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**CONCLUSIONS

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SUGGESTIONS**

C H A P T E R - V

CONCLUSIONS AND SUGGESTIONS

5.1 INTRODUCTION -

In this last Chapter researcher has attempted to consolidate the findings and the conclusions of the investigation as described in chapter III and IV. Looking at the various dimensions of enquiries in sequence the conclusions broadly relate to the following aspects / parameters.

- Legal and constitutional framework
- Physical infrastructure and staff
- Deposits and advances
- Ancillary services and other facilities
- Evaluation of financial performance
 - (a) Growth of deposits
 - (b) Growth of loans and advances
 - (c) Credit / Deposit ratio
 - (d) Cost effectiveness
 - (e) Profitability
 - (f) Capital Adequacy
 - (g) Overdues
 - (h) Productivity
- Evaluation of overall progress

5.2 LEGAL AND CONSTITUTIONAL FRAMEWORK

The findings and the conclusions in this regard can be briefly summarised as under -

- (1) The constitutional framework for the UCB's is provided by the model bye-laws. The practice on the part of the UCB's is to adopt the model bye-laws with or without modifications. This results in adoption of the same constitution by all the UCB's. This is true even with Janata Bank and Mahila Bank. A careful screening of the bye-laws unfolds that the bye-laws of both the banks are almost similar. In a way this type of standardisation of the constitutional framework is desirable in a comparative study like present one. However it needs to be noted that this type of " Ready-made constitution " approach brings a sense of super imposition of bye-laws rigidly which may impair the individual styles of each bank.
- (2) The objects as enunciated in the bye-laws of the banks are too many in number ; what is expected from these various objectives is to carry on diversified activities of banking business. A close review of all the actual activities however boils down to the saying that it is easily said than done. Many of the objectives are seen to be waiting for the actual translation in concrete programme of actions few of the objectives are also susceptible for their translation into activities , due to their qualitative nature.
- (3) The major sources of raising the funds as given by the bye-laws include only the traditional sources. Mention is not made about new

instructions such as commercial papers , uro-dollars , international bank receipts etc.

(4) The provision of nominal members leave out a place for suspicion because this membership is not a regular membership but of adhoc nature. It is better to bring in at par with regular members. When there is a provision of termination of membership either at the will of the member or at the will of the bank. The researcher feels that this type of membership should be done away with.

(5) The authorities of the urban co-operative banks consists of general body as the supreme authority. Board of directors as the chief executive authorities followed by president , vice president , chief officer etc. This no doubt is a well accepted structure of organisation. The hight of the structure of organisation depends upon the layers of organisation. The modern trend towards building up of organisation is to have flat organisation as far as possible. This helps to remove the drawbacks like delay in decision .In the days of organisation re- engineering urban co-operative banks are required to introduce new concepts in its bye-laws.

(6) In the various authorities of the banks as described above all the authorities except chief officer are suppose to work in the honorary capacity. This was all right particularly in the initial phase of the development of urban co-operative banks. Now at the close of 20 th century or on the threshold of 21 st century the principle of honorary working has become almost irrelevant. Professional management can hardly go along with honorary management. A serious thinking of

replacement of honorary authorities by Professional authorities is required to be made by the urban co-operative banks.

(7) The provisions of advancing loans given in the bye-laws are such that a security oriented lending approach rather than project oriented lending approach is to be followed by the urban co-operative banks. Although there is a provision of giving unsecured loans the emphasis is on security rather than the credit worthiness of the borrower. It may happen that quite competent borrower with assured profitability of his project may be denied the loan for the want of adequate collateral security.

5.3 PHYSICAL INFRASTRUCTURE AND STAFF -

(1) An investigation in this regard is made on three items , Building , Furniture and security arrangement. It is observed that Janata Bank has three offices housed in rented buildings while six offices including Head office are found to be in the owned buildings. In case of Mahila Bank all the offices are found to be in the rented buildings. It is always desirable and safer to have own buildings. Janata Bank is ahead of Mahila Bank in this respect because Mahila Bank has not at all made any attempt to construct its own building even for its Head office.

Alongwith ownership of building the carpet area is another dimension in which an investigation is carried out. Considering the average strength of employees the carpet area available in case of both the Banks seems to be reasonable. Even on this count Janata Bank has

more comfortable position as compare to that of Mahila Bank.

(2) The furniture , fixtures and equipment available with the banks includes , tables , chairs , cupboards , benches and racks. The furniture seems to be adequate. The arrangement are also found to be made of waiting benches for the customers. It is also seen that adequate provision is made for the safe maintenance of bank records .The branches of Janata Bank are found to be well furnished.

(3) Banks are custodians of public funds. The proper and adequate security arrangements are necessary. Looking at the position of both of banks the security arrangement can not be taken as adequate. It is surprising to note that out of nine offices of Janata Banks only three have watchmen.

(4) None of the branches in case of both the banks have any other type of security arrangement.

(5) Alongwith infrastructure and housekeeping the efficiency of employees and the staff is an important factor in working of the banks. In the present study the analysis relating to staff is made showing the staff adequacy , number of employees and their behaviour. It is disclosed from the enquiry that in case of Janata Bank two branches are reported to be understaffed and in case of Mahila Bank only one branch which is newly started is understaffed. The rest of all offices of both the banks are reported to be properly staffed. It is also to be worthnoting that none of the branch is reported to be overstaffed.

(6) The quantitative analysis of the employees show that there are 159

employees working in nine offices of Janata Bank. The average of which comes to 18. In case of Mahila Bank the total number of employees in six offices is 62. The obviously shows that the size of Janata Bank is nearly double of the size of Mahila Bank.

- (7) The total employees in case of both the banks includes employees working in various designations such as managers, Cashiers, Clerks etc. Though not regular employees it is very interesting to note that both the banks have appointed pigmi agents. The numbers of which is 18 in case of Janata Bank and 15 in case of Mahila Bank. Pigmi agents are seen to be working as " Barefoot Bankers ", effectively mobilising deposits particularly from the people working in informal sector of the economy.
- (8) An enquiry as to the behaviour of the employees is carried out to understand fair, average and below average behaviour. By and large in case of both the banks the employee behaviour was found to be fair in most of the cases.

It is only in exceptional cases the behaviour was reported to be below average. This shows healthy interpersonal relations among the employees of both the banks and also relations of employees with the customers. Again it is well supported by the fact that there are no incidents of struggle, strikes and lockouts.

5.4 DEPOSITS AND ADVANCES -

- (1) In order to stay successfully in the competitive market banks need to pay due attention to their deposits and borrowers. Information about deposits is observed to be given by the banks by various ways and means. It is observed that Janata Bank is more effective than Mahila Bank in giving such information.
- (2) The types of deposits commonly found in both the banks are fixed savings , currents and recurring. Few special schemes such as Janata 40th , Dhanvridhi , Shubhalaxmi were also found to be adopted under special circumstances.
- (3) It is observed that loan applications were given to the borrowers at the price of Rs. 5 /- per set, in case of both the banks. The loan applications are found to be sufficiently informative and there is no need of giving any additional information to the borrowers.
- (4) The procedure of processing the loan applications and sanctioning of loans is similar in both the banks. There is a practice of sanctioning the loan at head office level and the disbursement of the loan at the level of respective branches.
- (5) In case of both the banks gold and other properties including stock, receipts of fix deposits are acceptable as securities .However silver is not accepted as a security in case of both the banks.
- (6) Both the banks give short term , medium term and exceptionally long term loans. Both the banks also give loans at concessional rates of interest to weaker sections of society.

(7) With reference to the recovery of loans it is reported by both the banks that the usual recovery of loans take place at the branch level. There is a recovery committee at Head offices with special recovery officer. Sending notices , reminders and to pay personal visits to the defaulting borrowers are the usual steps in recovery of loans.

(8) In regard to ancillary services it is observed that insurance cover is taken by Head office. The facility of discounting and purchasing consignment bills is available in five offices of Janata Bank and only in one office of Mahila Bank. The morning and extension counters are available at two places in Janata Bank and no such arrangement is available in Mahila Bank.

(9) The computerisation of operations is found in all the branches of Janata Bank , while it is found only in four branches of Mahila Bank. The ATM's and BTM's services, the connection with BANKNET and membership of SWIFT , both the banks do not have these facilities. The enquiry counter is available in Janata Bank but not in Mahila Bank.

5.5 ANCILLARY SERVICES AND OTHER FACILITIES

The observations made in this regard reveal that the ancillary services such as insurance cover , discounting and purchasing consignment bills are available in both the banks. The facilities of extension counter , computer , enquiry counter, replacement of spoiled and mutilated notes are available only in Janata Bank . The ATM's and BTM's services are not available in both the banks. Though Janata Bank is ahead of Mahila Bank in rendering ancillary services and other facilities both of the banks remain less than at desired level of expectations of customers in this regard.

5.6 EVALUATION OF FINANCIAL PERFORMANCE -

Banks are basically financial institutions. The evaluation of financial performance is attempted. Growth of business , cost effectiveness, profitability, capital adequacy, overdues, productivity and overall progress are the parameters used for evaluation of financial performance. The important findings and conclusions in this regard can be briefly stated as under.

(A) GROWTH OF DEPOSITS

A period of seven years (1991-96) is considered to understand the growth of deposits. In case of Janata Bank deposits have observed to have grown at the rate of 13.45 % on an average while in case of Mahila Bank this rate is found to be 25.43 %. The rate of growth in deposits for Mahila Bank is substantially higher than that of Janata Bank. However it is disturbing to note that even though the rate of growth is higher there is a decreasing trend in the rate of growth in Mahila Bank , it has come down from 35.75 % in 1991-92 to 18.30 % in 1996-97.

(B) GROWTH OF LOANS AND ADVANCES -

The rate of growth of loans and advances in Janata Bank is 21.32 % on an average while in case of Mahila Bank the rate of growth in loans and advances is 18.80 % on an average. The rate of growth of loans and advances in case of Janata Bank is substantially higher than that of Mahila Bank. It is observed that the rate of growth of loans and advances in case of Janata Bank widely fluctuates over a period of time showing neither increasing nor decreasing trend. In case of Mahila Bank there is a decreasing trend observed in this respect.

(C) CREDIT / DEPOSIT RATIO -

Janata Bank show an average credit / deposit ratio of 75.59 % and there are now wide fluctuations in the ratio for the period of seven years under study. In case of Mahila Bank the average credit / deposit ratio is

64.47 % showing minor fluctuations. It is only in the year 1990 - 91 the variations are found to be higher by 13.74 percent points. As the credit/deposit ratio of Janata Bank is higher it can be calculated that there is better utilisation of deposits for advancing loans in Janata Bank than that of Mahila Bank.

(D) COST EFFECTIVENESS -

Two ratios namely interest paid to total expenses and salary to total expenses are considered to measure the cost effectiveness of banks. It is observed that the ratio of interest paid to total expenses does not vary substantially for both the banks. It is in the range of 55 % to 65 % in most of the seven years for both the banks. The average ratio is 60.66 % in Mahila Bank and 61.17 % in Janata Bank. In case of ratio of salary to total expenses it is observed that Janata Bank is higher by 8 % than Mahila Bank in this respect. The average ratio is 22.09 % in Janata Bank and that in Mahila Bank it is 14.14 %. Mahila Bank seems to be more cost effective than that of Janata Bank. However this conclusion should be taken consciously because burden of salary expenditure goes on increasing year by year without any relation to changes in total expenditure.

(E) PROFITABILITY -

The issue of profitability is examined by considering various ratios such as interest earned to total income, interest earned and interest paid, return on capital etc. The important findings in this regard are as follows-

- (1) Both the banks have more or less the same ratio of interest earned to total income. It is an indication of similar level of performance of both the banks. The average ratio for Janata Bank is 76.68 % while for Mahila Bank this ratio is 73.41 % showing a slight higher ratio in case of Janata Bank.
- (2) The difference between the interest paid and interest earned is said to be the margin in the present study. The analysis of such margin show that the margin of Mahila Bank is higher than that of Janata Bank. This implies that the loan portfolio of Mahila Bank is more profitable than that of Janata Bank and /or the deposits collected by Mahila Bank can be said to be more economical than that of Janata Bank.
- (3) The ratio of return on capital in Janata Bank is 11.12 % on an average and the same is 14.73 % in Mahila Bank showing higher profitability in Mahila Bank.

(F) CAPITAL ADEQUACY -

The ratio of capital plus general reserve to working capital is examined to know the capital adequacy. In case of Janata Bank the ratio is 3.69 % on an average. In case of Mahila Bank it is 5.93 % on an average. In case of Janata Bank the ratio remains constant while in case of Mahila Bank it shows decreasing trend indicating loss of equity base of the banks capital. However the Mahila Bank has stronger capital base than that of Janata Bank in all the years.

(G) OVERDUES -

The ratio of overdues to advances is examined. In case of Janata Bank the average ratio is 9.15 % and that of Mahila Bank it is 9.70 %. There are almost no fluctuations in the ratio of Janata Bank while moderate fluctuations are observed in case of Mahila Bank. There is a decreasing trend in the ratios for seven years in case of Janata Bank showing improvement in the rate of recovery. In case of Mahila Bank overdues in first two years were found to be quite high and subsequently they have down showing an improvement in rate of recovery of loans. The position with regard to recovery is comparatively better than that of Mahila Bank.

(H) PRODUCTIVITY -

Business per employee is considered as a measure of productivity. In case of Janata Bank the business per employee is Rs. 37.38 lakhs while it is 20.66 lakhs in Mahila Bank. There is a clear increase in the business per employee in both the banks. However the performance of Janata Bank is superior in this respect than that of Mahila Bank. The figures of business per employee were higher by 10.56 lakhs , 15.34 lakhs and 15.35 lakhs and 25.53 lakhs respectively for the last four years. The rate of growth of business per employee is also higher than that of Mahila Bank.

5.7 EVALUATION OF OVERALL PROGRESS -

Finally an attempt is made to examine the place of both the banks in the larger context of all the urban co-operative banks in Kolhapur district on one hand and those of all urban co-operative banks in Maharashtra state as a whole on the other. The major conclusions in this direction are as follows-

- (1) No. of offices and membership in both the banks is significant in relation to the membership of urban co-operative banks in Kolhapur and Maharashtra.
- (2) The capital base in terms of equity as well as reserves in both these banks is poor in relation to that of all urban co-operative banks in Kolhapur and Maharashtra.
- (3) The deposits and advances per office falls below the average than that of Maharashtra for both the banks. Janata Bank however shows higher average than that of UCB's in Kolhapur district.
- (4) The investment and working capital per office also stand below the average of Maharashtra. However Janata Bank shows higher average than that of UCB's in Kolhapur district.

The consolidated conclusions in this regard can be that the Janata Bank falls above the average of UCB's in Kolhapur district in certain respect but below the average of average of Maharashtra as a whole. The share of mahila in all the respects is below the average of UCB's in Kolhapur district as well as those in Maharashtra state as a whole.

5.8 SUGGESTIONS -

The findings and conclusions described earlier bring out certain gaps and limitations in working and performance of both the banks. In order to bridge in these gaps and to do away with certain limitations an attempt is made to make suggestions which certainly bear practical significance. Following are some of the important suggestions -

- (1) It is observed that both the banks have not attempted to formulate their own bye-laws instead they have adopted model bye-laws which may not reflect the individual style and identity of both the banks. It is therefore suggested that the constitutional framework should be designed considering the socioeconomic environment in which the banks are to carry on their business.
- (2) Although objectives are to reflect diversified activities to be carried out by banks the profile of actual activities is seen to be narrow in case of both the banks.

Both the banks should attempt to diversify their activities so as to achieve all the objectives.

- (3) The nominal members should be made regular members in order to make the membership of the banks quite simple and uniform. Actually nominal members as such do not serve any additional purpose.
- (4) There are several layers in the organisational structure of banks. This is undesirable. Therefore as far as possible the organisational structure should be made flat. This helps to have no red tapism in the working of the banks.

- (5) There are many honorary authorities in UCB's. the honorary authorities generally do not possess the professional knowledge of banking. It is therefore necessary to replace honorary authorities by professional authorities.
- (6) It is also observed that security oriented lending is emphasised more although unsecured loans are given. In fact the credit worthiness of borrower rather than the co-lateral security should be considered as a criteria to sanction the loan.
- (7) Although the staffing of both the banks is observed to be satisfactory there are few cases of understaffing and overstaffing. It is desirable to avoid such exceptional cases of understaffing and overstaffing.
- (8) Pigmi agents have provided effective mobilisation of deposits and that too from the small people working in informal sector of economy. It is quite advisable to make these pigmi agents regular and full time employees of the banks.
- (9) As to the infrastructure it is observed that Mahila Bank is lagging behind in the construction of its own buildings. Janata Bank is also having some of their offices housed in rented buildings. Both the banks should attempt to have all their offices in own buildings.
- (10) Though the furniture is adequate in quantitative terms it needs to be modernised by the use of latest models of furniture , fixtures and equipment. These latest models are user friendly, cost effective and of multiple use.

(11) The security arrangement made in both the banks is quite inadequate and poor. At least one security guard per office should be appointed. In addition to security man power there are various modern security mechanical devices which can be used by the banks.

(12) While advancing loans the banks should search out new areas such as housing finance , lease finance , finance for real estate etc. There shall be more effective use of funds if such new green pastures are exploited.

(13) The banking hours are fixed to a major extent in both the banks. Looking at the developments in modern banking the present days are the days of anytime banking , anywhere banking.

Both the banks should adopt flexible hours of working so as to keep pace with these latest developments.

(14) It is observed that Mahila Bank has not computerised the operations of its few offices. Also the ATM's and BTM's services are not available in both the banks. Both the banks should try to make all these facilities available in both the banks.

(15) The evaluation of financial performance shows good performance by Mahila Bank particularly with reference to growth rate of deposits and advances.

Janata Bank inspite of being elder bank lags behind in this respect. It is therefore necessary for the Janata Bank to improve its performance on both these counts. This is also true in case of cost effectiveness.

(16) In case of profitability Mahila Bank shows better performance. Janata Bank needs to show improvement in its profitability.

(17) The capital base of Mahila Bank is stronger than that of Janata Bank. Janata Bank should broaden its capital base. It is also necessary for Mahila Bank to stop the decreasing trend in its capital adequacy.

(18) In case of business per employee the performance of Janata Bank is superior to that of Mahila Bank. The employees of Mahila Bank need to gear up themselves to attract more business.

(19) The overall evaluation of progress of both the banks show that the number of offices and the number of members is sufficiently large in both the banks. However the capital base is below the average of Maharashtra. Both the banks especially the Mahila Bank is called upon to improve the size of capital.

(20) The deposits and advances per office of both the banks fall below the average of Maharashtra. Both the banks especially Mahila Bank is called upon to improve the situation. The same type of arrangement can also be made with respect to the working capital of both the banks.