



Original Article

AN ANALYSIS OF LOAN DISBURSEMENT AND RECOVERY PROCESS AT THE
EMPLOYEE CREDIT COOPERATIVE SOCIETY IRRIGATION DEPARTMENT,
SANGLI

Miss. Sanjana Parashram Chavan¹ & Komal P. Kondubhairi²

¹Student of MBA-II

²Assistant Professor

^{1,2}SVERI'S Collage of Engineering Pandharpur, An Autonomous Institute

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Corresponding Author:

Miss. Sanjana Parashram
Chavan

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Abstract:

Cooperative credit societies are member-owned financial institutions formed to provide credit and financial services to their members. They follow the principles of mutual aid, these societies aim to promote financial inclusion, especially among individuals who may not have easy access to formal banking channels. In India, they operate under the Cooperative Societies Act and are regulated by the Registrar of Cooperative Societies.

An employee cooperative credit society is formed by employees within an organization to support each other financially. Members contribute regularly, and those funds are used to offer loans at affordable interest rates. It's like having a mini bank run by and for the employees.

Decisions are made democratically, and every member has a right to participate in the decision-making process of the organization.

Keywords: Employee Credit Cooperative Society, Financial Inclusion, Mutual Aid, Loan Recovery, Democratic Management, Cooperative Societies Act, Member Welfare.

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Introduction to the Topic:
Introduction to Loan Disbursement and
Recovery Process in Employee Credit Society

Limited at Patbandhare Karmachari Sahakari
Patsansta Ltd., Sangli.



Employee Credit Societies Limited (ECSL) are member-driven cooperative institutions that aim to support the financial needs of their members—typically employees of a specific organization or sector—by offering accessible credit facilities. Among their core services, the loan disbursement and recovery process plays a vital role in maintaining the financial health and sustainability of the society.

The loan disbursement process involves a systematic approach starting from application, credit assessment, and approval, to the actual release of funds. It's designed to be efficient, transparent, and compliant with both regulatory frameworks and the society's internal policies.

Equally crucial is the recovery process, which ensures timely repayment through structured schedules, salary deductions, or other repayment mechanisms. Effective recovery not only secures the society's liquidity but also reinforces a culture of financial discipline and mutual accountability among members.

Together, these processes underpin the trust and functioning of the credit society, ensuring that it can continue to provide reliable financial support to its members while safeguarding its long-term viability.

Introduction of the Employee Co-operative Credit Society Limited, Sangli

Patbandhare Karmachari Sahakari Patsanstha Ltd., Sangli is a cooperative credit society established to serve the financial needs of employees, particularly those associated with the irrigation department in Maharashtra. Like many employee-based cooperative societies, its primary aim is to provide accessible financial services such as personal loans, emergency credit, and savings schemes to its members.

Rooted in the cooperative movement of Maharashtra, the society operates on principles of mutual aid, transparency, and democratic governance. It plays a crucial role in promoting financial inclusion among its members by offering low-interest loans, encouraging regular savings, and supporting members during financial hardships.

The institute uses Kanak Software: The software has automated features. It needs less human effort as a large amount of data is stored and is user friendly. The software holds overall information about members and the various loans lend to the needy under particular heads.

Statement of the Problem:

The statement of problem is “An Analysis of Loan Disbursement and Recovery Process at the Employee Credit Cooperative Society Irrigation Department, Sangli”.

Objectives of the Study:

Objectives that focus on transparency, efficiency, member satisfaction, and financial stability.

1. To review the loan process from start to finish and make it faster and more efficient.
2. To find better ways to collect loan repayments and reduce the number of unpaid debts.
3. To check that the society follows legal regulations and treats all members fairly during the loan process.

Scope of the Study:

- **Operational Focus:** The study is confined to the specific procedures of loan application, sanctioning, and recovery methods (such as salary deductions) within the society.
- **Temporal Limit:** The research analyses financial data and repayment trends over a



specific five-year period to ensure the findings reflect recent economic conditions.

- **Target Population:** The scope is limited to the active members and management of the Society, focusing on their borrowing behaviour and satisfaction levels.
- **Regulatory Framework:** The analysis is bounded by the Cooperative Societies Act and internal bylaws, focusing on how these legal rules dictate lending limits and default penalties.

Limitation of the Study:

It focuses only on rules, regulations within the employee of a particular department i.e. Irrigation department including branches at Sangli, Kolhapur and Satara. Their salaries are usually steady, and they work together. This is different from a society for farmers or a general public bank.

Research Methodology:

Research methodology is a methodology for collecting all sorts of information and data pertaining to the subject in question. The objective is to examine all the issues involved and conduct situational analysis. The methodology includes overall research design, sampling procedure and fieldwork done and finally the analysis procedure.

The methodology used in the study was collected with the help of questionnaires as well as personal observations, interviews, referring book; magazines, financial reports, published by the society.

Type of Research:

Descriptive research is used in this study in order to analyse the loan disbursement and recovery process.

- **Data Collection Tools** Information is gathered using both primary and secondary sources.

- **Primary Data:** This is a method of collecting direct data for specific purposes. The information is gathered by conducting interview of the experts and experienced authorities of the institute. The information is also collected by sending questionnaires to the members of the society.
- **Secondary Data:** This method consists of referring to already available collected data. Hence the information is gathered by referring magazines, annual financial reports and internet published by the institute.

Data Analysis:

1. End-to-End Loan Disbursement Process

Analysis Elaboration:

- **Application Stage:** Members of the society apply for the loan by filling up an application, every type of loan has a different application form. The data is then filled into the software used by them; all the data of the member is saved into their accounts in the software. They are maintained and timely updated by the employees.
- **Eligibility Assessment:** The members need to attach the salary slip to check the eligible amount to be sanctioned. And they need a bailor as well.
- **Approval Process:** If the document is correct the loan is approved within a day usually a cheque is drawn and the member needs to deposit the check and get loan amount. In the case of a Contingent loan, it is done on an urgent basis.

Recommendations:

- Introduce digital loan application portals with real-time tracking.
- Automate eligibility checks using member databases.



- Use mobile banking or UPI for faster disbursements.

2. Effectiveness of Recovery Mechanisms:

Elaboration:

- **Timelines:** The loan amount is divided into instalments including the interest amount and are informed by sending messages and if the delays occur, they are again informed by making phone calls.
- **Communication Channels:** SMS alerts, phone calls, physical notices, and in-person visits, these are the steps followed by the employees to inform the member regarding the instalments to be paid by them.
- **Enforcement Strategies:** Instead of all the above recalls if the member does not pay the instalment, they are charged some penalties or their dividend is being deducted.

Recommendations:

- **Implement automated reminder systems.**
- **Introduce reward schemes for timely payers.**
- **Strengthen legal recourse and documentation for recovery.**

3. Comparison with Regulatory Guidelines and Cooperative Principles:

Elaboration:

- **Cooperative Principles:** As the institute is cooperative based it takes decisions by taking the whole board of directors into consideration.

Recommendations:

- Encourage member involvement in policy decisions.

Executive Summary:

This report takes a close look at how our cooperative society handles loans—from the

moment a member applies, through approval, to recovery. It highlights what's working, what's not, and how we can do better. Our goal is to make the loan process smoother, fairer, and more sustainable—for both the society and its members.

Questionnaire:

The questionnaire has been prepared to collect data from the members of the society.

1. Numbers of years as a member of society.
 - a) Less than 5 years
 - b) 5 to 10 years
 - c) c.10 to 15 years
 - d) d.10 years.
2. Have you ever taken a loan from society?
 - a) Yes
 - b) No

Question regarding loan procedure

1. What type of loan have you applied for?
 - Regular loan
 - Education loan
 - medical loan
 - Contingent loan
 - Other
2. Was the loan processing time satisfactory?
 - Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree
3. Did you face any of the following problems while applying for a loan?
 - More documents
 - Delayed approval
 - Poor communication
 - Insufficient amount of loan
 - Lack of Clarity or transparency
 - No problem



4. Were you informed about the term and conditions?

- Yes
- No

5. If you have any suggestion regarding the loan procedure, mention below.

Ans

Question on recovery process

1. Is the EMI deduction process convenient through salary?

- a) Strongly Disagree
- b) Disagree
- c) Neutral
- d) Agree
- e) Strongly Agree

2. Has the repayment schedule clearly explained to you?

- a) Yes
- b) No

3. Is there any penalty for late repayment?

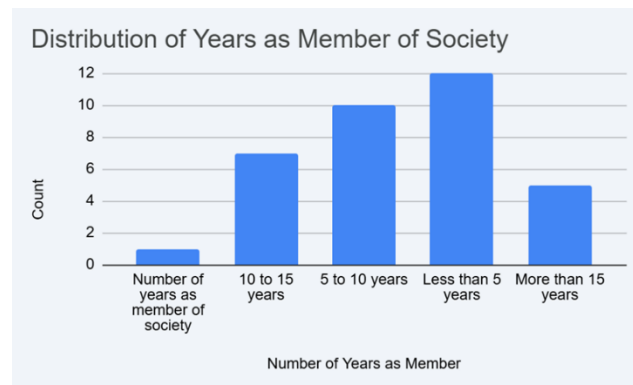
- a) Yes
- b) No

4. Any suggestion regarding recovery procedure?

Ans

Data Analysis based on responses:

The graph shows distribution of years as member of society of the respondents



(Fig.no. 1)

Most Common Tenure:

The largest group of members, comprising 13 individuals (38.24%), have been part of the society for “More than 15 Years”.

The next significant group, with 12 members (35.29%), falls into the “10 to 15 years” category.

Moderately Common Tenure:

Members with “5 to 10 years” of tenure account for 7 individuals (20.59%).

Least Common Tenure:

The smallest group consists of members with “Less than 5 years” of tenure, with only 2 individuals (5.88%).

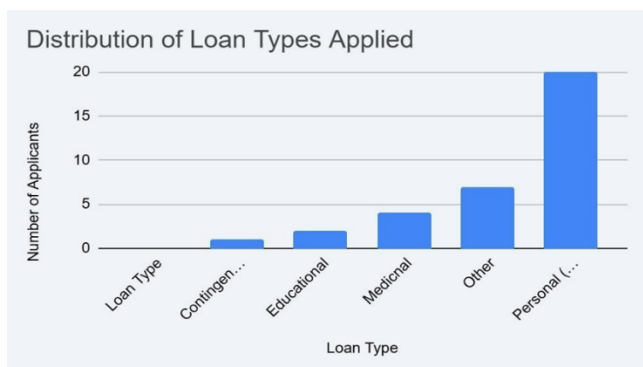
Tenure Category	Number of Members	Percentage (%)
More than 15 Years	13	38.24%
10 to 15 Years	12	35.29%
5 to 10 Years	7	20.59%
Less than 5 Years	2	5.88%
Total	34	100%

(Table no. 1)

This distribution indicates a strong presence of long-term members, with a substantial portion having been part of the society for over 10 years. This suggests a stable membership base with high retention.

The following table shows the distribution of

loan types that are applied by respondents



(Fig no. 2)

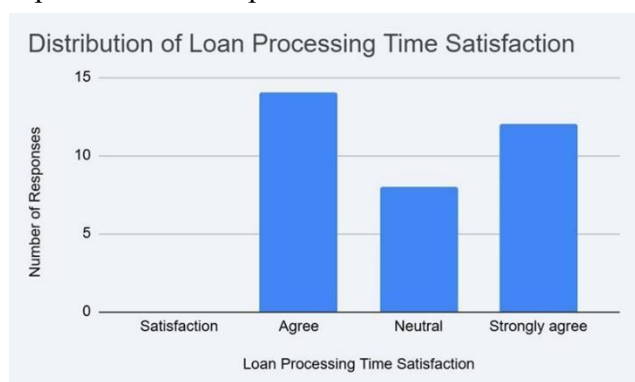
‘Personal (Regular) loans are the most frequently applied, accounting for 58.82% of all loan applications. Following this, ‘Other’ loan types constitute 20.59% of the applications, while ‘Medical’ loans make up 11.76%. ‘Educational’ loans represent 5.88% of the applications, and ‘Contingent (emergency)’ loans are the least common, with only 2.94% of the total.

The distribution of loan types reveals that

Loan Type	Number of Applications	Percentage (%)
Personal (Regular)	20	58.82%
Other	7	20.59%
Medical	4	11.76%
Educational	2	5.88%
Contingent (Emergency)	1	2.94%
Total	34	100%

(Table no. 2)

The graph below represents satisfaction of respondents on loan process tenure.



(Fig no. 3)

The distribution of loan processing time satisfaction shows that a significant majority of respondents found the loan processing time satisfactory. Specifically, 14 respondents agreed and 12 strongly agreed, making up 76.5% of the total. This indicates a high level of satisfaction with the loan processing efficiency.

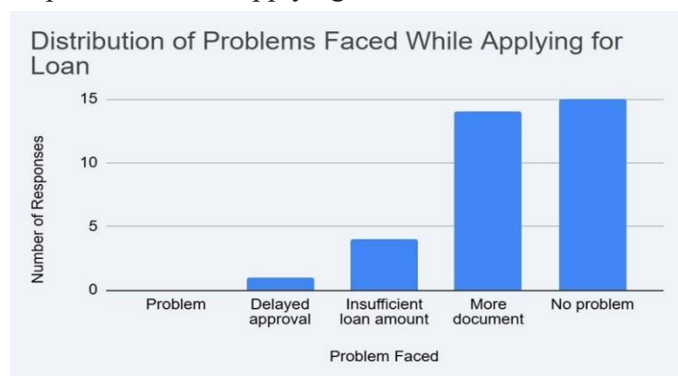
Satisfaction Level	Number of Respondents	Percentage (%)
Strongly Agree	12	35.29%
Agree	14	41.18%



Neutral / Disagree / No Response	8	23.53%
Total	34	100%

(Table no. 3)

The graph represents the problems faced by respondents while applying for loan.



(Fig. no 4)

- **Significant Portion Faced No Problems** - Nearly half of the respondents (44.12%) reported not facing any problems while applying for a loan. This suggests a relatively

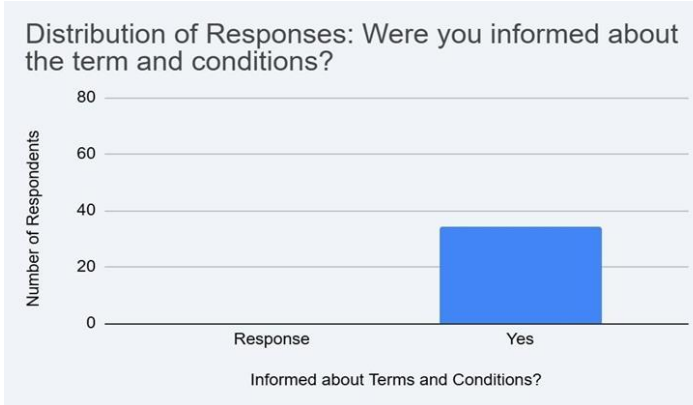
smooth process for a substantial number of applicants.

- **Documentation is a Major Hurdle** - The most common problem cited by those who did experience issues was “More document”, accounting for 41.18% of responses. This indicates that the documentation requirements or the process of submitting documents can be a significant challenge for applicants.
- **Loan Amount and Approval Delays are Less Frequent Concerns** - A smaller percentage of respondents faced issues with “Insufficient loan amount” (11.76%) and “Delayed approval” (2.94%). While these are still problems, they are less prevalent compared to documentation issues.

Problem Faced	Number of Respondents	Percentage (%)
No Problems	15	44.12%
Too Much Documentation	14	41.18%
Insufficient Loan Amount	4	11.76%
Delayed Approval	1	2.94%
Total	34	100%

(Table no.4)

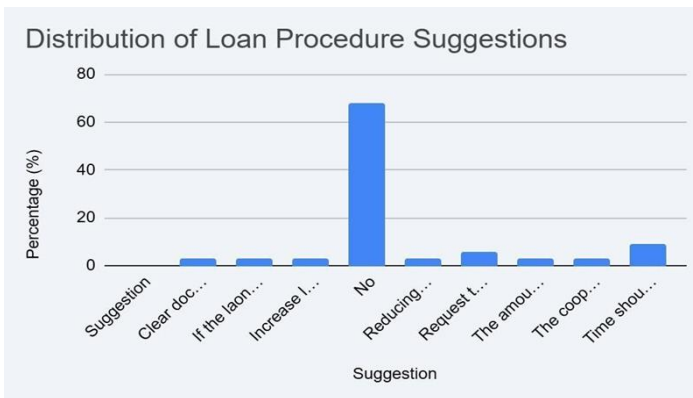
The graph represents the knowledge about the terms and conditions of the respondents.



(Fig. no 5)

All the members were well informed about the term and conditions.

The graph represents the suggestion of the respondents.



(Fig. no 6)

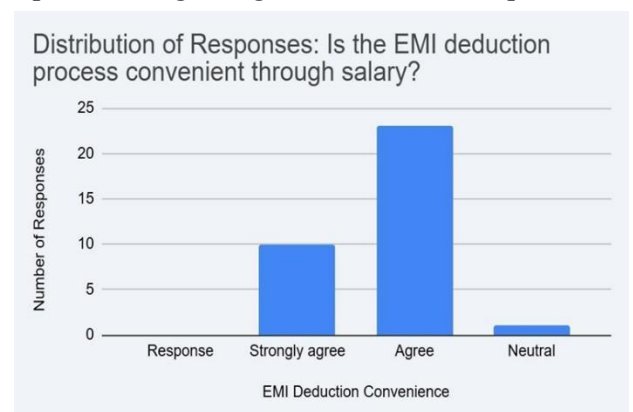
The chart titled 'Distribution of Loan Procedure Suggestions' displays the distribution of suggestions regarding the loan procedure, along with their respective percentages.

- **No Suggestions Dominant:** A significant majority of respondents, 67.65%, indicated that they had no suggestions regarding the loan procedure. This suggests that for most, the current process is satisfactory or they do not have specific feedback to offer.
- **Time Reduction:** The second most common suggestion, at 8.82%, was that the 'Time should be reduced'. This highlights a potential area

for improvement in the efficiency of the loan procedure.

- **Loan Instalments and Tenure:** Two suggestions, each accounting for 2.94% of the total, were related to loan instalments and tenure. These included 'Request to reduce loan instalments without reducing loan tenure if loan principal is paid in excess' and 'Reducing the loan term if the loan is paid in principle at one instalment after time.' These indicate a desire for more flexible repayment options.
- **Other Suggestions:** Other suggestions, each representing 2.94% of the total, include 'Increase loan limit', 'The cooperation of the staff is excellent', 'Clear document', 'If the loan amount is paid in instalments should be reduced without reducing the loan period by adding it to the principal', and 'The number of shares be reduced to a minimum so that employees can contribute the amount.' These cover a range of feedback from improving staff interaction to adjustments in share contribution.

The graph shows the degree of agreement of respondents regarding the EMI deduction process.



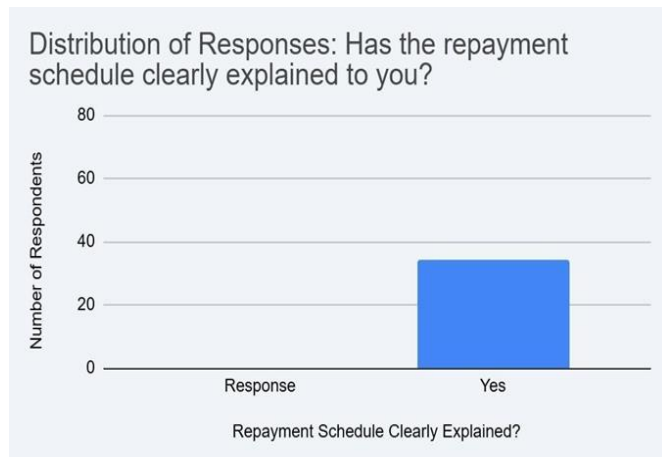
(Fig. no. 7)

This chart shows that a majority of respondents (23 agreeing and 10 strongly agreeing)



find the EMI deduction process convenient through salary.

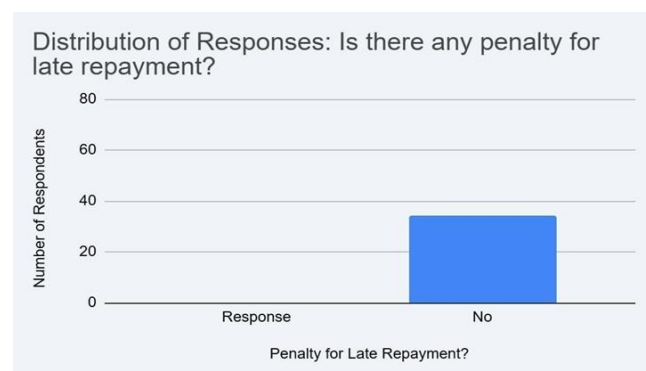
The graph shows the knowledge of respondents about the repayment schedule.



(Fig no. 8)

All the members are well known about the repayment schedule.

The graph shows the penalty for late repayment of loan by respondents.



(Fig no. 9)

Executive Summary:

- The majority of respondents have taken loans from the society, primarily Personal (Regular) loans. Most found the loan processing time satisfactory and were informed about the terms and conditions.
- While a significant number reported "No problem" during the application, "More

documents" and "Insufficient loan amount" were common issues. Several suggestions were made regarding loan procedures, including increasing loan limits, reducing loan terms, and adjusting instalment payments.

The EMI deduction process through salary is generally considered convenient, and the repayment schedule is clearly explained. No penalties for late repayment were reported, and few suggestions were made regarding recovery procedures.

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