

# Chapter

v

## CHAPTER - V

### SUMMARY, OBSERVATIONS AND SUGGESTIONS

#### **Introduction -**

The purpose of this chapter is to give summaries of the chapters studied, to note the observations and to provide the important suggestions to better the bank operations with reference to management practices. Therefore, this chapter is divided into three parts -

#### **1) SUMMARY -**

Management is nothing but getting things done from others. It is process of efficient functioning based on correct choice and practices. Management practices are must in co-operative sectors also. In Indian Co-operative Movement Credit Co-operatives play important role. Different urban co-operative banks are established for providing the loan facilities to the urban-middle class, that is, the small traders, businessman, factory workers, salaried peoples etc. Urban co-operative Banks play a significant role in fulfilling the credit requirements of these urban and semi-urban classes. Therefore, in the first chapter the aims and objects of study is quoted. The research methodology used is case-study because, it is an institutional study of a co-operative bank. In order to study the management functions and to observe their relevance in specific area of operation, primary sources of

data such as observations, interview, questionnaire etc. are used. The study involve the limitation of one bank only i.e. case study method is followed and the latest five years of Bank operations are studied, by explaining the usefulness of the study to similar banks in the urban area.

In second chapter theoretical outline is given. The study is concerned with management practices. Management practices are the means and methods used in the practical operations of bank. Management functions such as planning, decision-making, organising, directing, motivation, communication, controlling etc. are immense use in executing successfully, the different operational areas of bank.

After studying the theoretical frame work of bank management, it is necessary to know the profile of the bank organisation. The Vikas Co-operative Bank Limited, Solapur is selected for study. Therefore to know about bank, its commencement, area of operation, membership, management, resources etc. are explained. With this study, we come to know the operational areas of Vikas Bank.

In order to findout the gap between theory and practice of management functions, and their relevance to the operational areas of bank, the data collected is analysed tabulated interpreted. In the fourth chapter management functions and areas of bank operations are co-ordinated and represented with tables and diagrams. However, the above discussion follows the description of variations in

management practices.

## 2) OBSERVATIONS -

With the help of data collected, checking of registers and interviews with the chairman, managers, officers, clerks and customers of Vikas Co-operative Bank Limited, Solapur, I observed the following things.

1] It is observed that Management practices adopted by Vikas Bank, in respect of planning, organising, directing, controlling etc. proved successful in carrying-out the bank transactions smoothly and efficiently.

2] It is noticed that the principles of co-operation, practices of co-operation has well been adhered to in the working of Bank. The Management of Vikas Co-operative Bank is democratic, being based on the principle of "One Member One Vote". The management is vested in the hands of Boards of Directors, who meets several times in a year as and when the situation demands.

3] It is noticed that the Chairman and Vice-chairman are elected by the members. Members in the Board of Directors consists the persons from different fields of trade, industry and commerce. It seems that due care is taken in forming the Board of Directors, because it consists of one person as a representative from weaker section and one is back-ward class representative.

4] It is observed that required numbers of different meetings (Boards Meetings, Loan Committee Meetings, Loan

Recovery Committee Meetings) are held as per by-laws regularly. The quorum is satisfactory at the time of meetings. No meeting is adjourned for want of quorum up till now.

5] The Bank maintained as per law and in required form, accounts of all money received or expended, and kept stock register, dead-stock register, liquidity statement register etc. up-to-date.

6] It is noticed that the State Co-operative Act, rules and regulations and by-laws are observed regularly and the transactions are performed in accordance with the rules and regulations in the by-laws.

7] It is observed that the profits are allocated in different funds according to the guidelines received from the Reserve Bank of India time to time. Also the rate of interests on deposits and on Loans and Advances are changed and charged according to the amendments made in this respect by Reserve Bank of India.

8] The Bank has sufficient staff to handle the functioning in an effective manner. The staff is well trained and experienced in the field of co-operative banking . The appointments, transfers, promotions etc. are effected according to the provisions Laid-down in the Co-operative Act.

9] Every year the accounts of Bank are audited by the external special auditors, appointed by the state

government. It is observed that the Audit Report compliances are made clear in prescribed form and within the time fixed for it.

10] The loans are advanced to the members by considering his financial soundness, name and fame in the market and repaying capacity. It means before sanctioning loans to any person, creditworthiness is properly observed. Apart from this, collateral security is sufficiently taken while granting medium-term and long-term loans. Share Register is kept in tact. It means all entries regarding new members added, resigned, cancelled etc. are made punctually.

11] The members in the Board of Directors are quite competent to fix the limit of loans and period of repayment. The Board follows the directives received from the Reserve Bank of India, who fix-up the maximum period of repayment of a particular long-term loans.

12] It is observed that the Bank conducts fields visits regularly, inspects and evaluate the hypothicated articles punctually. Inspection reports are also kept in a prescribed form when the loans are sanctioned, the applicants are advised to execute mortgage bond and other necessary documents immediately. The documents creating mortgage is executed at the seat of the Bank.

13] The Bank sanctions individual loans upto Rs. 10,000 (Rs. Ten Thousands) without obtaining any security thereon, as per the government rules, but such individual loans are

sanctioned only to the salaried persons or persons having regular permanent source of income. For this purpose two guarantors are asked for. The manager is given authority to sanction such loans on his own behalf.

14] It is observed that proper books of accounts as required under Maharashtra State Co-operative Societies Act, Rules and By-laws of the Bank, have been kept by the Bank.

15] Discussions with officers of the Vikas Co-operative Bank Ltd., Solapur who have put in service extending over one decade, reveals that the bank is totally aloof from the problem of corruption.

### **3) SUGGESTIONS -**

Following suggestions are made on the basis of investigation made and information received at the time of research work. Most of the suggestions pertain to the loan operations of the Bank.

1] It is suggested that the loan procedure should be so designed that borrower gets the loan at the time when he needs it and with the least possible difficulty. Procedural formalities should be kept to the minimum, consistent with the need to ensure that more credit is not provided than needed and can be repaid and that the funds are used for the productive purposes.

2] Every effort should be taken to reduce the number of particulars required to the essential minimum, to expediate and improve the scrutiny of the applications and to

streamline the arrangements for sanction and disbursement, providing for a reduction in the number of authorities through whom the process has to be carried out.

3] Steps should be taken for reforming and streamlining the loan policies and procedures which will go a long way in checking and reducing overdues.

4] The staff, officers and office bearers of the Bank should be vigilant in pursuing action on overdues, obtaining decrees and executing them. The position in this regard should be reviewed and additional recovery staff requires to be appointed, wherever necessary, in the context of large overdues.

5] More intensive efforts should be made to attract deposits. The members should be educated to avoid waste and contribute their savings to co-operatives. Efforts should be made to enlarge the membership of the Bank. Also the different forms to be utilised in the Bank should be simplified to the maximum possible extent and the number of places at which the depositor or borrower is asked to sign reduced.

6] Local bodies, educational institutions, trusts, semi-government bodies etc; should be attracted and persuaded to deposit their funds with the Bank. For this purpose the Bank should open branches at suitable centres with a view to augmenting their deposits.



7] The staff of the Bank should be properly trained in order to enable them to take more interest in the affairs of the Bank. The Bank should have a proper policy of recruitment, promotions and increments for the staff.

8] Special grants may be provided by the State Government to enable the Bank to employ staff of right quality and in a sufficient number and to write off irrecoverable bad debts in certain special cases.

9] Steps should be taken to build up appropriate cadres at the managerial level so that such employees may be in a position to function with the requisite degree of independence. This would also help to attract persons of competence and experience to the service of the Bank.

10] A programme of rehabilitation should be drawn up for the Bank, which is not functioning adequately because of heavy overdues, and a concerted effort should be made to recover overdues by all possible methods.

11] Efforts should be made that Bank is not dominated and exploited by the vested interests. For this purpose provisions in the by-laws should be made regarding exclusion of money-lenders to become member of the Bank.

12] Audit of the books of accounts should be done by an internal auditor at regular intervals. Steps should be taken to ensure the accuracy of the audit reports by instituting suitable percentage check, test audit etc. Audit classification should be given on the basis of the audit

report and not on the basis of inspection or other reports by the administrative staff.

13] The working of the Bank should be assessed under four broad heads e.g. capital structure, credit and financial stability, management and general working. Seventyfive percent of the marks should be allotted to the first three heads and twentyfive percent to general working of the Bank.

14] The Reserve Bank should depute one of its officers to be an observer on the Bank so that he may attend the meetings of its board of directors, and offer specific advice to the management on various steps relevant for bringing about the required expansion and developemnt of Bank on sound lines.

15] It is important that the Bank should have a chief-executive officer, who is carefully selected from the point of view of the responsibilities which will devolve on him in connection with the reorganisation of co-operative credit in the area. The chief-executive office should be selected by giving advertisement or by taking a competent officer from the Reserve Bank or the State Bank on deputation.

To sum-up, it may be stated that the progress made by the Vikas Co-operative Bank Limited, Solapur during the last half decade has been remarkable, both from the view point of working capital, lending operations and execution of management practices. The Bank have recorded a suitable increase in their own funds. The Bank have considerably reduced unnecessary wastages and are financing the growing

need of the societies.

The acid test of the success of Vikas Bank lies not only in the growth of banking services they provide but mainly on the pattern of management and organisation they possess.