

C H A P T E R - V

:: SUMMARY AND CONCLUSIONS ::

5.1 INTRODUCTION :

The purpose of this chapter is to briefly summarise the major findings and pinpoint the conclusions of the study.

5.2 Rationale for A rural Co-operative Bank :

Alongwith the short, medium and long term credit needs of agriculture proper, the similar credit needs of rural traders, small industrialists and rural artisans are assuming important ~~d~~emensions in the overall rural development. This becomes a more vital consideration when we realise that with the growth of efficiently organised agro-industrial activities like cooperative sugar factories, rural society reaches higher levels of economic functioning involving large flows of funds. Moreover, credit requirements of the rural people for education, medical help and generation of self employment in the household and small scale industrial ~~l~~ units can-not be met by existing cooperative credit structure effectively. It is because of these considerations that a rural cooperative bank established by local initiative and support becomes a significant element of the rural cooperative credit structure. Moreover, such an enterprise is justified by ability considerations also. In many parts of rural area, having large scale cooperative production activity coupled with a considerable degree of success of green revolution their exist<sup>?</sup> leadership, managerial and financial resources which can very easily support a rural

cooperative bank with a more comprehensive functional approach. This happens to be the major conclusion a priori of the first chapter, which is fully supported by the conclusions of the subsequent chapters.

### 5.3 Progress of the Bank :

For evaluating progress of the bank, we used following indicators.

#### 5.3.1 Audit Class :

Excepting the year, 1966-1967 the bank has been awarded A class for all the years under study. This consistently good audit remark shows satisfactory performance of the bank in respect of cash reserves, proper accounts proportional and similar changes in deposits and loans and proper control of branches ( at present the bank has seven branches) minimization of over-dues etc.

#### 5.3.2 Membership :

The membership of the bank, both of A and B classes, shows growing tendency consistently. This shows increasing confidence of the local people in the working of the bank as well as utility of the bank. More importantly, A class membership shows an accelerated growth in the latter periods. The relatively larger growth of B class nominal members has contributed significantly to the growth of Reserve Fund of the bank due to nominal membership fees.

### 5.3.3 Owned Capital :

The owned capital comprises share capital, Reserve fund and other funds. Initially the authorised capital of the bank was determined to be Rs. 3000000. In the first year, the amount of share capital raised was Rs. 142500 which increased to Rs. 1580000 in the year 1984-1985. Average growth rate of share capital turns out to be 13.20% per year. The reserve fund of the bank in the first year was Rs. 4305. For the entire period annual average rate of growth of reserve fund turns out to be 27.30%. It is important to note that since 1976-1977 the amount of reserve fund has outstripped the size of the share capital. In short, within a span of 20 years the bank, which started with an authorised capital of Rs. 3000000 has reached a position of having an amount of Rs. 10000000 as its owned capital. On the whole, we can say that the basic financial strength of the bank has shown vigorous growth indicating successful financial performance of the bank.

### 5.3.4 Deposits :

It is seen that in the initial period the rate of growth of deposits was very high, but in the period 1970-1975 the deposits grew at a lower rate. This may be due to the famine conditions. Subsequently again there was an increase in the rate of growth of deposits, which finally came down to 19.47% per year. In other words we can say that the deposits of the

bank increased at an annual average growth rate of 66.05% which can be considered a highly satisfactory growth rate. That a rural cooperative bank attract deposits to the tune of Rs. 8 crores and above is certainly indicative of efficient performance of the bank, affinity of the people for the local bank and also the general economic prosperity of the area. It is also important to note that initially savings deposits accounted for a large proportion of deposits. However, in the subsequent period, time deposits become more and more dominant indicating the increasing ability of the bank to make advances and increasing ability of the local people to save for longer periods.

#### 5.3.5 Investment of the Bank :

It is seen that excepting the first five year period the annual average rate of growth of investments is 53.23%, if we consider the later five year periods, it is seen that rate of growth of investment has decreased and stabilized around 20%. There have been significant ups and downs in the rate of growth of investments. Another important thing about investments is that more than 98% of the investments are accounted for by the "other investments" comprising gratuity fund, state cooperative bank time deposits and other funds. In this group, time deposits kept with the district central cooperative bank account for more than 90% of the other investments. Similarly, of the

time deposits kept with district central cooperative bank, more than 70% are in the form of other deposits. The composition of these other deposits was not available in the reports of the bank.

#### 5.3.6 The Loans :

In the year 1966-1967 the out-standing amount of loans was Rs. 615697 which increased to Rs. 56293041 in the year 1984-1985. This is a substantially large <sup>increasing</sup> in loans. In the latter period, the rate of growth of loans was around 30% per year. Regarding the composition of loans we can make following observation.

- 1) Initially the share of short term loans was Rs. 88.94% which gradually decreased to 53.64%.
- 2) The share of medium term loans was initially 11.10% which gradually increased to 45.38% in the year 1983-1984.
- 3) However, for all the years under study the share of short term loans has been greater than the share of long-term loans in the total loans given by the bank.
- 4) In absolute terms, the growth of short terms loans and medium term loans is quite impressive over the period. We can finally say that the income of the bank in the form of interest comes mainly from short term loans followed by medium term loans.

5.3.7 The Working Capital :

The growth of working capital indicates the increasing loans and investment capacity of the bank on which depends the income earning capacity of the bank. The working capital of the bank was Rs. 800663 in the year 1966-1967 which has increased to Rs. 95115250 in the year 1984-1985. However, there have been wild/ fluctuations in the annual rate of growth of working capital.

5.3.8 Deposit Classification :

80% of the deposits are in the range of Rs. 1 to 500 with an average of Rs. 97 accounting for 5.55% of the total deposits. It is to be noted that the number of accounts with deposits less than Rs. 5000 each is 347558 which is almost 95% of the total accounts constituting almost 24% of the total amount of deposits. It is however, seen that accounts above Rs. 5000 upto 25000 constitute the back bone of deposit business of the bank. The number of such accounts is 1779 accounting for almost 39% the total deposits. On the basis of this analysis we can say that the bank has been successful in inducing the people with the low income to become depositors irrespective of the size of the amount. This deposit membership identifies the bank with the rural masses. Similarly the bank has effectively reached the higher income groups of the people of the rural area and successfully mobilised the saving

potential of the rural rich.

#### 5.3.8 Classification of Loans :

On the basis of the data for the year 1982-1983 the classification of loans shows that about 86% of the loan accounts are below Rs. 5000. Of this group 56% of the accounts fall in the range of Rs. 1001 to 5000. 10% of the total loans accounts fall in the range of Rs. 5001 to 25000 accounting for 25.30% of the total loans. Similarly 35.14% of the total loan amount has gone to the borrowers in the range of Rs. 1001 to 5000. In other words 61.04% of loan accounts fall within the range of loan amount of Rs. 1001 to 25000. We can thus say that a significantly large proportion of loan-amount has gone to the section of borrowers who can use the loans mainly for productive purposes.

#### 5.4 Income Expenditure and Net Profits :

##### A) Expenditure :

In the period 1965 to 1969, the expenditure ( net of profits) of the bank increased at very high rates because of initial requirements of adequate staff and other needs of establishment. Subsequently, however, the expenditure of the bank went on increasing at an annual rate ranging between 20% to 40%. Regarding the pattern of expenditure we can make following observations.

- 1) Expenditure on interest on deposits is the single largest constituent of total expenditure. It shows a rising trend. On the average it is 56.12% of total expenditure.
- 2) Expenditure on salary and providend fund comes next in order. However, as a proportion of total expenditure it shows a gradually declining trend. It was 7.59% of total expenditure in 1983-1984. From this it can be inferred that personnel administration of the bank shows rising efficiency.
- 3) Expenditure on other <sup>items</sup> <sub>is</sub> within reasonable limits excepting the expenditure on Laxmipujan remuneration charges. Interest on loans is not significant proportion of total expenditure. This indicates banks financial self-reliance in defficient management of financial position.

B) Income :

Regarding income also, it is seen that during 1965 to 1969 the income of the bank went on increasing at a very fast rate. However, in the subsequent period, the total income of the bank shows an annual increase ranging between 5% to 50%. Regarding composition or pattern of income we can make following observations .:

- i) Intêrest from loans is the single largest constituent of income of the bank. It is however, seen that from being 99% of income initially it has come down to 63% of total

income in 1983-1984.

- ii) Initially the income in the form of interest and dividend on investment was just less than 1% of total income. It however, has increased as a proportion of total income reaching 25% in the year 1983-1984.
- iii) Income of in the form of other receipts has been always less than 1% of total income. Other receipts comprise locker rent, service charges building rent etc. of which service charges are the single largest element.

C) Net Profit :

Excepting the first of the bank's working, the bank has earned profits for all the subsequent years. However, the net profits show a gradually increasing trend. Here again the year 1976-1977 is the year of great divide. If we compare the profit figures for the year 1984-1985 and 1969-1970 we can say that profits have registered an increase of 520% in a period of 15 years which gives us an annual average of 34.68%. It is to be noted that the bank declared dividend of 3% in 1966-1967, 7% in 1968-1969 and 9% upto 1977-1978 and for the subsequent years a satisfactory 12%. This again is another proof of banks increasing financial success.

### 5.5 The Sample Survey :

We present below the main findings of the sample survey.

#### a) Social & Demographic Aspects :

Most of the members are in the working age group. The sample had no female member. Majority of the members are literate and some of them are highly educated. The representative family size is more than 5 members. This indicates the prevalence of joint family system in rural area even at present. The membership of the bank comes mainly from Maratha, Lingayat and Jain communities. There is great deal of overlapping of membership of various types, of cooperative enterprises. Of the sample 74% of the members are members of the Warana Cooperative sugar factory.

#### B) Economic Aspects :

Almost 32% of the members belong to the low income group families. However, 57.82% of the members belong to lower middle and middle income range of Rs. 5000 to 20000. Almost 25% of the members have land holdings less than 1 hectare and 15% of the members are land less. Other members have land holdings more than one hectare. Of the members having land, more than 70% have irrigated land holding. 91.35% of the members own houses. Share holding of a majority of members is less than Rs. 500. The membership of the bank has shown a gradual increase over the entire period. The basic consideration in joining the bank as members, for the majority of the

members was a combination of factors like local leadership affinity and desire to participate in a cooperative activity. The next considerations were quicker and cheaper service coupled with bank's awareness of local credit needs.

C) Deposit Habits of the Members :

Apart from usual savings deposits, more than 70% of the members prefer fixed deposits. The preference for fixed deposits is guided mainly by factors like greater interest income, security of the family and convenience of achieving certain long term investment objectives. Most of the members have irregular savings habits. Almost 50% of saving deposits are in the lower range of Rs. 2000 and less. It was found that almost 30% of the numbers had deposit business with other banks, mainly district central cooperative bank. In this connection, convenience seems to be the major consideration for diversion of deposits. Major suggestions made by the members for improving the deposit business of the bank are.

- 1) Linking of deposits with loan sanctions.
- 2) More convenient schemes of deposits with higher rate of interest.
- 3) Bonus for deposits.
- 4) Deposit education for rural masses.
- 5) Equal rate of interest for loans and deposits.

D) Loan Business of The Bank :

Borrowing upto Rs. 2000 seems to be the normal borrowing of the members. More than 70% of the loans are required for 1 year period, mainly of the nature of crop loans. The frequency of medium and long term loans is very low. 25% of the borrowings are made for household purposes. Proper and timely full repayment of loans is reported in case of 71% of the members. The incidence of overdues is very low.

E) General Remarks :

More than 50% of the members opined that credit supply to various agricultural needs was the main way in which the bank has contributed to local development. The members are aware of the efforts of the bank to finance local traders, craftsman and small industrialists. They appreciate bank's policy of extending loans for higher and/or technical education purposes. The bank's contribution to local educational organisations and health set-ups is also appreciated by the members. They appreciate the efforts of the bank in providing technical, insurance, marketing and subsidy guidance to the members. The overall opinion of the members is that the bank is doing a satisfactory and yeoman's service to the local economy.

5.6 Survey of the Directors :

The responses given to our questions by the members of the board of directors of the bank seem to be of a unanimous

character. In their opinion, the bank owes all its success, well from the germination of the idea, to the dynamic, inspiring and pragmatic leadership of the great cooperator Shri. Tatyasaheb Kore. In their opinion the rationale of the establishment of the bank stems from the need of a broad-based, functionally more diverse type of a rural cooperative bank to finance not only agriculture but also local trade, industry and education. All the directors told that the bank did not face any difficulties in the formation of the bank, both in respect of membership and capital. Even to-day- the bank is in a position to expand its activities financially without any rigidities. According to the directors, the problem of overdues emerges mainly because of natural calamities like excess rains or drought conditions. In their opinion, the bank is managed by competent, trained personnel and led by fully democratic leadership. Most of the directors are proud of the loan facilities for educational purposes. They ascribe the successful performance and rapid growth of the bank to the prevalence of multiple membership of various cooperative activities in the area. In future, the growth policy of the bank will be guided by :

- 1) More branches in villages.
- 2) Evolving liberal schemes of finance for small and marginal farmers, traders and craftsmen.
- 3) Developing a consultancy cell for technical, managerial and financial guidance for local, entrepreneurs.