

A Study on Deposit, Loan Disbursement and Recovery Performance Analysis in Villupuram Central Cooperative Bank

GOPI KRISHNAN M.¹, DR. POUGAJENDY S.²

¹MBA-II Year Student, Sri Manakula Vinayagar Engineering College, (An Autonomous Institution), Puducherry.

²Professor, Sri Manakula Vinayagar Engineering College (An Autonomous Institution), Puducherry.

Abstract- This project aims to analyze the performance of deposit mobilization, loan disbursement, and recovery mechanisms in Villupuram Cooperative Bank. By catering to the credit and banking needs of agricultural communities and small enterprises, cooperative banks serve as a crucial source of financial support in rural and semi-urban region. The study focuses on understanding the patterns and trends of deposits collected, the efficiency and criteria in loan disbursement, and the effectiveness of recovery processes adopted by the bank. By employing both primary and secondary data, this research evaluates the financial health of the bank and identifies key performance indicators related to deposits and loans. Statistical tools such as ratio analysis, trend analysis, and recovery rate assessment are used to interpret the performance over a defined period. The study also highlights the challenges faced by the bank in ensuring timely recovery and suggests strategic recommendations to enhance operational efficiency and customer trust. The findings of the study will be useful for bank management, policymakers, and stakeholders to improve service delivery, reduce non-performing assets (NPAs), and strengthen the financial ecosystem in the cooperative banking sector

Keywords- Deposit Mobilization, Loan Disbursement, Recovery Mechanisms, Cooperative Banks, Financial Performance

I.INTRODUCTION

The banking sector plays an essential role in the financial system by mobilizing public savings and channeling them into productive uses through different types of credit facilities. Among these, deposit-backed loans occupy a significant place, as they are issued against deposits such as Fixed Deposits (FDs), Recurring Deposits (RDs), and secured instruments. These loans benefit both lenders and borrowers—borrowers gain quick access to funds without liquidating their savings, while banks reduce the credit risk since the loan is secured against the borrower's deposit.

The efficiency of a financial institution, however, cannot be measured solely by the volume of loans disbursed. The ability to recover loans on time is equally important for ensuring financial stability. While loan disbursement supports credit expansion and contributes to income generation through interest, effective recovery maintains liquidity, ensures the safety of depositor funds, and upholds the trust of stakeholders. In the absence of efficient recovery systems, financial institutions face mounting repayment delays, defaults, and an increase in Non-Performing Assets (NPAs), which weaken their profitability and reputation.

In recent years, the problem of loan defaults has become a matter of concern for many institutions, particularly in the cooperative banking sector. Cooperative banks, by design, aim to support rural and semi-urban communities by offering affordable credit to farmers, small traders, artisans, and low-income households. Their operations are directly linked to the economic development of the local community. However, poor recovery performance in cooperative banks not only hampers their financial health but also disrupts the socio-economic progress of the regions they serve.

Another challenge lies in the loan disbursement practices themselves. In certain cases, loans are sanctioned without adequate appraisal of the borrower's repayment capacity or without strong monitoring mechanisms. This results in a mismatch between loan sanctioning and repayment ability, ultimately leading to overdue accounts. Moreover, changes in the external environment—such as economic fluctuations, government policy changes, natural calamities, or unexpected events like pandemics—also influence repayment patterns and increase the risks associated with loan operations.

the introduction of this study highlights the critical importance of deposit loan disbursement and recovery performance as a determinant of institutional health and sustainability. The analysis is expected to provide valuable insights into the strengths and weaknesses of current practices, offer recommendations for improvement, and support better financial management strategies. This will ultimately contribute to safeguarding depositor interests, strengthening institutional stability, and enhancing the role of financial institutions in economic development.

1.2 THEORETICAL STUDY

The theoretical framework of this study is based on various financial and banking theories related to financial intermediation, credit risk management, loan disbursement models, and loan recovery mechanisms. At its core, the study relies on the Financial Intermediation Theory, which explains how banks and financial institutions act as intermediaries between depositors and borrowers. Banks collect surplus funds from depositors and channel them into productive sectors by extending credit, thereby stimulating economic activity. This theory underscores the importance of efficient deposit mobilization and prudent lending as essential components of financial system stability.

Another key theoretical underpinning of this study is the Credit Risk Management Theory, which involves identifying, measuring, monitoring, and controlling the risk of loan defaults. According to this theory, financial institutions must apply credit appraisal techniques, borrower profiling, and risk mitigation strategies such as credit scoring and collateralization before disbursing loans. It also emphasizes the role of continuous monitoring and loan follow-up to minimize the chances of default. This is directly relevant to the performance of loan recovery systems in cooperative and commercial banks.

The Loan Disbursement Theory provides insight into how credit is allocated among borrowers and sectors. This theory explains the criteria used by banks to determine loan eligibility, such as repayment capacity, credit history, income level, and the purpose of the loan. The principle of productive credit deployment is central to this theory, where loans are expected to generate income or enhance the borrower's financial capacity, thus ensuring timely repayment.

1.3 STATEMENT OF THE PROBLEM

- Financial institutions, particularly cooperative banks and credit societies, play a vital role in providing deposit-based loans to meet the short-term and long-term financial needs of individuals and businesses. While these loans are generally secured against deposits, many institutions still face challenges in ensuring timely recovery and minimizing defaults. Improper assessment of borrower credibility, weak monitoring systems, and inefficient recovery mechanisms often lead to delays or non-repayment, affecting the liquidity and profitability of the institution.
- In many cases, loans are disbursed without proper evaluation of the borrower's repayment capacity, leading to increased pressure on the institution's resources. Moreover, despite being secured loans, there is a growing concern about the increasing number of overdue accounts and the rise in Non-Performing Assets (NPAs). This situation demands a closer examination of the disbursement practices and recovery strategies followed by these institutions.

1.4 Objective of the Study

- To analyze the deposit mobilization trends in the cooperative bank and assess the growth and stability of various deposit schemes over a defined period.
- To study the disbursement pattern of various types of loans and advances offered by the bank, including short-term, medium-term, and long-term credit facilities.

1.5 SCOPE OF THE STUDY

- The study focuses on the financial functions of Villupuram Cooperative Bank, specifically deposit mobilization, loan disbursement, and recovery performance.
- It analyzes deposit trends under different schemes such as savings, current, fixed, and recurring deposits, considering growth patterns, seasonal variations, and customer behavior.
- The scope includes examining loan disbursement practices, covering agricultural loans, personal loans, business loans, and government scheme-based loans, along with eligibility criteria, interest rates, and processing efficiency.
- A major part of the study is the evaluation of loan recovery performance, including repayment

trends, overdue accounts, default patterns, and recovery strategies in different loan categories.

1.6 LIMITATIONS OF THE STUDY

- The study is limited to the specific geographical location and the particular bank or institution selected for analysis; hence, the findings may not be generalized to all banks or regions.
- The accuracy of the data relies heavily on the records maintained by the financial institution, and any errors or inconsistencies in data entry may impact the results.
- The study is based on secondary data (such as bank reports, loan ledgers, and financial statements), which may not reflect recent changes or real-time performance.
- The time period considered for analyzing loan disbursement and recovery performance may not capture long-term trends or the full effect of economic cycles.

II. RESEARCH METHODOLOGY

This study adopts a descriptive research methodology, aiming to systematically analyze and interpret the financial performance of the Villupuram Cooperative Bank. The goal is to evaluate key functional aspects — deposit mobilization, loan disbursement, and loan recovery — using quantitative data and structured observation.

Research methodology refers to the systematic approach used by a researcher to conduct a study and achieve the research objectives. It outlines the overall plan, including the methods and techniques used to collect, analyze, and interpret data relevant to the research problem. A well-defined research methodology ensures that the study is conducted in a logical, organized, and scientific manner. It typically includes elements such as the type of research design, data sources (primary and secondary), sampling methods, data collection tools, and analytical techniques. In the context of a project on the bank loan and recovery system, the research methodology helps in examining how loans are disbursed, how effectively they are recovered, and what factors influence repayment patterns. It ensures that the findings are accurate, objective, and useful for decision-making.

2.2 RESEARCH DESIGN

The research design is a descriptive and analytical study.

Analytical: As it involves examining and interpreting data using statistical tools to evaluate the financial operations and performance trends over a defined

2.3 COLLECTION OF DATA

Secondary Data

- Annual reports of Villupuram Cooperative Bank.
- Audit reports and financial statements.
- Previous studies and research reports relevant to cooperative banking

2.4 SAMPLING

Sampling Technique: Purposive sampling for selecting relevant bank branches and convenience sampling for selecting bank employees and borrowers.

Sample Size:

- 10–15 bank employees (loan officers, managers).
- 20–30 borrowers across different loan types (agriculture, business, personal, etc.).annual reports of the Villupuram state cooperative bank.

2.4 ANALYTICAL TOOL

For analyzing the financial performance of the Cooperative bank, the following tools were applied viz., financial ratios, profitability analysis, analysis of deposits and loans, trend analysis and comparative study. The analysis of current ratio helped to understand the working capital position of the bank. Trend analysis is used to study the changes in profit, deposits and loans.

III.DATA ANALYSIS AND INTERPRETATION

3.1. Gold Loan

The VCCB offers loans against gold, where borrowers pledge their gold as collateral. Up to a fixed percentage of the market value of gold is given as loan, and the interest rates varies based on the policy of the bank.

Table no 3.1 Gold Loans Provided by VCCB and the Trend Change in Gold Loans Provided.

Year	Gold loan-Amount	Change from	Percent

		Previous Year	
2020-2021	11392355.52		
2021-2022	12627279.43	1234923.91	10.8399348
2022-2023	12490887.08	-136392.35	-1.08014043
2023-2024	18211307.73	5720420.65	45.79675257
2024-2025	201987908.9	183776601.2	1009.134566
Mean	51341947.73		266.1727782
SD	84255630.82		495.7071695

Source: Annual report of VCCB, from 2020-21 to 2024-25

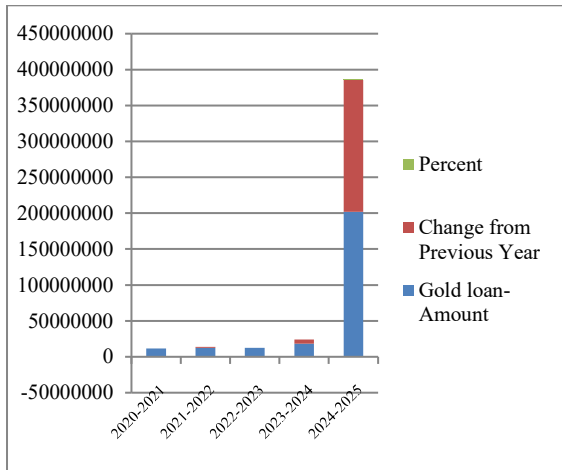


Chart no 3.1 Gold Loans Provided by VCCB and the Trend Change in Gold Loans Provided.

INTERPRETATION

The gold loan disbursement trend shows both moderate and explosive growth phases. Between 2020–2021 and 2022–2023, disbursements remained relatively stable, increasing by 10.84% in 2021–2022 but slightly declining by –1.08% in 2022–2023. A strong rise occurred in 2023–2024 with a 45.80% increase, followed by a dramatic surge in 2024–2025 when gold loan disbursements jumped over ₹201.98 million, representing more than a 1000% growth. The average loan disbursement during this period is ₹51.34 million, but the very high standard deviation of ₹84.25 million and 495.71% growth variation indicates extreme fluctuations. Overall, the data reflects a stable beginning, followed by an exceptional expansion in the later years, suggesting

an aggressive growth in gold loan financing by the bank.

3.6. Short term loans

A short-term loan refers to a borrowing arrangement designed to meet immediate personal or business financial requirements. Such loans provide capital for a limited period and must be repaid along with interest within a specified timeframe, typically within one year. the year from getting the loan.

Table no 3.2 Short term loan provided by VCCB and the trend change in STLs provided

Year	Amount	Change from Previous Year	Percent
2020-2021	50321785.21		
2021-2022	49019192.83	-1302592.38	-2.58852577
2022-2023	55188124.98	6168932.15	12.58472813
2023-2024	70198657.71	15010532.73	27.19884529
2024-2025	112150296.7	41951638.97	59.76131217
Mean	67375611.48		24.23908995
SD	26405813.51		26.62162991

Source: Annual report of VCCB, from 2020-21 to 2024-25

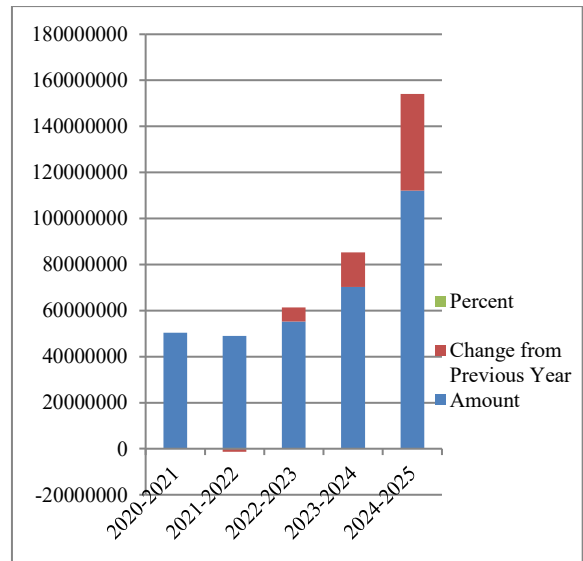


Chart no 3.2 Short term loan provided by VCCB and the trend change in STLs provided

INTERPRETATION

The analysis shows steady growth in the amount over the five-year period, with only a slight decline of –

2.59% in 2021–2022. Afterward, there was consistent positive growth: 12.58% in 2022–2023, 27.20% in 2023–2024, and a sharp increase of 59.76% in 2024–2025, when the amount more than doubled compared to the base year. The mean amount across the period is ₹67.38 million, with an average growth rate of 24.24% annually. However, the standard deviation of 26.62% highlights notable fluctuations in the growth rate. Overall, the data reflects a generally upward trend, with accelerating progress especially in the later years, pointing to strong financial expansion.

3.3. Medium term loan

Medium term loans are loans with a repayment period is within the two to five years. Usually this loans up to 1000000 in financing, a monthly or bimonthly payment schedule, and medium market interest rate. It is typically takes two to three week to get funding with a medium term loan.

Table no 3.3 Medium term loan provided by VCCB and the trend change in MTLs provided

Year	Amount	Change from Previous Year	Percent
2020-2021	131258573		
2021-2022	174051534	42792960.9	32.60203124
2022-2023	87640312.9	-86411221	-49.6469172
2023-2024	75882397.9	-11757915	-13.4161034
2024-2025	64550914.9	-11331483	-14.9329532
Mean	106676746		-11.34848565
SD	45356619.0		33.74186937

Source: Annual report of VCCB, from 2020-21 to 2024-25

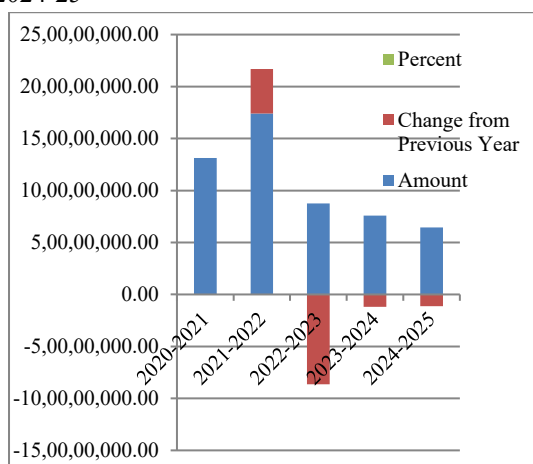


Chart no 3.3 Medium term loan provided by VCCB and the trend change in MTLs provided

INTERPRETATION

The data shows mixed performance with an initial rise followed by continuous decline. In 2020–2021, the amount was ₹131.26 million, which grew sharply by 32.60% in 2021–2022, reaching ₹174.05 million. However, from 2022–2023 onward, the trend reversed as the amount dropped drastically by –49.65%, and further declined in 2023–2024 (–13.42%) and 2024–2025 (–14.93%). The mean value over the period is ₹106.68 million, but the average growth rate is negative at –11.35%, highlighting overall contraction. The high standard deviation (33.74%) indicates significant fluctuations, showing that while the bank achieved strong growth in one year, it struggled with sustained performance in the following years.

3.4. Long term loan

Long term loans are loans with a repayment period is within the two to five years. Usually this loans up to 1000000 in financing, a monthly or bimonthly payment schedule, and medium market interest rate. It is typically takes two to three week to get funding with a long term loan.

Table no 3.8 Long term loan provided by VCCB and the trend change in LTLs provided

Year	Amount	Change from Previous Year	Percent
2020-2021	92730.98		
2021-2022	943608.55	850877.57	917.576380
2022-2023	1066729.14	123120.59	13.0478459
2023-2024	1312433.32	245704.18	23.0334178
2024-2025	1440746.36	128313.04	9.77672831
Mean	971249.67		192.686874
SD	528797.899		451.180427

Source: Annual report of VCCB, from 2020-21 to 2024-25

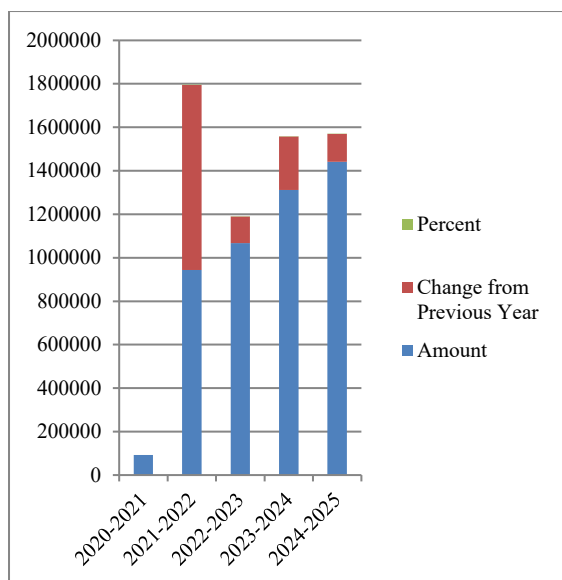


Chart no 3.8 Long term loan provided by VCCB and the trend change in LTLs provide

INTERPRETATION

The data shows strong overall growth in the amount over the five-year period. In 2020–2021, the amount was only ₹92,731, but it surged by 917.58% in 2021–2022 to reach ₹943,609, marking the most dramatic increase. Growth continued in subsequent years, with 13.05% in 2022–2023, 23.03% in 2023–2024, and a modest 9.78% in 2024–2025, when the amount reached ₹1.44 million. On average, the amount stood at ₹971,250, with an annual mean growth rate of 192.69%. However, the very high standard deviation of 451.18% indicates significant fluctuations, especially due to the extraordinary rise in 2021–2022. Overall, the trend highlights consistent upward movement after the initial surge, reflecting sustained growth though with some volatility.

IV.FINDINGS AND SUGGESTIONS

4.1. Findings

- Gold loans recorded fluctuating growth, with the highest at 150% in 2024–25 and the lowest at 81% in 2020–21.
- This indicates that borrower demand for gold-backed credit depends on gold prices and market conditions.
- Short-term loan growth is fluctuating, with the highest at 134% in 2019–20 and the lowest at 89% in 2020–21.
- This shows borrowers use short-term loans mainly for seasonal or emergency needs, leading to instability.

- Medium-term loans show a fluctuating but declining trend, with the highest at 130% in 2021–22 and the lowest at 107% in 2023–24.
- This indicates lesser preference among borrowers for medium repayment periods compared to short- and long-term credit.
- Long-term loans show a stable and increasing trend, with demand peaking in 2021–22 and continuing strong thereafter.
- This suggests strong borrower interest in housing, infrastructure, and development financing, making it a key growth area for the bank.

4.2 Suggestions

- The Villupuram central Cooperative Bank must improve its credit deposit proportion.
- The Villupuram central Cooperative Bank (VCCB) should introduce modern marketing strategies of customer insight, data measurement and integrated market communication.
- The Villupuram central Cooperative Bank (VCCB) should focus on generating noninterest income.
- Profit is essential for proper functioning, administrative of the Villupuram State Cooperative bank so this area should also be taken care properly.
- The Villupuram central Cooperative Bank (VCCB) should improve their loan recovery system.
- The Villupuram central Cooperative Bank should improve all deposit then only can be developing the business.
- The Villupuram central Cooperative bank is fluctuating trend on all the loans, should improve gold loan, short term loan and medium term loan.

CONCLUSION

The present research examines the operational efficiency and financial performance of the Villupuram Cooperative Bank, with particular emphasis on deposit mobilization, loan distribution, and recovery practices.. The analysis indicates that the bank has made consistent efforts to increase its deposit base by earning the trust of rural and semi-urban customers through accessible and inclusive banking practices.

Overall, the study concludes that Villupuram Cooperative Bank is playing a vital role in regional economic development, but there is a need for

improved credit planning, better risk assessment, and modernized recovery processes. Enhancing these areas will not only improve the bank's performance but also reinforce its contribution to rural financial empowerment.

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