

**CHAPTER: SIX**

**FINDINGS AND SUGGESTIONS**

**6-A Findings.**

**6-B Suggestions**

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: FINDINGS AND SUGGESTIONS :

A: FINDINGS :

From the analysis of the different tables in the previous chapter the researcher has drawn out followings findings :

- 1) The striking point in case of outstanding loans is that the loans have increased with more rapid pace than the deposits and working capital.
- 2) The bank has made it a special policy point of advancing domestic loans to the needy lower and middle class people and the people in the service to meet their everyday household consumption difficulties and help them in regularising their life.
- 3) The bank has given specifically predominant place to the advances of housing loans. This is really worth appreciating point and the bank is serving national social cause of meeting the scarcity of houses in the country and extending uplifting hand for housing development. Out of the total advances which Sangli Urban Cooperative Bank Ltd;, Sangli has made for domestic purposes, more than 85% loans have been advanced to meet the housing needs of the

society. In the total loans advanced by the bank, housing loans are found to be 27.47%.

4) The main branch which was established first at the very inception of the bank, occupies predominant key position amongst all the branches of the bank in different parts of the country. It contributes about 1/5th share in the total banking business made by the entire bank and acts as a typical model of banking operations. Hence, the researcher has selected this branch,

5) The eye-catching point is that neither the main branch, nor the entire bank have made advances to priority sector as per minimum requirements of the Reserve Bank of India's directives. According to the directives of Reserve Bank of India every Urban Co-operative bank is required to make 60% of the total loans advances to priority sector. But this bank and even its main branch had hardly advanced 32.55% loans to priority sector during the beginning of the study period i.e. 1983-84 and it went on gradually increasing upto 54.43% by the end of the study period i.e. 1987-88. This clearly shows that bank's efforts have fallen short in case of advancing loans to priority sector in fulfillment of the conditions laid down by the directives of Reserve Bank of India.

Researcher has observed that the smaller urban Co-operative bank which has hardly only one branch, The Sangamner Merchant's Co-operative Bank Ltd. Sangamner has advanced to priority sector 81.91% out of the total loans during 1987-88 whereas Sangli Urban Cooperative Bank which stands leading in Western Maharashtra, lags much behind.

6) Total loans advanced to transport during the five years period have not increased in the same manner as they have been increased in case of trade and agriculture. It seems that bank is cautiously curtailing advancing loans to transport operators. The percentage share of transport loans in total loans as well as in working capital is found strikingly reduced during the period 1983-84 to 1987-88. The average amount of transport loans on each account has gone down from Rs. 51715.31 thousands during 1983-84 to Rs. 34845.05 thousands during 1987-88. This clearly reflects that the bank's policy in case of transport loans is more cautious and caring safety and profitability principles.

7) It is found from the table number 7 that the advancing policy in case of transport loans seems to be revised and more amount is diverted to taxi/tempo/rickshaw operators. During the 5 years period the share of big trucks/delivery vans loans in the total transport loans has fallen down from 65.98% to 60.75% and at the same time the share of taxi/tempo/

rickshaw operators' loans in total transport loans has increased from 20.73% to 25.85% by the end of study period. But the share of two wheelers owners' loans in total transport loans has stood nearly constant i.e. about 13%.

8) It is found that the total allied agricultural loans have been slowly increasing during the study period. At the beginning during 1983-84 Rs. 8.06 lakhs and by the end of 1987-88 Rs. 28.52 lakhs were advanced to allied agricultural activities. But this allocation of amount to allied agricultural activities is comparatively very poor. The bank has advanced to transport Rs. 77.36 lakhs and to trade Rs. 217.50 lakhs. This shows that the advances to allied agricultural activities are not made judiciously upto the expectation.

Naturally, out of the total advances lion's share of advances has been made to lift irrigation, and machinery purposes which stands more than 65%. The share allocated to dairy farming borrowers and poultry farming borrowers is much lesser than expected. About 25 to 26% of total allied agricultural loans advanced to dairy and hardly 3 to 6½% of the total allied agricultural loans have been distributed to poultry farmers.

9) It seems that the bank has understood the need of reducing traditional trade loans and divert the amount to some extent to priority sector small traders and economically

weaker class. But the effort made is not well planned. Total loans advanced to trade had increased during the period 1984-85 to 1986-87. Upto 27.15% in total loans. This shows that more than 25% loans were advanced to trade area only and bigger share enjoyed by the traditional businessmen. The share was reduced slightly down to 19.91% during 1987-88.

10) The bank has adopted a policy of building sound reserves and investing that amount in construction of office building etc. and other government and semi-government investments.

11) It is specially noted that the investment policy of the bank is based on sound footing and the investments have been actually increased more than 8 times during five years study period.

12) The bank's overdues are found uncontrolledly increasing during the five years study period. Initially, during 1983-84 the share of overdues in total loans was 7.5% and gradually went on increasing every year, and reached to 10.2% during 1986-87 and finally stood at 9.10% during 1987-88. This trend of increasing overdues creates a stumble block in smooth working of the bank and affects adversely the profits of the bank. These overdues are caused by all type of loans advanced by the banks.

The total transport overdues stood between 8.78% and 18.34% in the total overdues during the 5 years period and their share in total loans moved between 0.18% and 0.23%. It shows that the overdues of the transport have not been decreased by special efforts of the bank.

In the same way the overdues of the allied agricultural loans also are found increasing. The % of allied agricultural overdues in total overdues went up from 6.32 to 9.44 and % share of agricultural overdues in total loans moved up from 0.16 to 0.39 by the end of the study period.

The % share of traditional trade overdues in total overdues stood between 37.24 and 27.46 during the 5 years period. The share of total traditional trade overdues in total loans was 1.30% in the first year then went up to 2.13% by the end of 1985-86 and then during the last year it came down to 1.31%. Similarly, Priority sector small trade loan overdues also remained increasing.

13) The researcher's sample survey has revealed that -

The increasing overdues are caused mainly because of faulty advances made. It seems that the concerned bank officers are not making detailed enquiry and collecting relevant socio-economic and cultural background of the borrowers, and also the past record of the success of the borrowers may not have been taken into consideration while

advancing loans. This leads to increasing overdues.

It is also found that the recovery officers of the bank may not have been well trained in their jobs and hence they have failed in making higher recovery of the overdues by systematic, scientific approach.

B: SUGGESTIONS

To bring effective change in the bank's working more particularly in reframing the loan's policy and reducing overdues and bad debts the researcher would like to make the following useful suggestions :

1) By correlation technique the researcher would like to suggest that the bank should diversify and spread the loans in a balanced manner while advancing loans to different category of vehicles. During the study period though the bank has tried to reduce the share of the big vehicles like trucks/delivery vans etc. from 65.98% to 60.75%. This is not enough seek balanced spread of transport loans over all types of transport vehicles to 40% and increase the share of two wheeler owners' share to 25%. So that the equilibrium in spreading the transport loans would be attained and overdues caused by transport loans would be reduced.

2) The bank should reframe its advances' policy in a balanced manner and should divert loans from trade and some other areas to agriculture and increase the total quota of



agricultural loans at least to Rs. 80 to 85 lakhs so that there will be additional amount in increase the advances to the dairy and poultry farmers and seek balance between the different category loans.

3) The loans advanced to priority sector, more particularly advanced to economically weaker sections of the society can not be on solid security. In this respect bank is required to adopt "Need Oriented" advancing policy without making much emphasis on safety and profitability principles as national economic policy is to uplift the economically weaker class by providing self employment opportunities. Hence, bank should positively divert its loanable funds to priority sector and fulfil the conditions of the directives laid down by Reserve Bank of India.

4) Bank should cut down trade loans to 17% in total loans and divert the available amount for the agricultural advances. Out of the total share of trade loans 2/3 rd share should be allocated to priority sector small traders and economically weaker class borrowers.

5) The bank should take special precautions and give strict instructions to the concerned loans advancing officers to get scientifically accurate entire information before advancing loans to the borrowers. More particularly, the borrower's family and business background, his character and fair dealings in the business should be completely known by the bank.

6) In the same manner the bank should provide special training to the recovery officers and make them efficient in attaining highest recovery of overdues.

7) Researcher would like to suggest the bank, that it should get special recovery officers appointed for its needy branches to solve the recovery problem for some time.

8) To keep control over the increasing overdues and increase efficiency of the bank, the bank should adopt statistical technique like Bivariate Correlation method.

9) The bank should also scientifically make the future forecasting by adopting Regression Analysis and introduce scientific approach in forecasting.

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