

CHAPTER-5

*Findings, Problems and
Suggestions*

UNIVERSITY OF CALicut
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CHAPTER – 5

FINDINGS, PROBLEMS AND SUGGESTIONS

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FINDINGS, PROBLEMS AND SUGGESTIONS

5.1 INTRODUCTION:

The study evaluated the financial inclusion of The Kolhapur Urban Cooperative Bank and Kallappanna Awade Ichalkaranji Janata Sahakari Bank with the help of number of account holders, number of loan and advances, priority sector, non-priority sector, weaker section, No frill accounts, Self-Help Groups and bank financial performance etc. based on their above indicators the following findings have been drawn.

5.2 FINDINGS:

The findings of the study are summarized in this chapter.

KUCB - Positive Indicators from the point of financial inclusion.

- 1) There is an increasing trend in members of bank, share capital, own funds, deposits, working capital, advances of Kolhapur urban co-operative bank during the study period.
- 2) Its growth rate of short term borrowers has not shown much change during given the period that is 2006-07 to 2010-11. The proportion in the number of borrowers in case of medium term and long term loan is meager. The major portions of no. of borrowers are for short term and medium term.
- 3) It has sanctioned the highest amount short term loans followed by medium term loans. The growth rate of short term loan amount i.e. CGR is 16.0 per cent which is highest during given period, 2006-07 to 2010-11
- 4) The total number of deposit account holders is in increasing during study period 2006-07 to 2010-11 and its CGR is 2.42 per cent.
- 5) The overall growth rate of in term deposit, saving deposit and current deposit is 7.75 per cent. It reflects increasing trend.
- 6) 15.70 per cent CGR of educational loans indicates the growth of awareness about education among the people belonging to priority sectors.
- 7) In weaker section, growth rate of the small scale industries shows increasing trend and its CGR is 22.88 per cent during study period. The educational loan growth has fluctuation trend CGR is 8.91 per cent.

- 8) During the study period it is observed that number of borrowing units from SC category is high. CGR is 70.45 per cent.
- 9) Growth rate of women borrowers from small scale industries indicate the change in socio- economic situation. The CGR is 3.8 per cent.
- 10) Like other commercial banks, it's also have introduced ATM, SMS Banking, and E- Banking facility to the customers; it has helped priority sector for easy and rapid banking transactions.

KUCB - Negative Indicators from the point of financial inclusion.

- 1) Among priority sector items the private retail trade is having highest declining trend and it is followed by road and water transport. Road and water transport operators have availed the loan advance facility meagerly.
- 2) It is noticeable that though agricultural is the sole occupation for the livelihood of the people, the inclusion of this sector is not noticeable as compared with other sector.
- 3) The overall growth rate of number of borrowing units of weaker section is -16.55 per cent. It reflects decreasing trend.
- 4) It is observed that, number of borrowing units of other categorizes under weaker sections totally growth rate is declining as CGR is -56.5 per cent.
- 5) The overall growth rate of number of borrowing units of women is – 14.2 per cent.

KAIJSB - Positive Indicators from the point of financial inclusion.

- 1) The performance of the bank is satisfactory for the financial inclusion of priority sector. It is increasing trend all financial factor by KAIJSB.
- 2) It has adopted new financial scheme such as No Frill Account, special fixed deposit, SHGs bank account, etc. to attract the customers. It has helped a lot to priority sector.
- 3) Units like SHGs and BPL are given priority by the bank.
- 4) It is observed that only KAIJSB has sanctioned loan to SHGs (BPL and APL); on the other hand KUCB has not sanctioned loans to SHGs.

- 5) It is clear that, there is rising trend in the deposit wise individual accounts with 2.13 per cent CGR.
- 6) There is an increasing trend in fixed deposits, locker key deposits, saving deposits, current deposits, credit balance cash credit, credit balance overdraft of KAJISB of the bank during the study period.
- 7) It is observed that, deposits wise partnerships accounts totally growth rate is increasing trend and its CGR is 11.68 per cent.
- 8) The study period in spite of diversity in schemes good inclusion of societies is observed as CGR 17.46 per cent in case of total number of societies.
- 9) Though there are borrowers from all sectors of the society the preference is given to the borrowers from priority sector, to increase their financial condition.
- 10) Like other commercial banks, it's also have introduced ATM, SMS Banking, and E-Banking facility to the customers; it has helped priority sector for easy and rapid banking transactions.

KAIJSB - Negative Indicators from the point of financial inclusion.

- 1) It is observed that, proprietor account holders totally growth rate is declining as CGR is -45.31 per cent.
- 2) The overall growth rate of priority sector wise accounts is -3.30 per cent. It reflects decreasing trend.

5.3 PROBLEMS:

1) Information:

Many times people do not want to disclose the information which would require for accessing any financial services.

2) Timing :

The timings of the banks are not convenient to rural and urban poor. Visiting the bank is a costly proposition as they have to forgo a day's income.

3) Social and Economical position :

Low income people normally do not feel the need of bank as the transactions carried out by them are in cash that too with low amount.

4) Lack of Grants:

Urban Co-operative Banks do not get any type of grant from the government hence urban co-operative banks do not sanction loans to SHGs and the people belonging to BPL, in sufficient quantity.

5) Lack of Opening No Frill Accounts:

As Financial Inclusion drives are not mandatory for urban co-operatives banks, the UCBs have not taken much initiation in providing no frill accounts.

6) Lack of Use of business facilitators and correspondence:

All commercial banks and nationalized banks make the propaganda through facilitators to increase their business. Whereas co-operative banks do not afford such services, ultimately it affects the financial inclusion of priority sector.

7) Lack of issues of General Purpose Credit Card:

To extent free credit to bank customers in rural areas, the guidelines on general credit card (GCC) scheme were simplified to enable the customer's access credit of simplified terms and conditions, without insistence on security purpose or end use of funds. Both urban co-operative banks have not started this facility to cater the needs of people.

8) Lack of use of Innovative Products:

The introduction of innovative products like ATM, core banking mobile banking is not satisfactory in case of Kolhapur Urban Co-operative Bank even though it is oldest.

5.4 SUGGESTIONS:

1) As Reserve Bank of India provides financial inclusion policy to commercial bank and National banks, certainly it should provide such policy to urban co-operative banks with its rules and regulations.

2) Utilize the services of MFI, NGO, SHGs, and business facilitator etc. to extend the financial inclusion at reasonable cost.

3) Government should provide Grants :

For the financial development of UCBs governments should provide all types grants. UCBs are not strong like scheduled commercial banks. They need more financial

help from Government like nationalized banks. If the government provides grants to the UCBs then earning sources of banks will increase, and they will do occupational work. Thus it is suggested that Government has to provide financial support for overall development of UCBs.

4) Introduction of customer friendly products :

The requirements of rural and urban customer are varied. It differs from area to area. The banks are expected to develop suitable products as per requirements of the people in the area.

5) UCBs should Provide GCC card:

To extend free credit to bank customers in rural and urban area, the guidelines on GCC schemes should be simplified to enable the customer to avail this opportunity. It is suggested that, both UCBs should started this facility to cater the need of people. Thus GCC will be helpful to the customer for financial inclusion.

6) UCBs should open No Frill Account:

No Frill Account plays an important role in financial inclusion. Because it caters the need of not only middle class people but also people belonging to economically backward classes; so UCBs should be encouraged by RBI rules and regulation to open such accounts.

7) UCBs should start business facilitators and correspondence:

UCBs should given major priority to agriculture sector. Bank should start business facilitators and correspondence to ensure greater financial inclusion of the priority sector. Accordingly NGOs and SHGs should be encouraged to act as facilitator to increase financial inclusion.

8) Establishment of village knowledge centers :

Many banks have established the innovative concept of village knowledge centers in rural and semi urban areas to cater to the needs of the rural and semi urban population in general and farmers in particular. The centers also provide latest information on

current market prices of various commodities, various agricultural /new innovative schemes of banks.

9) Use of information technology to extend outreach :

Financial inclusion can be speeded up and made more effective in providing various financial services and product by leveraging technology. This will improve efficiency, accuracy, transparency and outreach. Recognizing that IT- enabled service has the potential for improving financial inclusion. Banks have introduced many new products and system to take advantage of technology; some of which are listed below. – Solar ATMs, Kisan credit card (KCC) and other cards, Biometric ATMs, Biometric smart cards, Laptop with suitable in house software to open account at the door steps, E- Purse, Point of scale device.

10) To increase financial inclusion of women bank should promote the various schemes for women only.

11) To strengthen financial inclusion policy of the government. Urban co-operative banks should undertake public awareness Programme. Ultimately it is the duty of the social workers, politicians and NGOs to make people aware in this respect. Massive awareness Programme should be undertaken as a joint venture of bank and NGOs. It will certainly helpful for the financial inclusion of priority sector. The focus of the Programme should be the participation of economically backward classes, SC, NT, ST, OBC and women in bank activities.

The positive results are found towards financial inclusion in case of factors like total membership, deposits, working capital, short term loans amounts, number of saving deposit account, number of saving and current deposits, no. of accounts of priority sector-small scale industries, small business and education loans, weaker sections, small scale industries, education loans, the SC under priority sectors, women –small scale industries and small business. In case of individual, partnerships, societies, deposits accounts during the study period also showing positive remarks for financial inclusion of the KAIJSB and KUCB.

The negative results are found towards financial inclusion in case of sample Urban Co-operative Banks long term number of borrowing, long term and medium term-

unsecured loans, number of term deposit accounts, priority sector- agricultural activities, private retail trade, housing loan, self employment. Weaker section- agricultural activities, private retail trade, housing loan, self-employment, consumption loan. Women- agricultural, road and water transport, private retail, and self-employment, self employment, consumption loan. Proprietor accounts etc. during the study period,

Thus the factors showing positive results towards financial inclusion are more than the negative.

Therefore the hypothesis of the study is proved that “Urban co-operative banks in Kolhapur District are playing a significant role in the process of financial inclusion in urban and semi urban area”.