

## CHAPTER – V

### CONCLUSIONS AND SUGGESTIONS:-

5.1 : Introduction.

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### CONCLUSIONS AND SUGGESTIONS

#### 5.1 :- INTRODUCTION :-

The urban co-operative banks have occupied significant place in the banking development of our nation. They are providing an opportunity to its members to raise large funds from their small savings which is helpful for them to fulfill their needs and raise their standard of living. There are 725 co-operative societies in Karad Taluka. Among these 6 societies are urban co-operative banks.

Among all these, Koyana Co-operative Bank Ltd., Karad is on the path of the progress which is witnessed through increase in number of members, share capital, deposits. It shows the trust of investors and goodwill of the bank. Some outcomes and findings drawn from the present study of the bank are presented in this chapter.

#### 5.2 : Conclusions :-

Conclusions drawn from the entire study are broadly categorized under the following heads.

##### 5.2. (a) Comparative financial statement analysis.

- 1) The Koyana Co-operative bank Ltd., Karad is witnessing increasing number of members. Since the establishment, the bank has increasing trend in its number of members. The membership has increased by 2.5 times during 10 years and also it has extended its business through its branches.

- 2) Share capital i.e. the owned capital of the bank has increased over the Period under study. If compared to the establishment year, during 10 years it has faced the tremendous increase of 12 times. Therefore, it may be concluded that the bank has created trust in the minds of investors and also members.
- 3) Due to steady profitability the bank has kept its reserve fund position satisfactory. The reserve fund provision, compared to the establishment year has increased by 590 times during 10 years.
- 4) The bank has offered different types of deposits to cater to the varied needs of the depositors. The time deposits form a large share in total deposits structure.
- 5) The deposit mobilization of the bank shows an increasing trend. The increase is at a *Fluctuating* rate.
- 6) Savings deposits show an increasing trend except in 2007 during which a decrease is seen in these deposits, while *current, Time* deposits also show an increasing trend over the period under study. *current deposits* show a nearly 1.5 times increase during 2007.
- 7) The cash & bank balance shows a continuous increasing trend, the bank has maintained highest cash and bank balance during 2007, which is due to the substantial increase in current deposits during this year.
- 8) The investment of the bank shows a clearly fluctuating trend, it shows increase in 2005 and 2006 and decrease in the year 2004 and 2007.

- 9) There is increase in the amount of loan disbursed by the bank. If compared with the establishment during 10 years it shows a tremendous increase of more than 62 times. Medium term loans form a large share in total loans structure of the bank.
- 10) Short term & medium term loans show an increasing trend over the period under study, while the long term loans show an increase up to the year 2005 afterwards it shows decrease during 2006 & 2007.
- 11) The bank has not declared dividend in any year, when discussed with the bank officials it is made clear that, the Dividend amount is transferred to building fund.
- 12) There is increase in total income & interest income, which is at a fluctuating rate; it shows lowest increase during 2007, which may be due to the decrease in long term loans and increase in N.P.A. percentage during this year.
- 13) An increasing trend is observed in total expenditures & interest expenditure which is at a fluctuating rate. The increase in interest expenditure is lowest during 2007, which may be due to decrease in savings and time deposit during this year. The administrative expenses show highest increase during 2007.
- 14) The operating profit & net profit shows a fluctuating trend. Net profit shows highest increase during 2006, as a result of increase in total income, and it shows highest decrease during 2007, as a result of increase in administrative expenses and provisions.

### **5.2 (b):- Common size statements analysis:-**

- 1) The percentage of operating profit and net profit to total income shows a fluctuating trend. The net profit percentage is lowest during 2007.
- 2) The percentage of cash & bank balance in total assets is highest during 2007.
- 3) The percentage of loans and advances in total assets shows a fluctuating trend.
- 4) The share capital is approx. 4% of the total liabilities and capital.
- 5) The percentage of deposits in total liabilities & capital shows a fluctuating trend.

### **5.2 (c) : Trend Percentages :-**

- 1) The trend of regular membership and share capital shows an increasing tendency, there are no remarkable fluctuations in the trend. The increasing trend depicts the confidence of its members in the bank.
- 2) The trend of current deposits & time deposits shows an increasing tendency, in between these two deposits, the trend of current deposits show higher increase tendency. It shows a nearly 6 times increase during 2007, while the trend of savings deposits shows a increasing tendency except during 2007.
- 3) The trend of short term loans and medium term loans show an increasing tendency. In between these two loans, the increasing

tendency of short term loans was faster, while the trend of long term loans shows an increasing tendency up to 2005 after wards it shows decrease during 2006 and 2007.

- 4) The trend of net profit shows that it was lower than base year for the entire period under study except during 2006. The trend was lowest during 2007.

#### **5.2 (d) : Liquidity, Solvency & Profitability :-**

1. The liquidity position of the bank shows a sound position but it has maintained excess liquidity.
2. The bank has made excessive investment in liquid assets i.e. in cash, bank balance & government securities.
3. The solvency position of the bank is satisfactory as depicted by the solvency ratios. The bank has adequate capital funds in relation to risk weighted assets, as revealed by the CRAR ratio.
4. The net N.P.A. percentage of the bank is within the limit of 10% for the entire period under study, but the N.P.A. shows an increasing trend and is highest of 7.98% during 2007, it indicates that the bank has to take steps to improve the recovery position.
5. Credit deposit ratio of the bank is lower than the standard of 65% for the period under study except in 2007, during which it is at a satisfactory level, a low CD ratio indicates that the advancement of loans of the bank is low. The bank should try to increase the advancement of loans.

6. A high liquidity ratio and low CD Ratio indicates that the bank has preferred to invest in liquid assets like cash, bank balance & government securities having higher liquidity and lower risk weights.
7. The profitability position as revealed by the profitability ratios is satisfactory; the bank has earned profit during the entire period under study, but it is declined tremendously during 2007.
8. Bank has made efficient use of its working funds to achieve a substantial interest income.
9. The bank has made efficient use of its working funds to achieve a substantial operating profit as indicated by the operating profit to working funds ratio.
10. The bank has also earned a substantial interest margin on the working funds employed by them.
11. Return on total assets shows a satisfactory return up to 2006 afterwards it has declined tremendously due to the decrease in net profit during 2007.

### **5.3:- SUGGESTIONS:-**

In the light of above conclusions the following suggestions are offered.

- 1) The Koyana Co-operative Bank Ltd., Karad is witnessing increasing number of members but the bank has not declared any dividend to the members in any year. The bank should declare and pay dividend to the members out of the profit earned by the bank to increase the membership.
- 2) The bank should make more publicity of its operations and performance to attract investors, they should offer attractive savings schemes like providing higher rate of interest, low minimum deposits etc. and also attract investors by ensuring safety of deposits and providing a satisfactory customer service with competitive service charges.
- 3) The bank should introduce innovation in attracting potential customers by offering a range of services like making easy opening of accounts, with staff going to customers home and offices to complete the necessary formalities and also by providing online banking facility, 24 hour ATM facility at most of the branches located in urban areas.
- 4) The bank should make available more infrastructural facilities like building, vehicle parking, drinking water facility, more counters for transactions, informative infrastructure etc. which will make the good image in society.
- 5) The bank should provide services based on the specific needs, conveniences and preferences of the customers like longer working



hours, with some branches staying open on all seven days and holidays too.

- 6) The bank should try to attract more borrowers by the way of simplification of documentation procedures and efficient inter-office communication channels and also they have to strengthen their loans portfolio by manning them with proper staff, equipped with appropriate appraisal and monitoring skills.
- 7) The bank should try to reduce the time span in loan application and loan sanctioning, but while maintaining flexibility and speedy sanctions, it should not overlook the quality of loans and its recovery factor.
- 8) The bank should try to attract more & more borrowers by providing loans for housing, vehicles, education and house hold articles, solar heaters etc. at very competitive rates.
- 9) The bank should try to attract good borrowers by offering a rebate scheme for the borrowers paying the interest and installments timely.
- 10) It should also try to reduce its non-recovery percentage. It should find new creative ideas to improve its recovery. It should conduct personal meetings with the borrowers and convey them the actual position of their loan account. The borrowers should be convinced for making timely payment by offering rebate or concession. If any borrower is not convinced with these ways, a legal action should be taken against him.

- 11)The bank should keep sufficient amount in liquid resources but as well as take care that excessive amount is not tied up in liquid assets.
- 12)The bank should invest the funds after making the necessary provisions of statutory liquidity ratio (S.L.R.), cash reserve ratio (C.R.R) in the most profitable channels like debentures, bonds and for issuing medium term & long term loans yielding higher rate of interest.
- 13)The bank should try to maintain and increase its profitability. It should implement cost control programs for controlling the administrative costs like the cost of electricity, telephone, printing & stationary. The office, staff should be motivated to make optimum utilization of time and resources.
- 14)The bank should enter into contract with the insurance companies for the distribution of insurance. Selling of insurance by banks would be mutually beneficial for banks & insurance companies.
- 15)As the bank is working efficiently there scope for the bank, to expand its transactions by opening new branches beyond satara district and improve its profitability.

In the present scenario of mergers of many banks and patsanstha's. Koyana Co-operative bank Ltd., Karad is working efficiently. The suggestions offered by the researcher will be of great use to the bank to strengthen the three pillars of liquidity and solvency, profitability. It is hoped that bank will be in a better position of marching towards progress in the coming years with the implementation of some suggestions.