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CHAPTER - VI

SUMMARY, CONCLUSIONS, SUGGESTIONS

6.1 INTRODUCTION :

In this Chapter the researcher wants to give summary, conclusions, and suggestions of the study of loans and advances of the Gadhinglaj Urban Co-op. Bank Ltd., Gadhinglaj. However, the study is based on the data available from the Bank office and the respondents.

6.2 SUMMARY :

1) THE PERFORMANCE OF THE GADHINGLAJ URBAN CO-OP. BANK LTD; GADHINGLAJ :

The Gadhinglaj Urban Co-op. Bank has created its reputation in the for frant among other co.op banks in this area. It has made better banking business and - progress, and stands first among other co-op. banks in this town in respect of share capital, Reserve ~~and~~ and other Funds, Owned Funds, Deposits and Other Accounts, Resources, working capital, loans and advances, profits and dividends. The Bank has rendered better services to middle class people of this area by providing credit, encour^{ag}₁ing thrift and savings. The Bank has strongly supported for the development of business and commerce in this area of operation by providing loans and advances to its members. Share capital, Reserves and Other Funds, Members, Deposits and other accounts have been increased from year to year and it has made ~~and~~ good impression on the minds of the common people of this area.

2) LOANS AND ADVANCES :

The deposits collected under various schemes are used for giving loans and advances to the needy and qualified members. For this purpose the Bank has used a sound loan policy as regard to the process of loan application forms, securities, sanction, documentation,

followup, supervision and control. The loan policy is correlated to the repaying capacity of the borrowing members and securities given by them. The Bank has sanctioned loans to the members for the productive purposes and also for the consumption purposes.

The total loans and advances given were increased from Rs. 43-20 lakhs at the end of June 1977 to Rs. 366-46 lakhs at the end of June 1986 constituting eight fold - increase. The average rate of growth was 24-67% during the period under review.

The total loans and advances outstanding were increased from Rs. 19-32 lakhs at the end of June 1977 to Rs. 155-46 lakhs at the end of June 1986 constituting eight fold increase. The average rate of \pounds growth was 22-11% during the period under review.

The Bank has given the loans for commercial purpose, Repairs construction renewal of house property and other purposes (i.e. for ceremonial, household and domestic purposes) continuously from 1977 to 1986. The ten years' average percentage of these purposewise outstanding loans to total outstanding loans were 61-15% Repairs construction renewals of house property 0-71%^{0-17%} and other purposes 22-75% However, the Bank has not given the loans for education purpose in 1986.

The Bank has given loans against various securities, mortgage, pledge, hypothecation and personal guarantee. The average proportion of outstanding secured loans in total loans outstanding was 73-36% during the period under review and the average proportion of secured loans given in total loans given was 66-03% during the period under review.

The limitwise loan analysis shows that the Bank has given more loans up to limit of Rs. 1001 to 5000. Similarly share of short term loans was also more than that of medium term loans during the period under review.

Out of various types of secured and unsecured loans and advances. The Bank has given more loans against gold and silver ornaments during the period under review. The Bank has introduced new schemes of loans such as loans against hypothecation of goods, loans against payment securities, Bank overdraft (secured) during the period under review. It is also observed that there is no remarkable progress in respect of loans against mortgage of house property, loans against Govt. securities, Bills purchased and discounted.

On observation of the financial assistance to the priority sectors from 1983 to 1986, it is clear that

the four years' average percentage of loans given to the priority sectors in total loans given was 42.85%, of which loans given to weaker section was 35.40%

3) RECOVERY OF LOANS:

Overdues are the main obstacle in the ways of financial growth of the Bank. Hence, it is observed that the Bank has taken much care about of recovery of loans and advances from the time of giving loans applications to the needy members. Usual ways like issuing notice, working to the defaulting members have been used for the recovery of loans. The percentage of overdues always remained below 10%. There is no much difficult problem regarding recovery of loans and advances. Hence, the Bank need not have to appoint a separate recovery officer.

The total overdues were increased from Rs. 0.52 lakh at the end of June 1977 to Rs. 4.24 lakhs at the end of 1986. It means that overdues increased eight times during the period under review. The ten years' average percentage of total overdues was 3% of which overdues of secured loans constituted 2.25%

By observation of overdues of purposewise loans, it is clear that overdues increased for ten years in

respect of loans granted for commercial purpose. The ten years' average percentage of overdues of commercial loans in outstanding loans was 2.35%. Similarly overdues increased for nine years in respect of loans granted for other purposes. The nine years' average percentage of overdues of loans for other purposes in outstanding loans was 4.26%.

By observation of overdues of secured and unsecured loans it is clear that overdues were continuously increased in respect of loans against gold and silver ornaments, cash credit loans, bills purchased and discounted. The ten years' average percentage of overdues of these loans in total outstanding loans were 2.09%, 0.55%, and 0.20% respectively.

By observation of overdues of limitwise loans it is clear that seven years' average percentage of overdues of loans limit Rs. 1001 to 5000 in total outstanding loans was 1.96%. Similarly, overdues of periodwise loans show the ten years' average percentage of overdues within one year in total outstanding loans was 2.30%.

On 30th June 1977 analysis of actions taken by the Bank for recovery of loans shows that the actions taken by the Bank in respect of seven (16-28%) cases out of fortythree (100%) cases of overdues. and loans were recovered from thirty six (83-72%) cases. Whereas, on 30th June, 1986 actions were taken against three (- (1-40%) cases out of twohundred fifteen (100%) cases of overdues. It means overdues were recovered from two hundred twelve (98-60%) cases of overdues. This shows the satisfactory performance of recovery of loans.

4. SAMPLE SURVEY :

138 members were financed by the way of cash credit loans during the year 1985-86; of which 25% i.e. 35 respondents who were selected for the purpose of interview are the residents of Gadhinglaj town.

6.3 CONCLUSIONS :

After considering the summary of loans and advances, recovery of loans, summary from the data collected by sample survey and personal discussion with the Managerial Personnels of the Bank. The researcher would like to state ~~that~~ the following conclusions from the study.

- 1) From the point of view of the borrowers the lending policy of the Bank is complicated. The process of lending takes time which effected delay in sanctioning loan.
- 2) The loan application form is complicated. It is not easy to understand to the common borrowing members.
- 3) The Bank has provided loans mainly for commercial purpose i.e. productive purpose. The Bank has also given loans for other purposes such as ceremonial purposes, household, purposes, domestic purposes, The Bank has not actively provided loans for repairs contribution renewals of the house property, - Educational purposes, Professional and self employment purposes. But the Bank has supported to Governments 20 point, programme policy by sanctioning loans for commercial, activities allied to agriculture and for the purpose of small scale industries and transport purpose.

- 4) Secured and unsecured loans were given by the Bank. The average outstanding proportion of secured and unsecured loans in totale outstanding loans were 73-36% and 26-24% respectively during 1977 to 1986. Whereas the average proportion of secured and - unsecured loans given in total loans given were - 66-03% and 33-97% respectively during the period under review.
- 5) The Bank has given preference to the limitwise loans of Rs. 1001 to 5000 and also to short term loans.
- 6) The Bank has given preference to the loans against gold and sliver ornaments.
- 7) There is no remarkable progress in respect of loans against mortgage of house property, loans against Government securities.
- 8) The Bank has given 30% of loans for unproductive purposes at the end of 1986.
- 9) The Bank has given more than 15% of the total loans to the weaker section of the members. But the Bank has not given the loans to priority sectors upto 60% of the loans.

- 10) The average ov-erdues of secured and unsecured loans is 2-25% and 0-75% during the period - underreview.
- 11) The maximum overdues increased in respect of the loans for commercial and other purposes.
- 12) The loans recovery of the Bank's is satisfactory as the Bank recovers the loans by taking simple action-s against the defaulters.
- 13) Conclusions from the analysis and interpretation of the data collected by the sample survey can be summarised as under :-
 - i) Out of 35 respondents majority of the cash-credit loans were given to the middle age group who had taken secondary education and most of them are traders.
 - ii) The Bank has sanctioned the cashcredit loans to the members belonging to the higher income group.
 - iii) Most of the respondents have saving bank accounts with the Bank.
 - iv) Most of the respondents have taken cash credit loans for trade but some of the respondents have taken cash credit loans for activities allied to agriculture and domestic purposes.

- v) The Bank has sanctioned the cash credit loans with in the period of 20 days from the submission of application.
- vi) The Bank has given unsecured cash credit loans only.
- vii) The majority of the respondents have enclosed promissary notes and agreements for taking the cash credit loans.
- viii) The respondents have demanded cash credit loans as the Board of Directors was familiar to them; they have local relations with the Bank along- with they are shareholders of the Bank.
- ix) Most of the respondents have used the cash credit loans for the trade but more than 40% of the - respondents have used the cash credit loans for other than given reasons.
- x) Most of the respondents have improved their financial condtion but the serious thing is that 40% of the respondents could not improve their financial condition as they could not use the cash credit loans properly.
- xi) Majority of the respondents demanded that the existing cash credit limit of Rs. 5000 should be increased.

- xii) The respondents are of the opinion that the rate of interest charged by the Bank is - reasonable.
- xiii) Defaulters were increased as the cash credit loans were used for unproductive purposes.
- xiv) Most of the overdues of cash credit loans were recovered by issuing notices to the defaulters.
- xv) The Bank has not advised to the respondents to write books of accounts relating to the cash credit loans and submit those to the Bank.
- xvi) Thirty one (89%) respondents have repaid their cash credit loans alongwith interest in the - prescribed period.

6.4 SUGGESTIONS :

After considering the conclusions the researcher would like to make the following suggestions for the efficient working of the Bank in future.

- 1) The effective quick lending process should be followed to avoid delay in sanctioning loans.
- 2) The Bank should sanction the maximum loans for the productive purposes only.
- 3) The lending of the Bank should be increased for lower income groups so that maximum banking business relations will be increased.
- 4) An attempt is to be made to increase proportion of loans to the priority sectors to achieve the target, fixed by the RBI.
- 5) Loans for the purposes of Small Scale industries should be increased.
- 6) The Bank should consider to give loans against securities likes plants and machinery, warehouse receipts, motor vehicles, shares of joint stock co; Life insurance policy and secured cash credit loans.

- 7) Effective steps should be taken for recovery of loans against gold and silver ornaments and loans against Government securities in the prescribe period for recycling of loanable fund.
- 8) A sound recovery system should be followed by the Bank for recovering old overdues, current overdues, and outstanding loans and advances. For this purpose :
 - i) Constant touch should be kept with the defaulting members.
 - ii) Checking and verification about the utilisation of loans and advances should be made by frequent visits to the concerns.
 - iii) Defaulting members should be reminded one or two weeks in advances.
 - iv) The Bank should compel the defaulting members to develop the habit of regular repayment of loans and advances outstanding.
- 9) The Bank should sanction the cash credit loans on a large scale for the purpose of trade and industry.
- 10) The Bank should increase the cash credit loans limit for providing cash credit loans requirements of the borrowing members and also the Bank should form a fixed cash credit loan sanctioning policy.

- 11) The Bank should give priority to the borrowing members who have accounts with the Bank to increase the habits of savings and to increase banking business relations.
- 12) The Bank should propose to visit to the concern at frequent intervals to verify the utilisation of the cash credit loans and keep strict supervision to - reduce wrong utilisation of cash credit loans.
- 13) The Bank should give proper guidance and advice to the borrowing members in respect of Market condition Government and RBI policies and local authority - policies.
- 14) The Bank should give the cash credit loans to those borrowing members who operate loan accounts many times in a year.