

CHAPTER VI

SUMMARY, FINDINGS AND SUGGESTIONS

In this chapter, the researcher has made an attempt to summarise the collected information, data and the analysis of data.

On the basis of information and data certain findings and conclusions have been drawn.

In light of these findings and conclusions, the researcher has come up with a few suggestions.

6.1 SUMMARY:

1. Various committees from time to time and Banking Regulation Act 1949 have defined urban co-operative bank is that a co-operative society having paid up share capital and reserves of not less than Rs.1 lakh. The Reserve Bank of India has also modified its definition from time to time.

The urban banks have become a dominant source of loans and advances mainly for urban peoples. The failure of joint stock banks and economic boom created an impetus to the growth of urban banks.

The Reserve Bank of India followed active policy

particularly during the period since 1966 and to provide a number of concessions in various forms to urban banks.

2. Effective working credit society were first developed in Germany. Their development was spread on by the co-operative failure and subsequent famine in 1846.

Herman Schultze and Friedrich Raiffessen both affected enough by the hardships of the 1846 famine to organise co-operative efforts to all eviate local sufferings in Germany. With the success of these two, an italian Luigi Luzatti studied the credit societies and opened a co-operative bank in Milan in 1866.

In India, the origin of urban co-operative movement traced to the close of 19th Century. Maharashtra has been and continue to be a pioneer in the field of urban co-operative banking movement in India. It was then realised that urban credit societies were eminently suitable for mobilising the local saving and to provide financial relief to lower and middle class people.

3. Kolhapur is one of the fastly developing districts and political, social, educational, commercial and industrial progress of Kolhapur city has been remarkable.

Shri Mahalaxmi Co-operative Bank Ltd., Kolhapur was set up in 1933. It has made a remarkable progress

in all factors of banking business. Operationally Shri Mahalaxmi Co-operative Bank Ltd., has endeavoured to function, keeping in view their major objectives.

1. Mobilisation of resources from the community they serve.
2. Provision of credit at reasonable rates to small borrowers.
3. Provision of banking and other subsidiary services.

Various other indicators such as membership coverage, collection of share capital, level of Reserve fund, level of working capital, trends in overdues, expansion in loans etc. have been made use of to evaluate the growth performance of Shri Mahalaxmi Co-operative Bank Ltd., Kolhapur.

4. Deposits are sums obtained by the society or bank from members or non members on the ordinary terms prescribed in the bye-laws or by the General Meeting particularly time deposits and saving deposits are the main source of liquidity of the bank.

The Mahalaxmi Co-operative has successfully stimulated, through their various innovative deposit schemes such as sadabahar scheme, lakhpati scheme, Shri Mahalaxmi Cash Bonds, pigmy deposits etc. the public to save and to deposit. The various saving schemes and deposit schemes of Shri Mahalaxmi Co-operative Bank have been discussed in details.

Through various competitive schemes, bank has successfully attracted public deposits from Rs. 323.76 lakhs to Rs. 596.84 lakhs during the period under study.

The bank offers competitive rates of interest on deposits subject ofcourse to the ceiling fixed under the directives issued by the Reserve Bank of India.

5. Urban banks are meant to cater for the needs mainly of persons of moderate and small means. They should attempt at maximum dispersal of its loans and advances among small borrowers.

The sound loan policy based on the bye-laws and the guidelines of the Reserve Bank of India has been formulated by the bank.

Depending upon the self need of the area, the bank decides on the priorities of purpose for financing. The bank grants loans mainly for the following purposes.

1. Small Scale Industry
2. Trade and commerce
3. Professional and self employed persons
4. Transport operators
5. Construction and repairs of buildings
6. Consumption of loans
7. Repayment of prior debts
8. Education loans.

During the period under study gives away following loans and advances to its customers.

What is the diff. between

	1982 (Rs. in lakhs)	1987 (Rs. in lakhs)
Loans	289.03	596.85
Advances	29.20	118.71
Total	318.23	715.56

The bank also sanction loans against several types of securities. This is a great help to small entrepreneurs and traders who seek loans on hypothication of goods.

Bank also gives facility of advances to the customers to the tune of 75% of their owned funds to time and demand liabilities.

Bank has offered main financial assistance against the hypothecation of merchandise i.e. during year 1985 1986 and 1987 the percentage of loans against merchandise to the total loans against securities was 45.93%, 22.87%, 52.49% respectively.

A brief classification of overdues followed by calculation of overdues are the feature of the chapter, overdues and recovery of loans.

From the table showing loans and overdues of Shri Mahalaxmi Co-operative Bank Ltd., for the period under

1 CM ON 'Y' 10M = Rs.50 lakhs

900

800

700

600

500

400

300

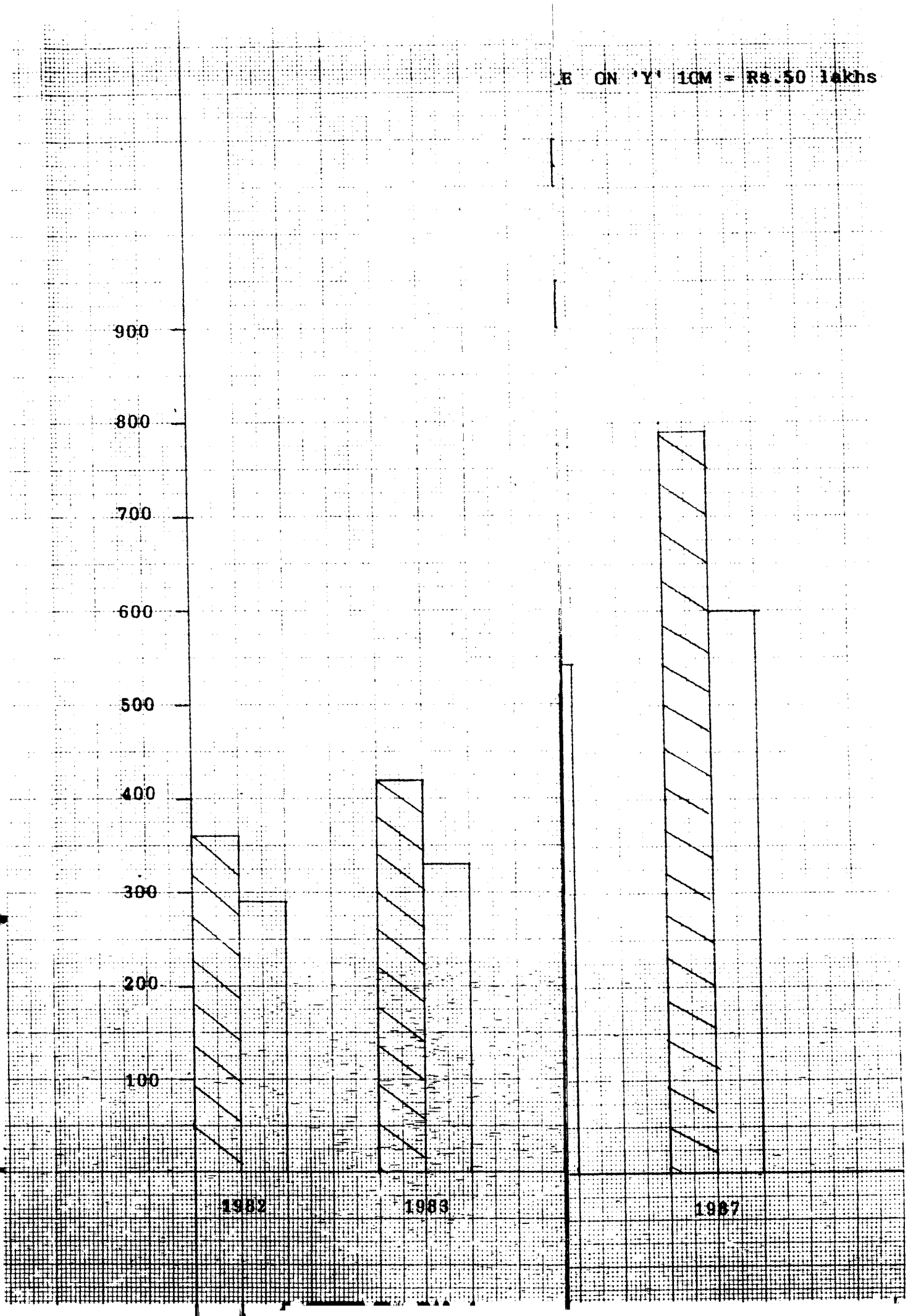
200

100

1982

1983

1987



review. It can be seen that percent overdues for the year 1982 to 1987 were 4.46% to 5.93% respectively. Also overdues by period have been classified in a table.

Thus we can observe that the bank has offered more financial assistance to the public and thereby achieved financial stability.

6.2 FINDINGS:

After considering the summary of Deposits, Loans and advances the researchers findings of the study are based on the analysed data and different ratios calculated thereafter.

1. The growth of deposits is considered satisfactory particularly in view of the keen competition, the bank has to face in the respect. In 1982 to 1987 the deposits were Rs.3,62,09,613 to 5,96,84,878 and working capital was Rs.4,67,80,318 to 10,25,81,757. Thus the percentage of total deposits to the percentage of working capital in 1982 to 1987 is Rs.77.40% to 76.85% respectively. It means deposit mobilisation of bank of bank is fully dependent on lendable resources.
2. The outstanding loans and advances of bank in 1982 to 1987 is Rs.2,89,02,443 to Rs. 12,92,562 to Rs.35,41,349 respectively. The percentage of overdues to loans outstanding in 1982 to 87 is Rs.4.47% to 5.93% respectively.



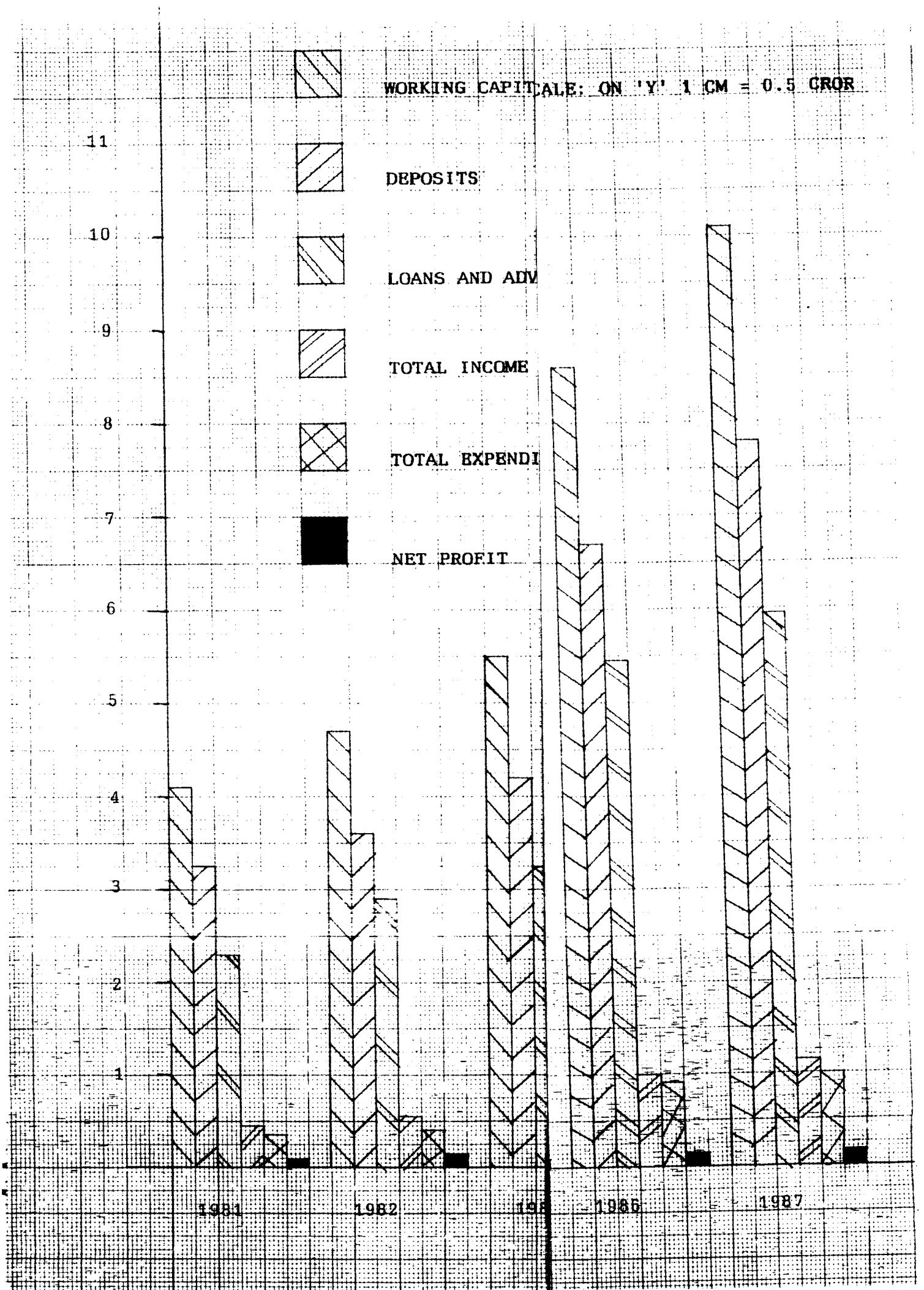
It means the performance of the bank in the matter of recovery of loans can be considered good.

But comparing with the percentage of recovery for the year 1982, 1985, It is less.

3. The limiting amount for loan against surety is rs.150,000 as directed by the Reserve Bank of India and bye-laws. Here it has been observed that the bank has exceeded the limit as surety in 1985 is 40.14 lakhs to 1987 is Rs.64 lakhs. The reason is that their owned funds and deposits has increased loans and advances.
4. The ratio of loans and advances given and funds deposited is not satisfactorily good. Deposits of bank in other bank are more, no proper investment of funds. The position is

	1982	1987
Loans given	289,02,443	596,84,878
Funds Deposited	165,08,114	400,95,530

5. The increase in the growth of membership was reflected in increasing share capital. However, during 1986-87 the higher percentage of growth has been due to adopting a firm policy of linking shareholding to the credit limits sanctioned to the borrowers.



DIFFERENT RATIO'S OF SHRI MAHALAXMI CO-OPERATIVE BANK LTD.,

Ratios	30-6-81	39-6-82	30-6-83	30-6-84	30-6-85	30-6-86	30-6-87
1. Paid up Share Cap. to Working Capital % Ratio	1141090 40841800 2.79	1375775 46780318 2.94	1580880 55043200 2.87	1850725 66578988 2.78	2093825 81275519 2.58	2408325 88514036 2.72	2540750 102581757 2.48
2. Funds (Reserves and Other funds) to Working Capital % Ratio	4609098 40841800 11.29	5104617 46780318 10.91	5878421 55043200 10.68	7343696 66578988 11.03	8112680 81275519 9.98	9003215 88514036 10.17	10020567 102581757 10.24
3. Deposits to working Capital % Ratio	32376600 40841800 79.23	36209613 46780318 77.40	41845351 55043200 76.02	50891202 66578988 76.44	62572655 81275519 76.99	66879465 88514036 75.56	59684878 102581757 76.85
4. Net Profit to Working Capital % Ratio	555088 40841800 1.36	1221504 46780318 2.61	1154765 55043200 2.10	877046 66578988 1.32	988679 81275519 1.22	1482045 88514036 1.82	1516652 102581757 1.48
5. Loan outstanding to working Capital % Ratio	23234700 40841800 56.89	28902433 46780318 61.78	32745351 55043200 59.49	43272601 66578988 64.99	47873137 81275519 58.90	54361923 88514036 61.42	59684878 102581757 58.18
6. Investment to Working Capital % Ratio	14255555 40841800 34.90	13555535 46780318 28.98	17320555 55043200 31.47	15694555 66578988 23.57	25139535 81275519 30.93	26078555 88514036 29.46	34605750 102581757 33.73

Ratios	30-6-81	30-6-82	30-6-83	30-6-84	30-6-85	30-6-86	30-6-87
4. Overdue to Loans Outstanding	1025400 23234700	1292562 28902443	1748900 32745351	2310360 43272601	3633438 47873137	3026535 54361923	3541349 59684878
% Ratio	4.41	4.47	5.34	5.34	7.58	5.56	5.93
5. Short Term Loans to Total Loans Outstanding	12194083 23234700	13502705 28902443	15210530 32745351	18740287 43272601	22177835 47873137	24414633 54361923	30374525 59684878
% Ratio	52.48	46.72	46.45	43.31	46.33	44.91	50.89
6. Medium term loans to total loans outstanding	11040617 23234700	15399738 28902443	17534821 32745351	24532314 43272601	25695302 47873137	29947290 54361923	29310353 59684878
% Ratio	47.52	53.28	53.55	56.69	56.67	55.09	49.11
7. Interest paid on Deposits to Interest received	2365248 4175584	3020874 5378580	3501454 6051571	4227923 7045176	5167815 8302044	6400270 10124450	7432822 11555667
% Ratio	56.64	56.16	57.86	60.01	62.25	63.22	64.32
8. Interest paid on Deposits to Gross Income	2365248 4218103	3020874 5445715	3501454 6121486	4227923 7133022	5167815 8404199	6400270 10257004	7432822 11744876
% Ratio	56.07	55.47	57.20	66.78	61.49	62.40	63.29

6. Shri Mahalaxmi Co-operative Bank Ltd., have strengthened their financial position by enhancing their magnitude of statutory reserve funds during the period under study. It increased from Rs: 46.09 lakhs to Rs.100.20 lakhs during the period of 1981 to 1987.
7. Shri Mahalaxmi Co-operative Bank Ltd., by and large was self reliant indicating its financial soundness as there were no borrowing during the period under review.
8. In 1987, the percentage of secured loan of shri Mahalaxmi Co-operative Bank Ltd., is 88.73% and unsecured loan is 11.27%. So the bank has taken proper precaution to advanced secured loans as per the Reserve Bank of India. directives, 2/3 advances should be secured. Bank has adopted wise policy in advancing loans.

6.3 SUGGESTIONS:

On the basis of the findings the researcher would like to make the following suggestions -

1. The Bank should sanction maximum loans for productive purpose. 9 .
2. Effective steps should be taken for recovery of loans. Bank may consider, wherever necessary having their office timings, before and after the normal office hours to touch to defaulters in their area and to visit them at a convenient time. 9 .

3. The bank should establish a separate statistical department to maintain the up-to-date statistical information about loans etc. *Is it not there?*
4. The percentage of current and saving deposits in 1987 is 9.49% and 26.91% respectively. The total of this deposit is 36.40%. *(r*

It would be economically profitable to increase current and saving deposits upto 50%. So that profitability of such would increase as rate of interest on current and saving deposits to be paid is less than fixed deposits.

Thus bank shall make effort to mobilise current and saving deposits.

5. Though the bank has funded for a few educational institutions, still there is scope to do much in this field. In order to fulfil the social objectives, there is enough scope for the bank to have a scheme which will finance the eligible students for their higher education.
6. In order to mobilise funds effectively and profitably, the bank should operate through more branches. There is a wide scope for the expansion. *(At present No. ...)*
7. Bank can further expand its business activities through systematic efforts in non funding activities like commission. Bank charges etc. other than income on investments.

8. Efficient and effective services to customers has become a need of time and is one of the major plus points in the era of competition. Here the bank has ample scope to train its staff to improve relation with customers.
9. Moving towards 21st Century for attracting the Depositors Bank should go for computerisation for effective data processing and efficient customer services. ✓

COMPARATIVE FINANCIAL POSITION OF
 MAHARASHTRA, KOLHAPUR DISTRICT AND SHRI MCB.LTD.,
 FOR THE YEAR ENDING 1987

(Rs.in lakhs)

Items	Maharashtra	Kolhapur Dist.	Shri MCB. Ltd
1. Membership	8510	8279	8349
2. Share Capital	36.70	22.33	25.41
3. Owned funds	83.78	59.88	125.62
4. Deposits	678.19	467.60	780.34
5. Borrowings	23.94	N.A.	Nil
6. Working Capital	837.77	554.08	1015.43
7. Loans Outst.	492.02	329.08	596.85
8. Loans overdue	45.21	29.64	35.41
9. Profit	12.50	7.11	15.17