

C H A P T E R - 5

OBSERVATIONS AND SUGGESTIONS

5.1 OBSERVATIONS

5.2 SUGGESTIONS

CHAPTER NO.5OBSERVATIONS AND SUGGESTIONS5.1 OBSERVATIONS :

- 1) The stupendous progress has been made by the Bank in paid-up Sh. capital. Total Sh. capital was increased by 64.34% from 1985-86 to 1989-90. The Amount of profit is increased by 77.80% during the last 5 years, yet the rate of dividend is constant i.e. 9%.
- 2) Within 5 years reserve fund and other funds have been increased by 88.11%. Thus the significance of reserves has increased in recent years. It shows the bank's position to face the emergency problems.
- 3) The Borrowings from the Govt. are negligible in case of this bank. RBI provides loans through apex co-operative bank of all these sources of finance, Maharashtra co-operative Bank is the most important. It is not possible for the bank to meet the increased demands for loan from primaries out of the funds provided by Apex Bank.

- 4) Deposits are very imp. in Banking business for the fulfillment of the credit requirement of the need from the beginning the bank has made strenuous efforts in mobilisation of deposits through the expansion of branches. And still it is striving hard for increasing the amount of deposits. Total deposits increased by 90.27% from 1986 to 1990. Thus there was two fold increase in aggregate deposits during the period under review. It is a good feature of a sound Banking system.

Out of total deposits societies contribution is more i.e. nearby 70% because of the Bye Law PACs, Urban Banks & other societies have to deposit their surplus funds with the Central Co-op. Bank. The Bank doesn't lend money to farmers directly. Volume of saving deposit is more i.e. nearby 80%, in case of individuals, whereas in case of F.D. Societies have large share i.e. about 80%. There is no radical change in case of societies contribution of fixed deposits even after 5 years period. Out of total deposits fixed deposits comprises 81.15% and other deposits 38.85%. It shows a very good deposit mixing keeping the average cost of deposits less

- 5) Working cap. is the pointer to measure the progress of any bank. It indicates the turnover of the bank. Rate of growth of working capital is about 95.11% from 1986 to 1990. It is an impressive achievement. At present more than 86.02 % of working capital is contributed by deposits. Thus bank tried to reduce its dependence on borrowed capital.
- 6) Rapid progress has been made in respect of loans & advances. Within 5 years there is increase in aggregate loans & advances by more than 112.88%. There is nearabout two fold increase in loans & advances.

Nearabout 80% of the total loans issued are short-term. The major portion of the total lending of the bank is confined to Agricultural Finance.

- 7) Investment portfolio of the bank shows an idea of earning capacity of the inst. by way of interest the degree of liquidities of its resources. The Banks ratio of total investment to working capital has been increasing. It was 23.84% in 1985-86 & increased to 25.52% in 1989-90. The bank invests

its large percentage of funds in Apex Bank. According to Bye Laws it has to deposit Its invest in Govt. Sec. are very less as the returns on the same are very low.

- 8) The sound working of a bank depends upon its net profit. Income & Profit of a bank depends upon its loan operations & cost of its business. Within 5 years N.P. is increased by 77.80%. Actual income is increased by **77** %. It is a sign of good performance of the Bank.
- 9) Maintaining proper liquidity ratio is the most difficult problem in funds management. The success of Finance Manager lies in keeping liquidity as per statute and investing surplus funds profitably. The bank manager has very successfully tackled this problem. In the year 1989-90 the bank has managed to keep liquidity ratio between 25% to 28% & has taken due care not to keep idle funds in hand. Bank is successfully solving this problem with the help of good management & ^{proper}~~proper~~ distribution of authority and responsibility among different departmental heads & keeping cordial relations with other banks.

All other ratios are also within the Norms set up; by RBI. It shows that bank has also become successful in keeping its cost of management within limit. It has also made strenuous efforts to achieve profitability within the framework of regulations imposed by the RBI. eventhough not yet achieved.

SUGGESTIONS

- 1) Bank has to improve its deposit equity ratio which shows a deviation from the norm. It has to mobilise sizeable deposits as they are required to borrow less by way of loans. Again as regarding with loans and advances ratio, bank could have to use its potential in advancing loans by diversification
- 2) Loans given by Apex bank to K.D.C.C. are insufficient to cope with increasing demand from agricudlturists. Apex Bank should take liberal policy for providing loans to K.D.C.C.
- 3) Professionalisation of management is the need of the day to achieve the main objective-that of profit maximisation for fulfilling Social Responsibility.