

Chapter 5

Conclusions & Suggestion

· **5.1 Conclusions**

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CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

The study of loans and advances of Shri Paisafund Shetaki Sahakari Bank Ltd Hupari for the period of 5 years from 2000-01 to 2004-05 reveals following conclusion

1. The Bank has been working efficiently. It has completed 50 years of yeomen service to the farming community in the village of Hupari, in taluka Hatkanangale, in Kolhapur district. By and large has met the agricultural financial requirement of the small and medium farmers in this area. As a recognition of its sound financial performance the Bank has been given the audit class "A" since it's establishment in 1950. In the financial year 2004-05 bank has got "A* " grade from the Department of Co-operatives.
2. The Bank has mobilized total deposits of Rs. 20.66 crores upto the financial year 2004-05 and loans and advances given to members amounted to Rs. 16.41 crores. Besides this it has invested a amount of Rs. 8.31 crores.
3. The interest received on loans and advances has reached to Rs.4.61 crores during this period and the interest paid was Rs. 3.61 crores. Thus net interest income was Rs. 1crore at the end of financial year 2004-05. This indicates the income generation capacity of the Bank.

4. The Bank has provided agricultural loans, short term and medium term loans to the extent of Rs.4.54 crores at the end of financial year 2004-05. It has also given short term, medium term and long term secured and unsecured loans to the members.
5. The outstanding loans and advances from the Board of the directors and their relatives were only Rs.0.69 crores in 2004-05 percent (4.17 Percent of total outstanding loans)
6. The overdues position was satisfactory. In the financial year 2004-05 it was 4.71 Percent. It should be noted that there are no overdues from the Board of directors and their relatives in the financial year 2004-05.
7. The rate of interest charged on short term agricultural loans was 14 Percent per annum. Whereas on other short term loans it varied from 8 Percent to 11 Percent per annum. In case of medium term loans the rate of interest was 14 Percent and long term the rate of interest was as per the instructions of DCC Bank (i.e. 14 Percent). The bank also provided loans out of its own funds upto Rs.50,000 at the rate of 14 Percent.
8. In the case of non-members a period of one month for sanction or otherwise of the loan proposal was taken by the Bank. The applicant had to collect various documents, find out guarantors, obtain 'No objection certificate' from the number of societies of the bank of which he was a member. The rural people find this procedure inconvenient and discouraging.
9. For supervision of loan utilization there was no separate staff appointed in the Bank. Supervision was assigned to the regular staff in addition to their routine work. At present there is one agricultural

graduate appointed by the Bank but he is assigned the task of providing guidance and advice to the members regarding agricultural operations only.

10. Recovery of loans was linked to the sugarcane payment bills and dairy payment bills only. In other cases the borrowers had to go to the Bank and directly repay the installments of loans and interest thereon. For recovery of loans in time the borrowers were given a rebate of 1 Percent on interest payable to the bank.

5.2 Suggestions

On the basis of the study of the Bank's loans and advances portfolio for the period of last 5 years, the following few suggestions may be made to enhance further the effectiveness and efficiency of loans and advances department of the bank.

1. The credit may be made cheaper by reducing the rate of interest on different types of loans. This would reduce the cost of operations of the farmers and other borrowers.
2. For easy availability of loans the procedure may be simplified and the time interval between the submission of the proposal and its sanction may be reduced to 7 to 10 days from the present time interval of 30 days.
3. A separate staff may be appointed for supervising the utilization of loans and to ensure that the loan is utilized for the purpose of which it is taken. This step would reduce the percentage of overdues still further.

4. The borrowers should be encouraged more to repay the loans in time. The rate of rebate may be increased to facilitate timely repayment of loans.
5. The limits of loans may be increased to meet the requirements of members adequately.
6. The Bank should mobilize more deposits from the members and other customers so as to reduce dependence on the DCC Bank for the funds. At the same time rate of interest on loan may be brought down, benefiting the borrowers. This step will also make the Bank self-supporting.
7. Besides provision of credit to the borrowers the Bank may strengthen its guidance cell on agricultural operations. This measure will enhance the productivity and income of the borrower and improve his financial position Credit should increase the capacity of the borrowers.