



International Conference on

***Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development***

on 21th December 2019 at St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India

Capacity Building Through Lending By Banks

Mr. R. Edward Vettivel

Research Scholar, (Reg. No. 12266)

PG Assistant in Commerce

St. John's Higher Secondary School, Palayamkottai

Research Department of Commerce, Rani Anna Government College for Women, Tirunelveli-8
Manonmaniam Sundaranar University, Tirunelveli-12, edwardvettivel@gmail.com

Dr.V.Darling Selvi

Assistant Professor

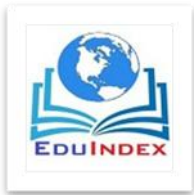
Research Department of Commerce

Rani Anna Government College for Women, Tirunelveli-8

Manonmaniam Sundaranar University, Tirunelveli-12, darlingselvi@rediffmail.com

Abstract

Lending of funds is the main business of a bank. The major portion of bank fund is employed by way of lending. The lending banker is the banker who lends funds to trade, commerce and industry etc to meet their financial requirements. Retention of customer is also a major challenge for the banks. The banks and financial institutions can retain their customers through an effective a strategy called customer relationship management, by way of providing better quality of products and services to its customers. Loans are the lifeblood of a bank. All businesses sell products, and a bank's product is money. Banks make money by taking in funds from depositors and other sources and then lending money out to customers. This paper focus on the Capacity Building through Lending by banks by taking twenty statements in favour of availing loans on varied nature regarding the benefits which help them to increase the capacity building of the 300 sample respondents from Tirunelveli district has been analysed and discussed. The researcher used Cronbach's Alpha, Kaiser-Meyer-Olkin Measure of Sampling Adequacy



International Conference on

*Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development*

on 21th December 2019 at St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India

ANOVA test for significance, Factor Analysis and SEM Modelling to interpret the result. the capacity building of the sample respondents has been reflected in three ways such as Financial Consciousness, Social Consciousness and Health Consciousness. The reliability statistics supports the adequacy of sample and statistical significance of the statements under study. The structural equation model fits with the required parameters. Hence it is concluded that there is positive impact among the bank loan beneficiaries due to the financial support and the utilization of the same in a productive manner.

Key Words: Banks, Consciousness, Financial, Health, Loan, Social

INTRODUCTION

Banking industry is a piece of the economy in the world. The Indian financial sector underwent a sweeping change during the nineties. The banking sector in India has come upon a speedy transformation. As banks rely increasing on information technology and the internet to carry on their work and interact with the market, technology risk will increase, both for the financial industry at large and individual banks. It has been around one and half decade since financial sector reforms were initiated in India. As banks are the major segment of the financial sector in India, reform measures are primarily aimed at improving the performance of the banking sector. Finance and banking is the life blood of trade, Commerce and industry. Now-a-days, banking sector acts as the backbone of modern business. The banking sector plays a very important role in the economic growth of the country and our banking system has to ensure that its capacity to deliver has to continuously evolve and adapt to the developments in the sector. There is a persistent, and growing, belief that finance alone may not have adequate impact on poverty. It is estimated that a third of urban dwellers in India live in slums, and millions more are homeless. Retention of customer is also a major challenge for the banks. The banks and financial institutions can retain their customers through an effective a strategy called customer relationship management, by way of providing better quality of products and services to its customers. Lending of funds is the main business of a bank.

Supply Side Issues:

- Mindset change and confidence building measures to see the segment as bankable with manageable risks



International Conference on

*Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development*

on 21th December 2019 at St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India

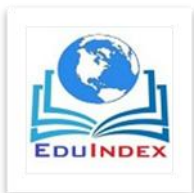
- Informal segment customers requiring differentiated credit appraisal processes, appropriate product design and risk management practices
- Customization in business processes to low-income households needs right from sales, marketing, originations to collections and grievance redressal
- Need for staff training programs to sensitize them to the needs of low-income households and first time borrowers
- Different primary lenders are at different level of sophistication with respect to market knowledge and systems/process sophistication, hence necessitating a need customized support.

Demand Side Issues:

- Low financial awareness
- Improper savings habits with continued dependence on informal sources
- Lack of formal banking history
- Lack of awareness of required documentation and indirect costs associated with access
- Lack of awareness on legal and technical documentation and issues
- Irregular repayment habits due to uncertain cash-flows

Capacity Building through Lending by banks

Bank lend for short periods only because they lend public money which can be withdrawn at any time by depositors. Loans are the lifeblood of a bank. All businesses sell products, and a bank's product is money. Banks make money by taking in funds from depositors and other sources and then lending money out to customers. The bank spread is the difference between what the interest a bank must pay to obtain the funds and the rate the bank charges on the loan. Banks make all sorts of loans, but they can broadly be broken down into two categories: residential and commercial. Residential loans represent money lent to people looking to finance a home purchase with a mortgage. There are various reasons people can borrow loans; it can be to finance their businesses, education loan, Home Loan, Personal Loan, Business Loan, Gold Loan, Vehicle/ Car Loan, Loan against Insurance Policy, Loan against PPF and so on. Twenty statements in favour of availing loans on varied nature regarding the benefits which help them to increase the capacity building of the 300 sample respondents from Tirunelveli district has been analysed and discussed as below.



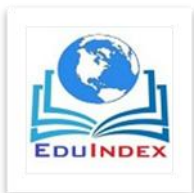
International Conference on

Multidisciplinary Research in Global Challenges and Perspectives of Sustainable Development

on 21th December 2019 at St. Jerome's College, Anandhanadarkudy, Nagercoil, Tamilnadu, India

Table 1 Capacity Building through Lending by banks
Item-Total Statistics

Statements	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
Diversification of financial products	29.67	34.35	0.40	0.73	.744
Increase in financial, productive and physical capital	29.65	33.91	0.44	0.72	
Increase in Income	29.87	35.87	0.23	0.74	
Diversification of Income Sources	29.79	35.77	0.25	0.74	
Reduction in incidence of Poverty	29.88	35.14	0.34	0.73	
Improvement in Nutrition	29.73	35.73	0.24	0.74	
Fight against Social	29.70	34.91	0.33	0.73	
Change In Enrolment Rates For Higher Education	29.74	34.42	0.41	0.73	
Increased ability to influence Decision-Making	29.76	35.60	0.27	0.74	
Increase in the awareness of health	29.83	34.55	0.38	0.73	
Promotion of Gender Equality	29.64	35.14	0.29	0.74	
Women Empowerment	29.68	34.70	0.33	0.73	
Reduce Child Mortality	29.80	35.47	0.25	0.74	
Improve Maternal Health	29.90	35.39	0.31	0.73	
Increased use of Curative Health Measures	29.82	35.04	0.32	0.73	
Increased use of Preventive Health Measures	29.58	34.54	0.32	0.73	
Increased Demand for Financial Services	29.84	35.90	0.25	0.74	



**International Conference on
Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development**

on 21th December 2019 at **St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India**

Political involvement	29.84	35.53	0.25	0.74
Political Intervention	29.68	36.03	0.20	0.74
Administrative Knowledge	29.80	35.12	0.31	0.73

Source: Primary Survey

It is noted from the reliability analysis that the Cronbach's Alpha value is 0.744 which is quiet sufficient to carry on further analysis and hence all the twenty statements are considered for analysis. As per ANOVA test it is further seen that the chosen statements are statistically significant with the mean score of 1.922 and Sum of Squares of 574.599 between People and mean score of 2.474 and Sum of Squares of 46.999 between Items. The value of F test for a degrees of freedom of (299, 19) is 5.026 and the p value is 0.000 which is lesser than the standard value of 0.05. The Grand Mean is 1.566.

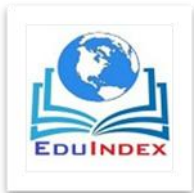
Table 2 ANOVA test for significance

Items	Sum of Squares	df	Mean Square	F	Sig	
Between People	574.599	299	1.922	5.026	.000	
Within People	Between Items	46.999	19			2.474
	Residual	2796.001	5681			.492
	Total	2843.000	5700			.499
Total	3417.599	5999	.570			
Grand Mean = 1.5663						

Source: Derived

Table 3 KMO and Bartlett's Test for Sampling Adequacy

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.643	
Bartlett's Test of Sphericity	Approx. Chi-Square	2132.824
	df	190
	Sig.	.000



**International Conference on
Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development**

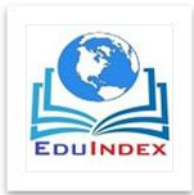
on 21th December 2019 at St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India

Source: Derived

The value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.643 which is just sufficient to carry out the analysis. The value of Chi-Square is 2132.824 for a degrees of freedom of 190 and is statistically significant with the p value of 0.000 which is less than the standard limit of 0.05.

Table 4 Factor Analysis for Capacity Building through Lending by banks

Rotated Component Matrix				
	Statements	Components	Cronbach's Alpha	% of Variance
Financial Consciousness				
FC1	Diversification of financial products	.820	0.716	14.64
FC2	Increase in financial, productive and physical capital	.802		
FC3	Promotion of Gender Equality	.632		
FC4	Increased ability to influence Decision-Making	.531		
FC5	Political Intervention	.468		
FC6	Improve Maternal Health	.441		
Social Consciousness				
SC1	Administrative Knowledge	.733	.690	13.74
SC2	Change in Enrolment Rates for Higher Education	.665		
SC3	Women Empowerment	.581		
SC4	Reduction in the incidence of Poverty	.579		



**International Conference on
Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development**

on 21th December 2019 at St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India

SC5	Diversification of Income Sources	.519		
SC6	Fight against Social Evils	.505		
SC7	Political involvement	.461		
SC8	Increased Demand for Financial Services	.385		
SC9	Increase in Income	.245		
	Health Consciousness			
HC1	Increase in the awareness of health	.692		
HC2	Increased use of Preventive Health Measures	.665		
HC3	Increased use of Curative Health Measures	.650	.680	12.17
HC4	Reduce Child Mortality	.637		
HC5	Improvement in Nutrition	.516		
	Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			

Source: Derived

Financial Consciousness: This component consists of six statements such as Diversification of financial products (.820), Increase in financial, productive and physical capital (.802), Promotion of Gender Equality (.632), increased ability to influence Decision-Making (.531), Political Intervention (.438) and Improve Maternal Health (.441). The Cronbach's Alpha of reliability is 0.716 and the percentage of Variance is 14.64.

Social Consciousness: This component consists of nine statements such as Improvement in Nutrition (.733), Change in Enrolment Rates for Higher Education (.665), Women



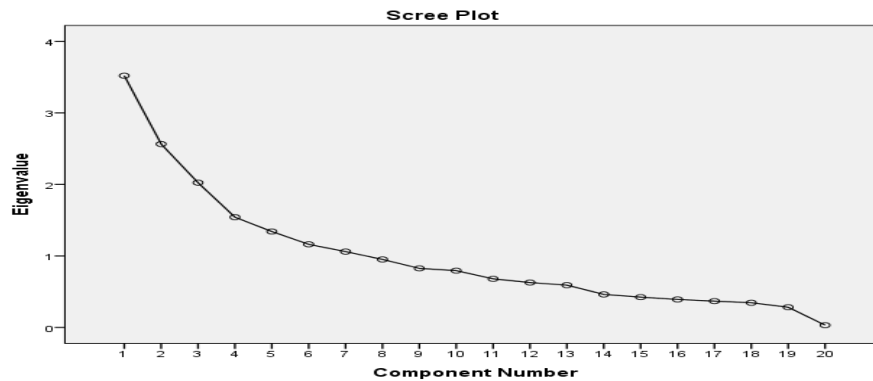
International Conference on
*Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development*

on 21th December 2019 at St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India

Empowerment (.581), Reduction in the incidence of Poverty (.579), Diversification of Income Sources (.519), Fight against Social Evils (.505), Political involvement (.461), Increased Demand for Financial Services (.385) and Increase in Income (.245). The Cronbach's Alpha of reliability is 0.690 and the percentage of Variance is **13.74**.

Health Consciousness: This component consists of five statements such as Increase in the awareness of health (.692), increased use of Preventive Health Measures (.665), increased use of Curative Health Measures (.650), Reduce Child Mortality (.637) and Improvement in Nutrition (.516). The Cronbach's Alpha of reliability is 0.680 and the percentage of Variance is 12.17.

Figure a



Structural Equation Modelling

Figure b

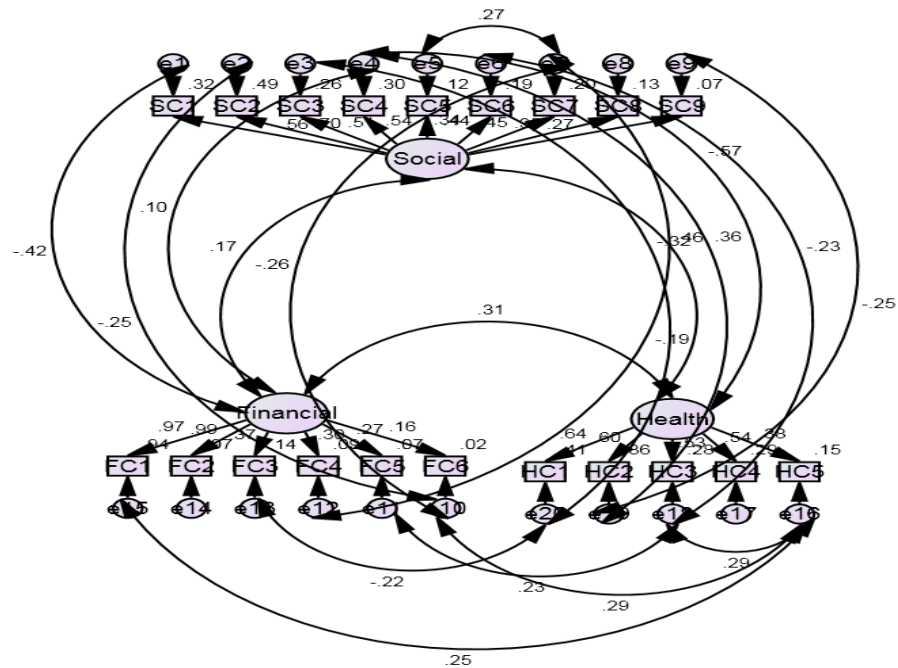
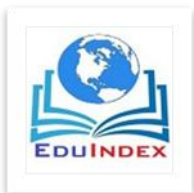


Table 5 Model Fit Indices

Goodness of fit measures	Estimates	Cutoff values
Chi Square	436.630	
Degrees of freedom	151	
Probability level (p value)	.000	< 0.05
F ratio	2.892	< 3
Comparative Fit Index (CFI)	0.857	> 0.90



**International Conference on
Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development**

on 21th December 2019 at **St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India**

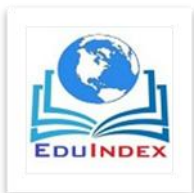
GFI	0.878	> 0.90
AGFI	0.830	> 0.90
Root Mean Square of Approximation (RMSEA)	.080	< 0.08

Source: Derived

The model statistics shows that the value of Chi Square is 436.630 for degrees of freedom 151 and is statistically significant as the p value is 0.000 which is less than the standard value of 0.05. The value of F ratio is 2.892 which is within the control limit of less than 3, Comparative Fit Index (CFI) is 0.857 which is closer to 0.90, GFI is 0.878 which is closer to 0.90, AGFI is 0.830 which is also closer to 0.90 and the value of Root Mean Square of Approximation (RMSEA) is .080 which is just equal to the limit of 0.08. Hence all the values obtained reveal the fact that this is the apt model for the benefits derived from the loan obtained from the bank loans. The Regression Weights for the Model further proved the validity of the model as the p values for all the links are close to zero and are lesser than the limit of 0.05.

Table 6 Regression Weights for the Model

No		Components	Estimate	S.E.	C.R.	P
SC1	<---	Social	1.000			
SC2	<---	Social	1.250	.150	8.311	.000
SC3	<---	Social	.993	.146	6.817	.000
SC4	<---	Social	1.145	.163	7.015	.000
SC5	<---	Social	.590	.121	4.892	.000
SC6	<---	Social	.786	.129	6.087	.000
SC7	<---	Social	.838	.133	6.307	.000
SC8	<---	Social	.579	.114	5.074	.000
SC9	<---	Social	.479	.119	4.034	.000



**International Conference on
Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development**

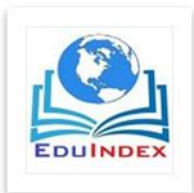
on 21th December 2019 at St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India

No		Components	Estimate	S.E.	C.R.	P
FC6	<---	Financial	1.000			
FC5	<---	Financial	1.885	.733	2.571	.010
FC4	<---	Financial	1.994	.778	2.564	.010
FC3	<---	Financial	2.716	.997	2.723	.006
FC2	<---	Financial	6.824	2.309	2.955	.003
FC1	<---	Financial	6.609	2.243	2.946	.003
HC5	<---	Health	1.000			
HC4	<---	Health	1.483	.262	5.657	.000
HC3	<---	Health	1.412	.207	6.813	.000
HC2	<---	Health	1.480	.262	5.640	.000
HC1	<---	Health	1.661	.274	6.073	.000

Source: Derived

CONCLUSION

Today the banking sector in India is fairly mature in terms of supply, product range and reach. As far as private sector and foreign banks are concerned, the reach in rural India still remains a challenge. A growing economy like India requires a right blend of risk capital and long term resources for corporate to choose an appropriate mix of debt and equity, particularly for infrastructure projects which is the need of the day. The study which has been conducted among 300 sample respondents from Tirunelveli district has resulted that the capacity building of the sample respondents has been reflected in three ways such as Financial Consciousness, Social Consciousness and Health Consciousness. The reliability statistics supports the adequacy of sample and statistical significance of the statements under study. The structural equation model fits with the required parameters. Hence it is concluded that there is positive impact among the bank loan beneficiaries due to the financial support and the utilization of the same in a productive manner. It is suggested that the Indian banking system will further grow in size and complexity while acting as an important agent of economic growth and intermingling different



International Conference on

***Multidisciplinary Research in Global Challenges and
Perspectives of Sustainable Development***

on 21th December 2019 at **St. Jerome's College, Anandhanadarkudy,
Nagercoil, Tamilnadu, India**

segments of the financial sector. It automatically follows that the future of Indian banking depends not only in internal dynamics unleashed by ongoing returns but also on global trends in the financial sectors by extending its services as user friendly and need based.

REFERENCES

Awunyo-victor, D. 2012. Determinants of loan repayment default among farmers in Ghana. *Journal of Development and Agricultural Economics* , 4 (13): 343-344.

1. Tegua, S. J. M. 2015. Analysis of the determinants of formal sources of loan repayment in the Far North Region: A case study of UCCGN. University of Dschang, Faculty of Agronomy and Agricultural Science, 131 pp.
2. Dadson, A. V. (2012). Determinants of loan repayment default among farmers in Ghana. *Journal of Development and Agricultural Economics*, 4(13), 339-345.
3. Darling Selvi V (2014), "Lending to Agriculture – A Scenario of Cooperative Banks from Kanyakumari District", *Tamilnadu Journal of Cooperation*, April, 2009
4. Darling Selvi V. (2014), "Lending to Priority Sector: A Scenario from Indian Scheduled Commercial Banks", *EPRA International Journal of Economic and Business Review*, Monthly Peer Reviewed, Refereed and Indexed International Journal, Impact factor: 0.998, Vol-2, Issue – 7, Print ISSN: 2349-0187, Online ISSN: 2347-9671
5. Warue Beatrice ,Factors Affecting Loan Delinquency In Microfinance Institutions In Kenya, *International Journal of Management Sciences and Business Research*, 2012, Vol. 1, Issue 12. (ISSN: 2226-8235)