

**CHAPTER VI
CONCLUSIONS
AND SUGGESTIONS**

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6.1 INTRODUCTION

In this chapter, the researcher has tried to give summary and conclusions of the present study and has made some of the important suggestions for better performance of the urban co-operative credit societies in Wai city. These conclusions are based on the data made available for the purpose of study.

6.2 SUMMARY AND CONCLUSIONS

6.2.1 History and Development of Urban Co-operative Credit Societies

1. Urban co-operative credit societies are established in urban, semi-urban, and rural areas with very limited areas of operation. They are occupying a very significant place in the development of banking system of our nation. The main object of the urban co-operative credit societies is to meet the financial needs of their members and to inculcate the habits of saving among themselves. Interest on loans and advances given, Government securities and on deposits, dividend received on shares, entrance fess, etc. are the main sources of urban co-operative credit societies. They differ from urban co-operative banks and commercial banks in respect of objective, organization and area of operation.
2. The urban co-operative credit movement started in Germany and then it spread all over through the world.
3. In India the first urban co-operative credit society was started in Baroda on 5th February 1889 as 'Anyonya Sahakari Mandali'.
4. Maharashtra is the leading state in the urban co-operative credit business in India. It has made significant progress in respect of number of societies, deposits and loans.
5. Satara District is one of the leading districts as far as co-operation and banking business in Maharashtra is concerned. The urban co-operative credit

societies in Satara District have made quick progress with satisfactory results in last two decades.

6. In 1921, 'The Wai Taluka Traders Co-operative Credit Society' was started and it is the first the urban co-operative credit society in Wai Taluka. Then after 10 years, it converted in Urban Bank in 1931. Then after about 40 years second urban co-operative credit society i.e. 'Wai Taluka Group Secretary Co-operative credit society' was established. As the name indicates, it was an Employees co-operative credit society. In 1972, the third urban co-operative credit society was established and it was 'Satara Sahakari Sakhar Karkhana Kamgar Co-operative Credit Society'. From 1972 to 1983, 10 urban co-operative credit societies were established. From 1988 to 1996 another 30 urban co-operative credit societies were established. Recently, 62 urban co-operative credit societies are working in Wai taluka, while 24 urban co-operative credit societies are working in Wai city.
7. Though the first urban co-operative credit society was started in 1921, the real beginning of the urban co-operative credit societies in Wai taluka was from 1972. During 1972 to 1982, only Employee Co-operative credit societies were established and from 1982, the other types such as Urban, Rural non-Agricultural, and women co-operative credit societies started to establish.
8. On 31st March 2007 there are 62 urban co-operative credit societies are working in Wai taluka out of it 24 are working in Wai city, while other 38 co-operative credit societies located in 99 villages in Wai taluka. Thus, growth of the urban co-operative credit societies in Taluka is uneven. Around 40 % of the societies are in Wai city and remaining 60 % are lies in the remaining part Wai taluka. This shows regional imbalance in the growth of urban co-operative credit societies in Wai taluka.

6.2.2 Financial Aspects of Urban Co-operative Credit Societies

1. **Share Capital:** - Share Capital is regarded as base of urban co-operative credit societies. Hence, capital is very important source for urban co-operative credit societies. Share capital of urban co-operative credit societies increases every year with only one exception. Growth in share capital

indicates progress of urban co-operative credit societies in urban area. The growth rate of share capital of various urban co-operative credit societies indicates variations, which lies in 8 % to 20 %. Therefore, 8 % to 10 % increase in share capital regarded as normal growth rate.

2. **Reserve and surplus:** - Urban co-operative credit societies create different reserves as reserve fund, dividend equalization reserve and reserve for bad and doubtful debts, etc. reserve of different urban co-operative credit societies increase per year. The growth rate of reserve is uneven as, it is depends upon profit earned. Reserve funds aid to financial soundness of urban co-operative credit societies so, urban co-operative credit societies must try to maximize amount of reserve by transferring large amount of profit to various reserves.
3. **Deposits:** - Deposits are the important source of funds of the urban co-operative credit societies and this helps the society to meet the financial requirements of the members at the time of their needs. The amount of deposits occupies an important place in the working capital of these societies. The deposit of different urban co-operative credit societies increases per year. It indicates that, people attracts towards urban co-operative credit societies to deposits their money in urban co-operative credit societies.
4. **Composition of Sources of Fund of Urban Co-operative Credit Societies:** - Share capital, reserve, and surplus and deposits are the three important components of urban co-operative credit societies. After analysis the structure of the funds of urban co-operative credit societies, a generalization has been drawn as follows -
 - 1) Deposits constitute large portion in total fund, which is around 70 to 85%,
 - 2) Share capital contributes its share in total fund, which is up to 15 to 10%,
 - 3) while reserve and surplus share too little amount of fund in total fund that is 5 to 7 %.

Most of urban co-operative credit societies total fund is more than Rs. 1,00,00,000/- it indicates urban co-operative credit societies succeed to collect large amounts of funds in urban area.

5. **Investment:** - Investments is an important asset of urban co-operative credit society. Urban co-operative credit societies generally invest their idle or excess funds in various types of investments. This investment generates income for urban co-operative credit society. However, an amount invested in investments has no liquidity and so not easily available to urban co-operative credit societies for use. As earlier stated urban co-operative credit societies invested their idle funds so, amounts of investments fluctuated year by year. It observed that urban co-operative credit societies generally invest 1/3 amount of total funds in investment.
6. **Loans and Advances:** - Loans and advances are the important earning assets of urban co-operative credit societies. From analysis of data related to loans and advances it observed that 50 to 60 % amounts of total funds were lent as loans and advances. The urban co-operative credit societies offers 5 to 7 types of loans to its members. From analysis of Loans and Advances it is clear that simple loan, property security loan, deposits security loan and salary security loan are the loans urban co-operative credit societies prefer to lend, it means urban co-operative credit societies give more attention to security of loans.
7. **Profit:** - profit earned by urban co-operative credit societies must be calculated and allocated as per The Maharashtra Co-operative Societies Act, 1960 (MCS Act) and The Maharashtra Co-operative Societies Rules, 1961. As per The Maharashtra Co-operative Societies Act, 1960 it is mandatory for urban co-operative credit society that they must transfer 25% amount of profit to reserve fund. It is observed that seven urban co-operative credit societies out of eight selected urban co-operative credit societies for during five years period. While one urban co-operative credit society suffers from loss for two years.
8. **Profitability Ratios(Return of Investment Ratios)**
 - Return on Capital Employed – Capital fund involves long-term liabilities and owners equity. Return on capital employed of different urban co-operative credit societies is very low, indicates that profit earned by urban co-operative credit society on total funds is very low. Low return

on capital employed indicates total fund employed by urban co-operative credit society were not properly utilized.

- Return on Equity – Shareholders' equity involves equity share capital, reserve and surplus minus accumulated losses. It observed that much of urban co-operative credit society's return on equity is greater than 5 %. It means urban co-operative credit society can pay 5 % return on shareholders equity. Five % returns on shareholders equity in co-operative sector can be regarded as a reasonable return on equity.
- Earning per Share - Earning per share shows profit available for per equity share. Earning per share of much of urban co-operative credit society is greater than Rs. 8, in some cases it is up to Rs. 30 shows urban co-operative credit society earns fair return on numbers of share outstanding.

9. Cash and Balance with other banks – Much of urban co-operative credit societies do not have uniform policy regarding maintenance of Cash balance. Maintenance of sufficient cash balance is necessary to maintain liquidity. Maintenance of high liquidity adversely affects the profitability of urban co-operative credit society.

10. Cash to Deposits Ratio – Cash to deposits ratio of different urban co-operative credit society is very low indicates urban co-operative credit society does maintains sufficient cash in consideration to deposits.

6.2.3 Human Aspect of Urban Co-operative Credit Societies

1. Urban co-operative credit societies appoint four types of employees as permanent employee, temporary employee, casual employee and apprentice employee etc.
2. Only well-established urban co-operative credit society appoints permanent employees. It means a well-established society provides job security to their employee, while, newly- established urban co-operative credit societies not provide job security to their employees.

3. Number of temporary and casual employees in urban co-operative credit society is large, which indicates that urban co-operative credit society carried their work through temporary and casual employee.
4. Apprentice employees also have been appointed by most of the urban co-operative credit societies in Wai city.
5. Most of urban co-operative credit societies do not have proper organization structure for employees.
6. Different urban co-operative credit societies organize their organization as per their requirements. Organization of employees of urban co-operative credit society is simple in nature and it is a straight-line organization structure.
7. Educational qualification of employees of urban co-operative credit society – 75 % employees of urban co-operative credit society have passed graduate and post graduate degree examinations of university indicate that employees of urban co-operative credit society possess good qualification.

6.3 SUGGESTIONS

After considering overall working and performance of the selected urban co-operative credit societies in Wai city for period of five years from 2002-003 to 2006-07, the researcher would like to make following suggestions for the efficient working of the urban co-operative credit societies.

6.3.1 Suggestions Regarding Financial Aspects of the Urban Co-operative Credit Societies

1. The urban co-operative credit societies should strengthen their base of own funds, for this, the urban co-operative credit societies have to collect large capital from public. To increase share capital urban co-operative credit societies offer non-members for subscription of shares of society.

The urban co-operative credit societies should also try to remove lost capital due to heavy loss from its capital structure if any involved in its capital structure.

2. The urban co-operative credit societies should give more attention to increase their reserve fund. They should also raise necessary other funds. The amounts in these various funds should invest in liquid form. Therefore, urban co-operative credit society can have some income from it.
3. The amounts of long-term deposits are useful for the urban co-operative credit society in lending loans and advances. Hence, it is suggested that the percentage of this type of deposits should not be less than 70 per cent of total deposits.
4. There is a vital need for the urban co-operative credit societies to have a review and examine the sources and use of funds to ensure optimization of return.

To improve the financial management in urban co-operative credit societies, following things are needed.

- A faster rotations of funds
 - Modified lending pattern and policies
 - Choosing of proper clients
5. It observed that urban co-operative credit societies have no proper policy regarding maintain of cash balance. It is suggested to urban co-operative credit societies should keep sufficient amount of cash with them to honour the withdrawal of the depositors. Inability to return the deposits on demand creates confusion in the mind of depositors about the urban co-operative credit society.

At the same time, the urban co-operative credit society should not keep idle cash balance with them.

6. Various types of loan schemes are suitable to the different classes of people in society, simplicity in loan-premiums, easiness and regularity in interest calculations, attractive rate of interest, sufficient and careful scrutiny of loan proposals, supervision on loan amount sincere attempts for the successful and more beneficial loan transactions of the urban co-operative credit societies.

7. Analysis and interpretations of financial statements assist the management in measuring and maintaining efficiency of various levels so it suggested that urban co-operative credit societies should analyze the figures in its annual financial statements as well as interpret with the help of analysis for effective management.
8. Urban co-operative credit societies should prepare its monthly as well as Annual Budgets as provide management with a useful basis upon which to build their policy.
9. Urban co-operative credit societies should make use of costing techniques in its decisions making process. It will be beneficial to them in taking correct decisions.
10. There should be internal check system and internal control system in the working of an urban co-operative credit society to reduce the mistakes and frauds by the employees.

6.3.2 Suggestions Regarding Human Aspects of the Urban Co-operative Credit Societies

1. The urban co-operative credit societies should give attention towards the development of their human resources for the following purposes
 - i. Recruitment of right quality personnel
 - ii. Optimum utilization of the employees
 - iii. Creation and maintenance of staff development
 - iv. Motivations and right morale among the workers
2. Urban co-operative credit societies form a separate recruitment board for the recruitment and selection of the employee.
3. The co-operative department should suggest uniform staffing pattern for the urban co-operative credit societies. In this pattern, some posts for the candidates of backward categories and women candidates should be reserved as per Government rules.
4. The healthy working conditions and environment in urban co-operative credit society stimulates the employees to work more efficiently. Therefore, they should provide with good working conditions including sanitation and welfare amenities.

5. The pay scale in all the urban co-operative credit societies should be uniform for same posts.
6. Management of the urban co-operative credit society should use proper method of job evaluation, as it is necessary to assess the overall working performance of the employees.
7. The employee of urban co-operative credit societies should have participation in the society's management and decision-making process through the way of their representation in Board of Directors.
8. The employees working in the urban co-operative credit societies should come together and form a union to solve their problems.