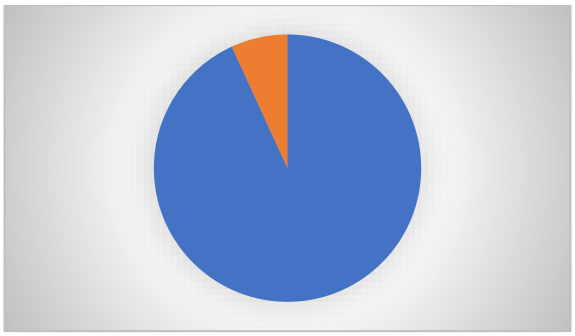
Analysis: The survey shows that 87.7% of borrowers believe loan size affects their repayment capacity, while 12.3% disagree.
Interpretation: This indicates that larger loan amounts increase the repayment burden and repayment stress among borrowers. Most borrowers prefer moderate loan amounts to maintain manageable repayment capacity.

4. Interest Rates



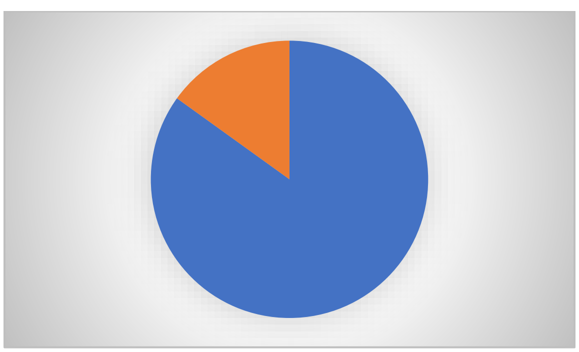
Analysis: The data shows that 80.8% of borrowers face repayment difficulties due to interest rates, while 19.2% do not face such issues.
Interpretation: This indicates that interest rates create financial pressure on borrowers and affect their ability to repay loans regularly. Even moderate interest rates can become a burden for many borrowers.

5.Personal and Family Expenses



Analysis: A majority of 93.2% of borrowers stated that personal or family expenses affect their loan repayment, while only 6.8% disagreed.
Interpretation: This shows that family and household expenses are a major factor affecting repayment capacity. Unexpected personal expenses may lead to delays in loan repayment.

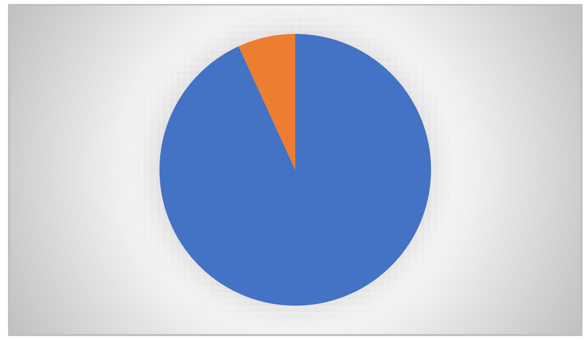
6. Medical Emergencies and Unexpected Events



Analysis: The data shows that 84.9% of borrowers believe medical emergencies or unexpected events affect loan repayment, while 15.1% do not.

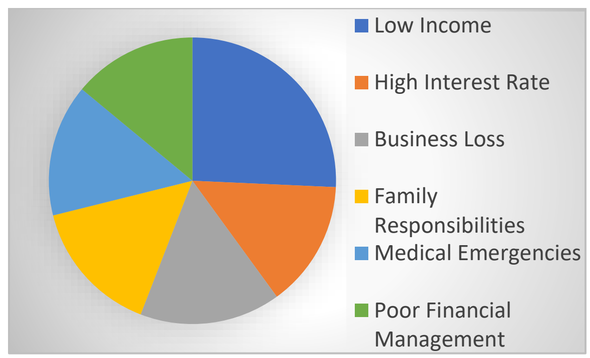
Interpretation: This indicates that unexpected expenses, especially medical emergencies, create financial pressure and may lead to delays in loan repayment.

7. Financial Planning



Analysis: The survey shows that 93.2% of borrowers believe lack of financial planning affects timely loan repayment, while only 6.8% disagree.
Interpretation: This indicates that poor budgeting and financial management are major reasons for repayment delays. Better financial planning and awareness may help improve repayment performance.

8. Reason for Delay in Payment



Analysis: Low income is the major factor affecting repayment delays (25.71%), followed by business loss (15.87%) and family responsibilities (15.24%). Medical emergencies, high interest rates, and poor financial management also contribute to repayment problems.
Interpretation: The findings show that repayment delays are mainly caused by financial difficulties and income instability rather than unwillingness to repay. Essential family and emergency expenses often become the priority over loan repayment.

9. Chi-Square Test
A Chi-Square test was conducted to examine the relationship between borrowers' income level and repayment frequency. The data shows that borrowers across all income groups mostly repaid their loans

regularly. Among borrowers earning below ₹20,000, 16 repaid regularly, 11 sometimes, and 2 rarely. In the ₹20,001–₹40,000 group, 35 borrowers repaid regularly, 21 sometimes, and 6 rarely. Similarly, borrowers earning ₹40,001–₹60,000 recorded 29 regular repayments, 12 occasional repayments, and 4 rare repayments, while borrowers earning above ₹60,000 showed 7 regular repayments and 3 occasional repayments.

The calculated Chi-Square value was 2.42 with 6 degrees of freedom and a p-value of 0.877, which is greater than the 5% level of significance. Therefore, the null hypothesis was accepted, indicating that there is no statistically significant relationship between income level and repayment frequency among the borrowers.

However, the findings suggest that borrowers with relatively higher income levels tend to repay loans more regularly, while lower-income borrowers experience occasional repayment delays. This indicates that repayment behavior is influenced not only by income level but also by factors such as financial planning, family responsibilities, business conditions, and unexpected expenses.

VI. DISCUSSION

The study reveals that Souharda Cooperative Societies follow systematic loan management practices to ensure effective sanctioning, monitoring, and recovery of loans. Proper borrower appraisal, documentation procedures, guarantor systems, hypothecation, lien marking, salary deductions, and recovery mechanisms help reduce default risk and improve repayment discipline. These practices strengthen financial stability and help the societies maintain healthy loan portfolios.

The study also identifies several factors affecting repayment performance among borrowers. Factors such as low income, business losses, high interest rates, family responsibilities, medical emergencies, and poor financial planning significantly influence the repayment capacity of borrowers. Among these, low income was identified as the major factor causing repayment delays. The findings indicate that financial instability and unexpected personal expenses create repayment difficulties for many borrowers.

Further, the Chi-Square test conducted to examine the relationship between income level and repayment frequency showed that there is no statistically significant relationship between the two variables. Although borrowers with higher income levels tend to repay more regularly, repayment behavior is also influenced by factors such as financial discipline, budgeting practices, business conditions, and emergency expenses. Therefore, effective loan management practices along with borrower financial awareness are essential for improving repayment performance in Souharda Cooperative Societies.

VII. FINDINGS OF THE STUDY

- Souharda Cooperative Societies follow systematic loan management practices for sanctioning, monitoring, and recovery of loans.
- Proper borrower appraisal, documentation, guarantor systems, hypothecation, and lien marking help reduce loan default risk.
- Continuous monitoring and recovery mechanisms improve repayment discipline and financial stability of the society.
- Income level was identified as an important factor affecting repayment capacity among borrowers.
- Business losses and irregular income create repayment difficulties for many borrowers, especially self-employed individuals.
- Larger loan amounts increase repayment burden and financial stress among borrowers.
- High interest rates negatively affect the ability of borrowers to repay loans regularly.
- Personal and family expenses were found to be major causes of repayment delays.
- Medical emergencies and unexpected expenses also affect timely repayment of loans.
- Lack of financial planning and poor budgeting significantly contribute to repayment problems.
- Low income was identified as the major reason for repayment delays, followed by business losses and family responsibilities.
- The Chi-Square test showed that there is no statistically significant relationship between income level and repayment frequency among borrowers.
- Repayment behaviour is influenced not only by income but also by financial discipline, business

conditions, family responsibilities, and emergency expenses.

VIII. SUGGESTIONS

- Souharda Cooperative Societies should strengthen borrower appraisal and verification procedures before sanctioning loans to reduce default risk.
- Interest rates should be fixed at reasonable levels to reduce repayment burden on borrowers and improve repayment performance.
- Regular monitoring and follow-up of loan accounts should be strengthened through timely communication and digital tracking systems.
- Borrowers should be encouraged to maintain stable income sources and avoid multiple borrowings to ensure timely repayment of loans.

IX. CONCLUSION

The study concludes that effective loan management practices play a significant role in improving repayment performance and maintaining financial stability in Souharda Cooperative Societies. Proper sanctioning procedures, borrower appraisal, documentation, monitoring systems, and recovery mechanisms help reduce loan defaults and strengthen the overall loan management system of the societies.

The study also found that several socio-economic factors influence the repayment behavior of borrowers. Factors such as low income, business losses, high interest rates, family responsibilities, medical emergencies, and poor financial planning create difficulties in timely repayment of loans. Among these, low income was identified as the major factor affecting repayment performance.

Further, the Chi-Square test revealed that there is no statistically significant relationship between income level and repayment frequency. This indicates that repayment behavior is not determined by income alone but is also influenced by financial discipline, budgeting practices, business conditions, and unexpected expenses. Therefore, Souharda Cooperative Societies should focus on strengthening loan management practices, improving borrower awareness, and adopting flexible recovery strategies to ensure better repayment performance and long-term financial sustainability.

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