

CHAPTER VI

CONCLUSION & SUGGESTIONS

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6.1 Introduction

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6.1 INTRODUCTION :

In this chapter an attempt is made to give a summary and conclusions on the aspects of working of Shri Vasant Rao Chougule Nagari Sahakari Patsanstha, Kolhapur so far covered in this study. However, the conclusions are based on the available data.

6.2 SUMMARY :

Urban co-operative credit patsanstha were started with the objective of promoting the habit of saving among the people, and to meet the credit needs to them .

This Patsanstha was established on 1st June 1988 and has expanded with 12 branches in Kolhapur and Ratnagiri district. This Patsanstha has strongly supported the development of middle class people, small-scale industries, many business in the urban and semi urban area.

So far as working of the patsanstha is concerned, today it is found satisfactory . This is one of the largest among the other Patsansthas in Kolhapur district in respect to the Profit, Reserve Funds, Deposits, Loans and Advances and Working Capital.

DEPOSIT :

Deposit is one of the important element in co-operative credit societies, in fulfilling the credit requirements of the members. To attract deposits from the people the patsanstha has introduced various deposits

schemes. All deposit schemes are being efficiently operated by the patsanstha. During the period of year 1998-99 to 2003-04 it has examined that increased by Rs 2628.73.

1. **Fixed Deposit :** The amount of fixed deposit increased from the period 1998-99 to 2003-04 by Rs. 223.60 lakhs respectively and the average growth rate is 10.84%.
- 2 **Reinvestment Deposit :** There was growth in reinvestment deposit in every year. The average growth rate is 45.73%.
- 3 **Saving Deposit :**The saving deposits of the patsanstha clearly shows the average growth rate is 11.51% during the period form 1998-99 to 2003-04. There was growth in saving deposit every year.
- 4 **Current Deposit :** A close examination of this deposit schemes shows that there was growth in every year except the last year. The average growth rate of current deposits is 19.36% during the study period.
- 5 **Recurring Deposit :** This deposit is making progress during the period of last 6 years the amount increased from Rs. 7.36 lakhs to Rs. 26.06 lakhs There was growth in recurring deposit in every year. The average growth rate of recurring deposit is 24.30% .

- 6 Sukhakarta Deposit :** In case of this deposit the data indicate that the amount of sukhakarta deposit is increased by Rs.144.34 lakhs and average growth rate is 11.51% during the period.
- 7 Pigmy Deposit :** A close examination of this deposit schemes shows that the increased and decreased position within last 6 years. The average growth rate is only 0.75%
- 8 Damduppat Deposit :** In case of damduppat deposit the data indicate that the increase amount successfully in every year and the average growth rate is 18.50%..
- 9 Damdidpat Deposit :** In case of this deposit the data indicate that even though there was a remarkable growth in deposit. The rate of growth is always fluctuating and average growth rate was 30.83%.
- 10 Damtippat Deposit :** In case of this deposit also there is fluctuating growth rate and average growth rate is 12.82% during the period.
- 11 Lakhapati Deposit :** This scheme shows the increase trend of deposit during the study period. The average growth is 21.99% and the share of this deposit in total deposits is 1.37%
- 12 Dhanaxmi Deposits :** This scheme also shows the increase trends of deposit during the period. The average growth rate is 7.13%.

13 Vasant Depoist : In respect of this deposit the amount increased from Rs. 5.04 lakhs to 12.73 lakhs. The average growth rate is 17.50% during the study period.

14 Karja Deposits :In respect of this deposit scheme it is observed that there was a steady increase. But for the year 2003-04 the amount of the scheme decreased to Rs. 10,34,215.

15 Call Deposit & Sevashri Deposit :This scheme reveal that amount of deposit increased by Rs. 511.90 laksh and it is seen that day by day this scheme is also becoming popular among the various deposit schemes.

6.3 (1) CONCLUSION :

As seen from the above summary it has been observed that even though there are 15 deposit schemes among which only 11 deposit schemes are in service because they are more effective and maximum amount could be mobilized from these 11 deposits. Presently the Patsanstha has not taken deposits under the remaining four schemes which are Damtippat , Dhanlaxmi, Lakhapati, Vasant scheme , because the interest rate as well as the duration deposit scheme is more than other deposit schemes of the patsanstha . But the depositors who have deposited earlier under these schemes would get their deposit with interest.

The majority of the depositor belongs to economically poor and middle class people who prefer mostly damduppat deposit, fixed deposit and reinvestment, sukhakarta deposit schemes. It is piteous to observe that the pigmy and current deposit of the patsanstha could not be more impressive. However, the call & sevashri deposit schemes are becoming popular.

LOANS AND ADVANCES :

The deposits so far collected through various deposit schemes are used mainly for sanctioning the loans and advances for various purposes under different types. All types of loan and advances are efficiently operated by the patsanstha. There is progressive increase in loans and advances of these patsanstha during the period of last 6 years. At the end of year 1998-99 total loans and advances were Rs. 1523.18 lakhs which is increased up to Rs. 3387.78 lakhs at the end of year 2003-04.

1. ***Loan against pledge*** :Loan against pledge shows that there has been a significant increases in the amount of loan from 25.72 lakhs to 52.46 lakhs. The average growth rate was 17.01% during the year.
2. ***Loan against Properties***: Loan against properties have got 36.31% proportion in total outstanding loans and average growth rate

was 25.06% which shows that this scheme has been satisfactory implemented by the patsanstha.

3. **Cash Credit Loan** : This type of loan facility has continuously increased except last year i.e. 2004 in this year there was decrease the amount by Rs. 39,61,899.
4. **Hire Purchase Loan** : The average growth of this loan was 6.51% and the average percentage of this loan in total loan was 19.62% . This type of loan has been satisfactory implemented by the patsanstha during the period.
5. **Loan on Salary** : Loan on salary has not been much progressive for the patsanstha because the percentage for this type, according to the total loan is only 0.58%.
6. **Loan Against Gold** : It is clear form the table that there was decrease in the loan against gold. And therefore the average rate of growth is (-) 5.62%.
7. **Loan Against Milk occupation** : The progress of such loan is not satisfactory during the period of the last 6 years and the average growth rate is (-) 4.02%..
8. **Loan against Deposits** ; The loan against deposits increased from Rs. 132.88 lakhs to 157.77 lakhs. It shows that the rate of loan disbursement increased during the period of last 6 yrs.

6.3 (II) CONCLUSION :

Advancing loan to the needy people is the one of the most important objective of the patsanstha. There are eight types of loans granted by the patsanstha among which loan against property, cash credit and hire purchase are mostly preferred by the customers. However, loan against salary, gold and milk occupation are not much demanded by the customer because of less sanction amount and less time duration than other types of loans. But the loan against pledge and deposits are satisfactorily implemented by patsanstha.

ANALYSIS FOR THE PERFORMANCE AND POSITION OF THIS PATSANSTHA.

The most commonly used technique of ratio analysis is used for the purpose of evaluation of performance and position of the patsanstha.

Table No. 6.1

Ratio Analysis - A Comparative View

Sr. No.	Types of Ratio	Actual Ratio						Standard Ratio
		Year 1998-99	Year 1999-2000	Year 2000-01	Year 2001-02	Year 2002-03	Year 2003-04	
1	Current Ratio	4.08:1	1.80:1	0.88:1	1.17:1	1:1	0.57:1	2:1
2	Debt equity ratio	7.20:1	10.20:1	10.76:1	10.07:1	7.75:1	7.53:1	1:1
3	Net profit ratio	1.63:1	1.21:1	1.03:1	1.09:1	1.43:1	1.45:1	1.31:1
4	Return on share holders investment ratio	11.73:1	12.37:1	11.12:1	10.95:1	11.05:1	10.90:1	11.35:1
5	Administrative expenses ratio	4.55%	2.90%	2.87%	3.90%	5.75%	5.38%	4.22%
6	Credit deposit ratio	75.00%	78.39%	86.58%	84.92%	77.05%	72.70%	79.10%
7	Fixed charges cover ratio	1.10 times	1.07 times	1.07 times	1.08 times	1.09 times	1.10 times	6 to 7 times
8	Fixed Asset ratio	96.20%	120.62%	99.19%	93.65%	69.26%	65.67%	65%
9	Proprietary ratio	9%	7%	7%	8%	9%	8%	50%

Note : In the above table Average Ratio represents as a Standard Ratio in Net Profit Ratio, Return on Shareholders Investment Ratio, Administrative Expenses Ratio & Credit deposit Ratio.

Interpretation of Ratios :

1. Current Ratio :

This ratio is below the norm 2:1 throughout the period from 1999-00 to 2003-04 except in the year 1998-99 which shows the liquid position

of the patsanstha is not good and there is shortage in the working capital. In the year 1998-99 ratio was very high i.e. 4:1 which means large amount of working capital locked up for short term creditors.

2. Debt Equity Ratio :

This ratio shows that the claims of the creditors are greater than those of the owners from the creditors point of view, the situation is highly unsatisfactory, because they have lower cushion against possible loss in liquidation.

3. Net Profit Ratio :

This ratio indicates that the overall profit earning capacity of the patsanstha is good and the patsanstha had effective cost control programme for the period under our study except for the years 2000-01 and 2002-02.

4. Return on Share Holders Investment Ratio :

The average rate of return on shareholders investment ratio is 11.35:1 for six years under study. This ratio shows that the management has utilized the funds provided by the shareholders effectively.

5. Administrative Expenses Ratio :

Administrative expenses ratio of this patsanstha is found to be in the range of 4.55% to 5.75%. There are marginal fluctuations in all the years. The administrative efficiency is reasonably good.

6. Credit Deposit Ratio ;

This ratio is the range of 75% to 72.70% giving the average credit deposit ratio of 79.10% this leads to the conclusion that there are very minor fluctuation in the credit deposit ratio of the different years. The only two exceptions are of the year 2000-01 and 2001-02 where such variations are found to be on higher side by 7.48% and 5.82% points. This shows that good utilization of deposits for advancing loans.

7. Fixed Charges Cover Ratio :

The average of the fixed charges cover ratio of the patsanstha is 1.09 for last six years and this is below the standard norm of 6 or 7 times .Due to the low ratio, the patsanstha cannot easily meet its interest burden and it concluded that financial position of the patsanstha is weak.

8. Fixed Asset Ratio :

This ratio indicates that the long term financial position of the patsanstha is not in sound position. Hence the lesser margin of safety for long term creditors. Only last year i.e. 2003-04 ratio is 65.67% which is equal to Standard Ratio.

9. Proprietary ratio :

On the basis of the this ratio it can be concluded that the financial position of the patsanstha is very weak, as it indicates more dependence on external finance, the credit worthiness of the patsanstha is not

satisfactory because in the event of losses, there is a greater risk to the creditors.

6.4 SUGGESTIONS :

The researcher would like to make the following few suggestions for efficient working of the patsanstha.

1. The patsantha should increase the interest rate of Pigmy deposit and also increase the commission to pigmy agents, so that the Pigmy agents would take more interest in increasing their daily collection and it helps to mobilization of deposits.
2. The patsanstha has introduce Sukhakarta deposit scheme which has affected the existing recurring deposit scheme adversely and hence the patsanstha should take care that while introducing new schemes, it should not effect on the existing deposit schemes.
3. The short term sources of funds should not be used for long term application of the funds as it is indicated in the fixed asset ratio.
4. On considering six years interest coverage ratio it can conclude that patsanstha should increase its profitability by implementing effective cost control programme.
5. The patsanstha should fix the targets every year for mobilizing deposits, sanctioning loans and advances, investment of funds

and capital. This would help the patsanstha to assess its actual performance..

6. The patsanstha should concentrate on loans given on gold and milk occupation, as it is in a decreasing trend. In rural areas people would take more advantages of these loan schemes if the patsanstha give less interest and some facilities for refund duration.
7. It is observed that the depreciation charged by the patsanstha is very low in all the year as per the provision of Income Tax Act. If the depreciation is calculated the amount of depreciation works out very high. For example the actual depreciation charge in the year 2002 is Rs. 16,99,650 . While , as per the rate prescribed under the Income Tax Act it come to Rs. 57,21,667. The similar position observe in all the years.
8. It is also seen that the deposits collected by way of Call and Sevashri are again invested in the deposits of the banks this however fetches no reasonable profits because the difference between interest paid and interest received is very low.
9. Eventhough banks and patsansthas play the same role in the societies, but still the patsanstha does not have the cheque clearing facility and other banking services which proves to be inconvenient to the customers.