

CHAPTER VI
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6.1 Introduction

In this chapter the research student has tried to give summary and conclusions of the present study and has made some of the important suggestions for better performance of Janata Urban Co-operative Bank Ltd., Wai and future subject for such type of study in Research in Commerce and Management. These conclusions are based on the data made available and analyze during for the purpose of study.

6.2 Conclusions

6.2.1 History and Development of Urban Co-operative Bank

- 1) The urban Co-operative credit movement started in Germany and then it spread all over through the world.
- 2) In India the first urban co-operative credit institution was started in Baroda on 5th February, 1889 known as 'Anyonya Sahakari Mandali'. While 1st registered urban Co-operative Credit institution was at Conjeevaram in Oct 1904.
- 3) In 1947-48 India got independence at that time there were 1,060 Urban Co-operative banks in India with more than 6,98,000 members and having Rs. 5.64 Crore as a capital .
- 4) On 31st March 2007 Total number of Urban Co-operative bank in India were 1813 out of which 35% Banks are in Maharashtra and Goa States.
- 5) The Urban Co-operative Banking movement in India is concentrated in five states viz., Maharashtra [Including Goa], Gujarat, Karnataka, Tamil-Nadu and Andhra Pradesh. Eighty percent Urban Co-operative Banks are located in these states.
- 6) Maharashtra is the leading state in the Urban Co-operative credit business in India. It has made significant progress in respect of number of Urban Co-operative banks.

7) Establishment of Agency houses and the presidency bank at Mumbai by Britishers was the real beginning of the modern Banking business in Maharashtra.

8) 'Oriental Banking Corporation' was the first foreign bank in Bombay presidency. 'The Poona Bank Ltd' was the first commercial bank in Bombay presidency while "Anyonya Sahakari Mandali" was the first Urban Co-operative credit institution in Bombay presidency.

9) Urban Co-operative Banks made remarkable progress in Maharashtra. The large and oldest Urban Co-operative Bank in Maharashtra was established as Urban Co-operative Credit Society after passing Co-operative society Act 1904.

10) Vardha district Central Co-operative Bank is the first district central Co-operative bank in Maharashtra. Today there are 31 District central co-operative Banks working in Maharashtra in various Districts.

11) Satara district is one of the leading districts as far as Co-operation and banking business in Maharashtra is concerned. The Urban Co-operative Bank in Satara district have made rapid progress with satisfactory results in last 50 years. On 31st March 1999, 150 Urban Co- operative Bank operating in Satara district.

12) In 1921, 'The Wai Taluka traders Co-operative Credit Society' was started and it is the First Urban Co-operative Credit Society in Wai Taluka. Then, after 10 years it was converted into Urban Bank.

13) On 31st March 2008, 5 Schedule Commercial Banks, 7 Co-operative Banks, 25 Urban Co-operative Credit Societies are working in Wai City.

6.2.2 Profile of Janata Urban Co-operative Bank

Janata Urban Co-operative Bank is the second big urban Co-operative bank developed in Wai city. Janata Urban Co-operative Bank established on 13th July. 1983 as Shramik Co-operative Credit Society latter on it converted into Urban Bank Following points has been pointed out from present study.

1] Shri Suresh Rao Dinakar Korade and Shri Shamrao Genu Karne are initiated to from of Janata Urban Co-operative Bank. The main object behind the establishment of bank was to developing habit of saving among people of Wai taluka and to provide financial help to its members and society.

- 2] Janata Urban Co-operative Bank is located at Songirwadi which is called as centre of Wai, and convenient for both people in urban and rural area in Wai taluka.
- 3] At the end of first year there were 953 members of the Society and the Society collected Rs 3,250 as share capital.
- 4] In year 1994 Bank expanded its business and establishes two branches at Surur and Pachwad near the National Highway 4.
- 5] On 5th March 1998 Shramik Sahakari Pathsanstha was converted in to Bank. That time the Bank had 1,964 members with Rs. 49, 02,100 as share capital. On the same date Bank collected Rs. 1,79,96,214 as deposits and disbursed Rs. 1,87,75,597 as loans. In the same year, the Bank opened third branch at Wai M.I.D.C.
- 6] Janata Urban Co-operative Bank is the first Urban Co-operative Bank in Wai which firstly introduced computer system in his routine work.
- 7] On 31st March 2008, Bank successfully completed 25 years and made tremendous progress.
- 8] After considering data for the last ten years, it is found that the bank has been making satisfactory progress in respect of membership, paid up capital, Mobilization of deposits, loans and advances, working capital, investment and profit.

6.2.3 Financial Aspects of Janata Urban Co-operative Bank.

1] **Sources of Funds:-** Janata Urban Co-operative Bank is a financial institution, so finance [money] is very important component for bank. Janata Urban Co-operative Bank raise finance [fund] through three major sources viz, Share Capital, Reserve and surplus and Deposits.

i] **Share Capital:** - Share Capital is the owned Source of fund for Janata Urban Co-operative Bank. Share capital of Janata Urban Co-operative Bank increased during study period. Growth rate of share capital of Janata Urban Co-operative Bank was between 8% to 15 % for five years period. Progressive averages of Growth rate of share capital shows declining trend. It means the rate of growth in share capital decreasing year after year during study period.

ii] **Reserve and Surplus:** - Reserve and Surplus is second owned Sources of Janata Urban Co-operative Bank. Reserves are important for Janata Urban Co-operative Bank as it is financial institution. Reserves help the bank for writing of various losses. Amounts of different reserves of Janata Urban Co-operative Bank increased during

study period. Growth in reserve fund is uneven as it depends upon the amount of profit earned in the particular year.

iii] Deposits: - Deposits are also an important Source of fund for Janata Urban Co-operative Bank. Deposits regarded as borrowed source of finance [fund]. Deposits constitute large portion in total fund of bank. Janata Urban Co-operative Bank collects large amount of money through various 7 types of deposits. But deposits of Janata Urban Co-operative Bank can be categories in four heads as –

- a] Fixed deposits**
- b] Saving deposits**
- c] Current deposits**
- e] Recurring deposits**

Fixed deposit occupies more than 80 % amount in total deposit and so it is important borrowed source of funds available for utilized for as a working capital for specific period.

a] Fixed deposits:-

Fixed deposits constitute averagely 82 % amount in total deposits. Fixed deposits of Janata Urban Co-operative Bank increased during study period, but the rate of increases in deposit was fluctuating. Fixed deposits shares in aggregate deposits also increased during study period.

b] Saving deposits:-

Saving deposits is another type of deposit offered by Janata Urban Co-operative Bank which constitute averagely 11.40% amount in total deposits. Growth in saving deposits of Janata Urban Co-operative Bank is fluctuating. In year 2004-05, savings deposits of Bank fell by 3.15% as compared to previous year.

c] Current deposits:-

A current deposit is third type of deposits offered by Janata Urban Co-operative Bank. Current deposit occupies average 2.40% amount in total deposit. Only one year during study period showed negative growth, while other years showed increase in the amount of current deposit.

d] Recurring deposits:-

Recurring deposits is the fourth type of deposit offered by bank. This type of deposit occupies 4% share in total deposits. Initial three year showed increase while next two years recorded fall.

2] Investment: - Investment is an important asset of bank. Janata Urban Co-operative Bank invests some portion of their total fund as investment. This investment generates income for the Bank. Amount of investment of Janata Urban Co-operative Bank increases year by year. But the rate of increase is quite fluctuating. Janata Urban Co-operative Bank invested their idle fund in fixed deposits of District central Co-operative Bank and state Co-operative Bank, state / central Government debentures and shares of Co-operative Credit Banks. The income source was available by way of interest and dividend amount on their invested amounts.

3] Loans and Advances:-

Advancing loans to needy people residing in urban and Semi-urban area is one of the important functions of Janata Urban Co-operative Bank. Janata Urban Co-operative Bank has sanctioned loans both for production and consumption purpose. Regarding the performance of loans and advances of Bank, the study has shown that the amount of loans sanctioned and disbursed increased continuously but the growth rate trends fluctuated. The credit-deposit ratio of Bank was averagely 68.30% for five year period.

Loans of Janata Urban Co-operative Bank can be classified in the groups as per duration of loan. It involves short-term loans, medium term loans and long term loans and charge on interest at various rates.

a) **Short Term Loan:** - Share of short term loan in total loans was lower i.e. averagely 17.63%. These short term loans can be classified as secured loans and unsecured loans. Janata Urban Co-operative Bank mostly prefers to give secured short-term loan. The secured short-term loans in total short term loans were averagely 99.80% while unsecured short-term loans were averagely 0.20%.

b) **Medium-term Loans:** - Share of medium-term loan in short-term loan was higher i.e. averagely 51.16%. This type of loan also classified as secured loan and unsecured loan. While giving medium-term loans Janata Urban Co-operative Bank prefers security of loans so bank lend 95% medium-term loans on security.

c) **Long Term Loans:** - Share of long term loans in total loans was averagely 30%. Long term loans are given only on proper security. Total long term loans increased during study period, but the rate of growth is quite fluctuating.

4] Overdue: - Recovery of loans is an important aspect of the functioning of the bank. So present study has considered the problem of overdue of bank. It is found that

the average overdue of the bank were 8.91% during the period of 5 years under study. While considering trend of overdue it can be seen that overdue of bank increased year by year.

5] Non-performing Assets

On the recommendation of Narsimhan Committee, the concept of Non-Performing Asset has been introduced in our country since 1992-93. It involves income recognition, assets classification and provisions against various types of assets. This study also covers NPA of Janata Urban Co-operative Bank Ltd., Wai.

i) Gross NPA: - Gross NPA of Janata Urban Co-operative Bank was averagely 10.75% for five years. While considering yearly Gross NPA it can be observed that, Gross NPA of bank shows declining trend in later three years.

ii) Net NPA: - Net NPA of Janata Urban Co-operative Bank lies between 5 to 10% during study period. Average net NPA of Janata Urban Co-operative Bank for five years was 7.55%. The amount of net NPA shows lot of fluctuations, for three years it is too high, while remaining two years it can be said normal.

6] Credit-Deposit Ratio- While studying the loans and advances of bank, the present study also covers Credit-Deposit Ratio. Credit-Deposit Ratio of Janata Urban Co-operative Bank was averagely 68.30%. It means the bank uses 68% deposits for lending purpose, while remaining amount is used for investment and for maintaining liquidity.

7] Profit: - Profitability is an important Principle which has to be followed by every bank in its working. Present study covers Profitability aspect of Janata Urban Co-operative Bank. Bank is able to earn profit for five years under study. Amount of profit earned by bank shows more fluctuations. In the year 2004-05 it records low profit, as in this year the provision of NPA has been introduced. After the analysis of profit and rate of dividend, it can be said that, Bank's earned profits are reasonable.

8] Profitability Ratio (Return on Investment Ratio):-

i) Return on Capital Employed: - A Capital fund involves long term liabilities and owner's equity. From analysis it is observed that, return on capital fund is below 1%. It indicates that profit earned by the Bank on total fund is very low. Low return on capital employed indicates total fund employed by bank were not properly utilized.

ii) Return on Equity: - Shareholder's equity involves equity share capital and reserve and surplus minus accumulated losses. This study point out that, return on

equity of Janata Urban Co-operative Bank is greater than 5% except year 2004-05, while on average it is 7.60% which may be regarded as a reasonable return on equity.

iii) **Earning Per Share:** - Earnings per Share shows profit available for per equity share. It is observed that average earnings per share is Rs.19, during the study period but while considering actual figure it is observed that 1st year EPS was Rs. 27.36 and 2nd year EPS was Rs.12.47. It means the EPS figures show large variations during the study period.

6.2.4 Human Aspect of Janata Urban Co-operative Bank.

- 1) Janata Urban Co-operative Bank appoints four types of employees viz, permanent employees, temporary employees, casual employees and apprentice employees etc.
- 2) It is observed from study that Janata Urban Co-operative Bank appointed more than 50% permanent employees out of total required employees. It means the bank takes service from permanent employees.
- 3) Janata Urban Co-operative Bank also appoints temporary and casual employees to carry out their day to day routine work. Casual employees of the bank are the Pigmy agents, account clerks and audit assistants.
- 4) Apprentice employees also have been appointed by the Janata Urban Co-operative Bank for the period of one or two years.
- 5) From the staff analysis it is clear that, the bank fills different posts in their organization and tries to set-up a good organization.
- 6) Educational qualifications of employees of Janata Urban Co-operative Bank are 54% employees of Janata Urban Co-operative Bank have passed graduate and post graduate degree examinations of university. This indicates that employees of Janata Urban Co-operative Bank possess good qualifications.
- 7) Organization structure of bank is line type. One head office and three branches have separate branch managers and employees are working under him.
- 8) Employees of bank are working efficiently. The profit behind per employee is quite good which is nearly more than Rs. 50,000 during the study period.

6.3 Suggestions

After considering and analyzing the performance and working of 'Janata Urban Co-operative Bank Ltd., Wai' during the period of last five years, the researcher would like to make the following suggestions for efficient working of the bank in future period.

6.3.1 Suggestion regarding financial aspect of the bank.

1) Janata Urban Co-operative Bank should strengthen its base of own funds, for this, Janata Urban Co-operative Bank has to collect more capital from public. To increase share capital Janata Urban Co-operative Bank offers shares to non-members.

2) Deposits –

i) Janata Urban Co-operative Bank should concentrate on collecting deposits. They should educate the people, especially the rural people, the relating importance of thrift and savings. Bank can increase their working capital by introducing different types of savings and deposits schemes.

ii) As the amounts of current deposit and recurring deposit is low, it is necessary to take steps to attract both these deposits by proper advertising of such deposits.

iii) While introducing new schemes, the bank should see that there is no adverse effect on existing deposit schemes.

3) Janata Urban Co-operative Bank has to review and examine the sources and use the funds to ensure more return. To improve the financial management of bank, following things have to do by bank.

-- A faster rotations of funds.

-- Modified lending pattern and policies.

-- Choosing of proper clients.

4) Loans and advances –

i) Janata Urban Co-operative Bank should reorient their loan policies and should provide loans at reasonable rate of interest. All steps should be taken to see that loans are sanctioned without delay.

ii) The loan procedure should not be complicated and time consuming so that there will be increase in the loans and advances. Bank can also appoint one peon for bringing the 'No Dues Certificates' from other banks & societies for the borrower.

iii) Janata Urban Co-operative Bank should take utmost care while distributing loans, especially, the guarantee about the repayment.

iv) The Directors should not favour anybody while sanctioning him a loan. His economic conditions and attitude about the repayment of loan must be taken into consideration.

5) Overdue is a serious problem in Janata Urban Co-operative Bank. Therefore, much care should be taken while sanctioning the loans. The directors should take personal responsibility for the recovery of loans.

6) Profitability of bank is adversely affected due to increase in non-performing assets. To improve the profitability, it is suggested that directors, employees of the bank should take steps to recover loan installment, and take care about the overdue. They should not remain out standing for 90 days so that there is no need to make provisions against them.

7) Analysis and interpretation of financial statements assist the management in measuring and maintaining efficiency of various levels so it suggested that Janata Urban Co-operative Bank should analyze the figures in its annual financial statements as well as interpret with help of analysis for effective management and gives better services to the customers.

8) Janata Urban Co-operative Bank should prepare its monthly as well as annual budget to provide management with a useful basis upon which to build their policy.

9) Janata Urban Co-operative Bank should make use of costing techniques in its decisions making process. It will be beneficial to them in taking correct decisions.

6.3.2 Suggestions Regarding Human Aspects of Janata Urban Co-operative Bank.

1) Janata Urban Co-operative Bank should give attention towards the development of their human resources for the following purposes.

i) To recruitment of right quality personnel in right post.

ii) To optimum utilization of the employees appointed.

iii) To create and maintenance of staff development.

iv) To motivation and right moral among the workers and officers.

2) Janata Urban Co-operative Bank form a separate recruitment cell for the recruitment and selection of the employee.

- 3) There should be uniform staffing pattern for Janata Urban Co-operative Bank. In this pattern, some posts for the candidates of backward categories and woman candidates should be reserved as per Government rules.
- 4) The healthy working conditions and environment in Janata Urban Co-operative Bank stimulates the employees to work more efficiently. Therefore, they should provide good working conditions including sanitation and welfare amenities and services provided.
- 5) Better services attract the customers. The officials and the staff should behave with affection with their customers.
- 6) The pay scale of employee in Janata Urban Co-operative bank and its branches should be uniform for same posts and give the facility according to their service.
- 7) Management of Janata Urban Co-operative Bank should use proper method of job evaluation, as it is necessary to assess the overall working performance of the employees and also gives additional remunerations for ideal or extra work.
- 8) The employee of Janata Urban Co-operative Bank should participate in the bank's management and decision making process through of their representation in the Board of Directors.
- 9) The employees working in Janata Urban Co-operative Bank should come together and help the management in creation of new policy and day to day working of banks as well as expansion of the banking business.