
CHAPTER - VII
CONCLUSIONS AND SUGGESTIONS

CHAPTER-VII**CONCLUSIONS AND SUGGESTIONS****7.1 INTRODUCTION :**

Having discussed the various issues connected with the functioning and growth of The Ichalkaranji Urban Co-operative Bank, Ltd., Ichalkaranji, we propose to summarise the main findings of the study in this final chapter. The conclusions and suggestions, based on the data collected in this study, will be helpful for policy formulation.

7.2 CONCLUSIONS**7.2.1 CONCLUSIONS REGARDING GROWTH OF URBAN BANK IN KOLHAPUR DISTRICT :**

- 1 While considering the growth of urban cooperative banks in Kolhapur district from the beginning, we come to the conclusion that, before 1945-46 i.e. before independence, though, the growth of unlimited and limited societies was satisfactory, the number of urban co-operative was very small out of 67 societies only 8 were urban co-operative banks. Their proportion to total credit societies was only 15%
- 2 At present the talukawise distribution of urban co-operative banks in Kolhapur district is quite uneven. out of 42 urban co-operative banks in the district 15 banks are established in Kolhapur city only.
- 3 There are some talukas in the district which are located in hilly areas to the west of the district, particularly

Radhanagari, Bhudargad, Shahuwadi and Gaganbavada, were urban co-operative banks have not been established .

7.2 CONCLUSIONS REGARDING GROWTH OF THE ICHALKARANJI URBAN CO-OPERATIVE BANK :

1 MEMBERSHIP :

1 From the data collected in connection with the bank under study we come to the conclusion that the number of share holders of the bank has increased continuously. It has increased from 5408 to 8512 during the period under study.

2 Though the number of share holders has been increased, increase in the number of share holders is uneven over the years has been uneven.

2 paidup capital :

1 During the period under study the paid up capital of the Ichalkaranji Urban Co-operative Bank increased. In the year 1981 paid up capital of the bank was Rs. 2729200 which was divided into 5408 share holders. It increased to Rs. 459865000 which was divided into 183946 share holders with face value Rs. 25 each.

2. The paid up capital per share holder was Rs. 504.65 in 1981. It has increased to Rs.536.47 in 1991. It means that the share capital per share holder is increasing.

3 WORKING CAPITAL :

1 During the period under study working capital of the bank increased by five and half times. In 1981 working

capital of the Ichalkaranji Urban Co-operative Bank was Rs.45723216. It increased upto Rs. 248759948 in 1992.

- 2 In 1981 the working capital per share holder was Rs. 8454.73 which increased upto Rs.29020.05 in 1992. It means that the increase in working capital per share holder is almost by three and half times.

4 DEPOSITS :

- 1 During the period under study the growth in deposit mobilisation by the bank ^{has} taken place but it is uneven. Because, the deposit mobilisation was affected by RBI policies regarding rate of interest as well as cyclical changes in powerloom industry at Ichalkaranji.

- 2 During the period under study the number of depositors of the bank increased by 71.95% along with the amount deposits per of / depositer . In 1981 the amount of deposits per depositer was Rs. 1318.57 which increased to Rs. 4256.73 in 1992. The amount of deposits per depositer has increased by 18.56% during the period under study.

- 3 The share of the deposits in the working capital of the bank has been increasing. In 1981 the percentage of deposits to the working capital of the bank was 68.06 which increased to Rs. 69.45 in 1992.

5 DEPOSITS STRUCTURE OF THE BANK :

- 1 While considering the deposit structure of the bank we come to the conclusion that, in total deposits the proportion current deposits is the least. Comparatively the proportion of fixed deposit is greater in the total deposit of the bank.

2 Though, the comparative share of the current deposits in total deposits of the bank is least it has been increased during the period under study. In 1981 it was 16.39% which increased upto 41.50% in 1992.

3 The share of the saving deposits in the total deposits of the bank has been decreased during the period under study. In 1981 the percentage of saving deposits to total deposits was 37.25 which decreased 15.35 in 1992.

7.3 CONCLUSIONS REGARDING GROWTH OF ADVANCES OF THE ICHALKARANJI URBAN CO-OPERATIVE BANK

7.3.1 ADVANCES OF THE BANK :

1 From the study of advances of the bank under study we come to the conclusion that the advances of the bank have increased from Rs. 28398 thousands to Rs. 118510 thousands from 1981 to 1989 but year to year growth is uneven.

2 The year 1988 is one in which the advances given by the bank have increased noticeably over the previous year.

3 During the period under study the percentage change in the advances given by the bank over the previous year varies between 4.47 to 40.00.

7.3.2 NUMBER OF BORROWERS OF THE BANK :

1 The number of borrowers of the bank increased from 3063 to 4806 during the period under study.

2 Though, the number of borrowers of the bank has increased by 1743, there are some years i.e. 1983,1985, 1989, 1991 and 1992 in which the number of borrowers decreased over the previous year.

3 1982 is the year in which the number of borrowers increased by a jump i.e. 34.57% over the previous year.

7.3.3 NUMBER OF DEFAULTERS OF THE BANK :

1 The study of the bank shows that, number of defaulters of the bank increased during the period under study. In 1992 it has increased upto 1256 from 557 in 1981.

2 During the period under study the number of defaulters increased by 225.49%.

3 The number of defaulters of the bank increased by 18.79% per annum.

7.3.4 BORROWERS DEFAULTERS RATIO OF THE BANK :

1 During the period under study the number of borrowers has increased alongwith the number of defaulters.

2 1992 was the year in which the percentage of defaulters to borrowers was highest, while in the year 1981, it was the least.

7.3.5 ADVANCES PER BORROWER :

1 During the period under study the advances per borrowers increased from Rs. 9.27 thousands to Rs. 36.65 thousands .

2 Though the number of borrowers of the bank increased alongwith the advances, the rate of increase in the

advances of the bank has been greater than the rate of increase in number of borrowers throughout the reference period.

7.3.6 BREAK-UP OF ADVANCES OF THE BANK :

- 1 From the study, we can conclude that the share of the advances given by the main branch of the bank in total advances during the period under study fluctuates between 70.24% to 86.28%. In the 1981 it was 86.28% while it was 70.24% in 1986.
- 2 Alongwith the establishment of Hupari and Kavathe Guland branches the share of the main branch in total advances went on decreasing but it has increased in case of Industrial Estate Branch.

7.3.7 ADVANCES -OVERDUES RATIO OF THE BANK :

- 1 During the peeriod under study the amount of overdues of the bank has increased, but as compared to the total amount of the advances of the bank the advances overdues ratio has decreased considerably.
- 2 The overdues of the bank under study, during the reference period have increased while the number of defaulters has also increased. But the amount of overdues has increased to a greater extent than the increase in number of defaulters. Ultimately the amount of overdues per defaulter has increased from Rs. 8.27 thousands in 1981 to Rs. 13.82 thousands in 1992.

7.3.8 STRUCTURE OF THE ADVANCES OF THE BANK :

- 1 From the structure of the advances of the bank we come to the conclusion that, though the amount disbursed to the small scale industries has increased from Rs.264.78 lakhs in 1983 to Rs. 1032.74 lakhs in 1992, the percentage share has decreased from 64.34% to 58.62% to total advances disbursed by the bank during the reference period.
- 2 The percentage of advances made for the purpose of wholesale trade to total advances has increased from 5.05% in 1983 to 14.62% in 1992.
- 3 The total advances disbursed by the bank for other purpose have increased from Rs. 107.29 lakhs in 1983 to Rs. 180.58 lakhs in 1992. But the percentage share of the advances disbursed for other purposes has decreased upto 10.25% in 1992 from 24.85% in 1983.

7.4 CONCLUSIONS REGARDING THE OPERATING EXPENSES AND THE PROFITS OF THE BANK :**7.4.1 MANAGEMENT OF THE BANK :**

- 1 Management of the bank under study is quite appropriate and the Board of Directors, and Branch Advisory Committees are formed under the rules and regulations of the department of co-operation of the Govt.
- 2 From the study of the staff of the Bank we come to the conclusion that, at the branches of the bank

established at Hupari and Kavathe Guland the posts of watchmen are not filled in which are necessary for the security of the bank.

- 3 From the data collected regarding the branchwise staff of the bank it is observed that, branches at Hupari and Kavathe Guland are under staffed.

7.4.2 INVESTMENT STRUCTURE OF THE BANK :

- 1 From 1981 to 1983 most of the funds of the banks were invested in Govt. debentures.
- 2 During the period under study the investment of the bank in Govt. Debentures, National Saving Certificates, Shares of Maharashtra State Finance Corporation, shares of Co-operative Societies went on decreasing while the investment in fixed deposits with the commercial banks went on increasing from 1989.

7.4.3 EXPENSES OF THE BANK :

- 1 The total expenditure incurred by the bank has increased during the period under study from 3820 thousands to Rs. 24382.
- 2 The percentage of management cost of the bank to total costs varies between 29.79% to 58.21%.
- 3 Except the years 1985 and 1986 most of the portion of the total cost incurred by the bank was on interest payable on deposits.

7.4.4 INCOME EXPENDITURE RATIO OF THE BANK :

- 1 There is inverse relationship between income expenditure ratio and efficiency of the bank. Unfortunately it has increased during the period under study. In 1981 percentage of expenditure to total income was 84.96% which has increased upto 95.33% in 1992.
- 2 The range of the percentage of total expenditure to total income was between 84.96 to 95.57%. The percentage of total expenditure to total income was higher in the year 1989, i.e. 95.57% while it was lower in the year 1981, i.e. 84.96%.

7.4.5 NET PROFIT EARNED BY THE BANK :

- 1 During the period under study the net profit of the bank has increased from Rs. 676 thousands to Rs. 1344 thousands. It means that the increase in net income of the bank is 99% during the reference period.
- 2 Increase in net profit over previous year was uneven. It varies between -11.24% to +56.98%.

7.4.6 NET PROFIT INCCME RATIO OF THE BANK :

- 1 During the period under study income net profit ratio of the reference bank varies between 4.43% to 15.04%.
- 2 Though, the total income earned by the bank under study, went on increasing, the percentage of net profit to the total income has decreased from 15.04% to 4.43% during he period under study.

7.4.7 DIVIDEND PAID :

The bank has obtained profit throughout the period under study. Hence, the bank has distributed 12% dividend to share holders of the bank except in the year 1990 in which it was 15% of the net profit.

7.4.8 MEC OF THE BANK :

Except in the year 1990, the marginal efficiency of capital of the bank has gone on decreasing.

7.5 SUGGESTIONS :**7.5.1 GENERAL :****1 APEX URBAN CO-OPERATIVE BANK :**

State Co-operative Banks and District Central Co-operative Banks are giving step brotherly treatment to Urban Co-operative Banks and Reserve Bank of India should pay a serious attention to this and try for removal of the injustice being made by State Co-operative Banks and District Central Co-operative Banks. Hence, separate "Apex Urban Co-operative Bank" should established.

2 BALANCED GROWTH :

Growth of Urban Co-operative Banks is lopsided. For the balanced growth of Urban Co-operative Banks Urban Banking Movement should be increased in the underdeveloped states and the hindrances in their development need to be removed in the developed states.

3 VIABILITY :

Most of the Urban Co-operative Banks are suffering from non-viability, the reason being some unjustified limitations on their activities. Hence, the Urban Banks should be allowed to undertake financial activities for non-agricultural activities in the rural areas.

4 ALOOF FROM LOCAL POLITICS :

Most of the Urban Co-operative Banks are under local political influence. Creating problems of proper financial management. Therefore, the unwanted outside interference by the local politicians must be stopped by making suitable amendments to the cooperative Act.

5 TRAINING :

As training increases an employees morale, confidence and awareness about environment, it also increases his contribution to the employing institution. This in turn helps the institution by way of increase in satisfaction mutual understanding, cordial healthy relations, and less incidence of mistakes, frauds, customer complaints unnecessary work and supervisory costs. Therefore, special attention should be given to provide an opportunity to bring training inputs or techniques in practice.

6 MINIMISATION OF OIVERDUES :

Increasing overdues is one of the serious problems of the Urban Co-operative Banks. Therefore, separate court should be constituted with summary powers for recovery of the overdues.

7 DEPOSIT INSURANCE :

The insurance cover by the deposit. Insurance and Credit Guarantee Corporation (DICGC) should apply to the full amount of individual deposits and not to the present limit of Rs. 1 lakhs. It will increase confidence among the depositors which will lead to increase in financial strength of the Urban Co-operative Banks.

7.5.2 PARTICULAR :**1 BRANCH EXPANSION :**

As stated in chapter three the growth of urban co-operative banks in Kolhapur district as well as in Maharashtra is lopsided. There is scope for branch expansion. Hence, the management of the bank under study should take initiative in branch expansion in neglected areas.

2 RISK DIVERSIFICATION :

Most of the funds of the bank have been invested in fixed deposits with other banks. But taking into consideration the involvement of banks in the latest scam, it is required to diversify the risk by dividing funds among the various channels, such as Govt. debentures, National saving certificates, etc.

3 PERIODICAL REVIEW OF OVERDUES :

In order to minimise the overdues advances ratio of the bank under study, the advances should be given to the productive purposes as well as periodical review should made for recovery of overdues.

4 VIABILITY :

The bank under study has four branches. Out of these, two are in primary stage in respect of deposit mobilisation and lending operations. Therefore, it is essential to increase the share of newly started branches at Hupari and Kavathe Guland in deposit mobilisation and lending operations.

5 SECURITY :

Out of four two branches of the bank at Hupari and Kavathe Guland are without watchman. Nobody is appointed by the Bank as watchman and it is negligence of the management. In order to get security of the depositors as well as customers, at least two watchmen should be appointed per branch.