

C H A P T E R X**OBSERVATIONS, CONCLUSIONS AND SUGGESTIONS**

- 10.1 Introduction
- 10.2 General Observations
- 10.3 Conclusions
- 10.4 Suggestions

CHAPTER X

OBSERVATIONS, CONCLUSIONS AND SUGGESTIONS

10.1 INTRODUCTION

In this chapter, the researcher has tried to give observations and conclusions of the present study and has made some of the important suggestions for better performance of the bank. These conclusions are based on the data made available for the purpose of study.

10.2 GENERAL OBSERVATIONS

1. Dividend of Rs.3,23,839.00 for the year 1992/93 was not paid to members who have resigned. This is not fair even though it may be right as per the bye-laws of the Bank.
2. Shares register was not updated.
3. Internal Auditor is not appointed by the Bank.
4. As per the policy of the Reserve Bank of India, nominal members should be 30% of regular members of the Bank. But actually it is found that, the nominal members are 125% of the regular members.
5. By the end of 31st March, 1994, the total staff was 172. As per the standard norm between the work load and no. of employees, still 17 employees are required. According to the Govt. norms, there should be 22 employees from Scheduled Tribes.
6. By collecting excessive gold stock insurance premium during the year 1993/94, the bank had made non-banking income, to the extent of Rs.6,77,875.00.

7. Insurance taken by the Bank for Gold Stock, cash in hand & cash in transit is useless because main conditions of Insurance Company were not fulfilled by the Bank.

8. Sometimes the bye-laws of the Bank and the rules of the Co-operative Act were violated by the Bank. Some of the instances are as follows :

I) Share Certificates are not issued by the Bank to all the members.

II) Bank has not taken employee's representative on the Board of Directors.

III) More than 3 years, the old dividend payable was not transferred to reserve fund.

IV) Financial reports of all the branches were not prepared in the 'N' form.

9. The attendance of the members for General Meetings is poor and the attendance register is also incomplete.

10.3 CONCLUSIONS :

GENERAL

The Primary Teacher's Co-op. Banks have occupied a significant place in the banking development of our nation.

The co-operative Credit Movement was started in Germany and now it is spread over through^{out} the world. Maharashtra is the leading state in Co-op. banking business in India. It has made significant progress in respect of number of banks, deposits and loans. Similarly the Co-op. banks in Satara District have made rapid progress with satisfactory results.

PROFILE OF THE PRIMARY TEACHER'S CO-OP. BANK
LTD., SATARA :

This Bank has rendered useful services mainly to The Primary Teachers of Satara District. It is observed that the Bank has been making satisfactory progress in respect of membership, paid up capital, reserve funds and other reserves, mobilisation of deposits, loans and advances, working capital, investments and profits. But in terms of percentage, there has been a decrease in respect of membership, deposits and investments.

It is observed that only 71% of the total teachers in Satara district except Karad & Patan taluka are the regular members of the bank.

Now let us give specific observations on the basis of techniques we have used for financial analysis.

CONCLUSIONS AS PER RATIO ANALYSIS :

The current ratio of the Bank shows that, the Bank is trading beyond its resources. It means, the bank is making efficient use of funds and this will result in increasing the profitability of the Bank. But from the creditors point of view, the solvency position of the Bank was not sound and there will be shortage of working capital. It suggests that the liquidity position of the Bank is not very bad but not very good also.

From the Quick ratio, we can say that, the short-term liquid position of the Bank was very good. From the creditors point of view, the high quick ratio shows the favourable situation, but from the shareholders point of view, it

indicates inefficient utilisation of liquid resources.

The cash position ratio shows that the position of cash was not satisfactory in the Bank.

In brief, the ability of the firm to meet its short term obligations does not seem to be satisfactory.

On the basis of proprietary ratio, we can say that the financial position of the Bank is weak, as it indicates more dependence on external finance. The credit-worthiness of the Bank is not satisfactory because in the event of losses, there is a greater risk to the creditors.

Debt-equity, ratio shows that the claims of the creditors are greater than those of the owners from the creditors point of view, the situation is highly unsatisfactory, because they have lower cushion against possible loss in liquidation.

The Fixed Assets Ratio indicates that the long-term financial position of the Bank is sound. Hence, the margin of safety for long-term creditors is greater and it suggests that the working capital is financed by amount of owned funds to the extent of 86% of proprietors funds.,

From the interest coverage ratio, we gather that the financial position of the bank is weak. Due to the low interest coverage ratio, the bank cannot easily meet its interest burden.

In brief, the use of debt capital in the bank is more.

The short-term, loans debtors turnover ratio of the Bank shows that the average collection period is short and

it implies the prompt payment by debtors. It indicates more efficient management of assets. Total assets turnover ratio shows that the efficiency of the total assets employed is less and they were not utilised fully and profitably. Fixed Assets Turnover ratio shows that the efficiency of the fixed assets employed is good and they are utilised fully & profitably.

Net profit ratio indicates that the overall profit earning capacity of the bank is good and the bank had effective cost control programme for the period under our study except for the years 1990/91 and 1993/94. The Return on shareholders investment ratio shows that the management has utilised the funds provided by the shareholders effectively.

When we compare return on shareholders Investment Ratios, we find that the profitability of The Primary Teacher's co-op. Bank Ltd., Satara is better than that of the Ahmadnagar District Primary Teacher's Co-op. Bank Ltd., Ahmadnagar.

FUNDS FLOW ANALYSIS :

From the funds flow analysis, we observe that :

1. The Bank is having good internal sources of funds, such as funds from issue of shares, funds from operations and building rent etc.
2. The funds from operations of the bank are increasing year after year.
3. The bank has been trying to increase its working capital and maintaining good liquidity position.

4. The overall financial policies of the bank were conducive for its growth.

COMPARATIVE STATEMENTS ANALYSIS :

From the comparative income statements, we find that the interest paid, other administrative expenses, salaries & allowances and reserves have increased. As a result the net profits have not increased in the proportion in which the total income has increased.

From the Comparative Balance sheet of the bank, we gather that the working capital is used to finance the fixed assets & long term miscellaneous assets.

TREND ANALYSIS :

From the Trend Analysis, we observe that the trend of the time deposit, other deposits, short-term loans, medium-term loans, long-term loans, profits and dividend have shown a rising tendency year after year. long-term loans have increased more sharply than the short-term & medium term loans. In between the short-term loans and medium-term loans, the short-term loans have increased at a faster rate.

COMMON-SIZE STATEMENTS ANALYSIS :

From the common-size income statement of the bank, we find that the percentage of net profit to the total income is going down due to the fact that the bank is accepting more loans from D.C.C. Bank and mobilising less deposits from the public.

After comparing the income statements, we find that the Ahmadnagar District primary, Teacher's Co-op. Bank Ltd., Ahmadnagar's percentage of operating profit to total income is less than that of the primary Teacher's Co-op. Bank Ltd., Satara. The difference is 2.89 % of the total income.

When we compare the Balance sheet of Satara Bank with that of the Ahmadnagar Bank we find that :

1. The Satara Bank is better placed than the Ahmadnagar Bank so far as the cash resources are concerned.
2. The short-term solvency position of The primary Teacher's Co-op. Bank Ltd., Satara is better than that of the Ahmadnagar bank.

PERFORMANCE EVALUATION :

From the performance evaluation we find that :

1. Each years share capital of the bank is above the norms prescribed by the Co-op.Department. But average growth rate of the share capital of the bank is less than the norms prescribed by the Co-op. Department.
2. The bank has not been in a position to attract more deposits from public and the efforts made to mobilise the deposits felt short.
3. The cash position of the bank does not seem to be sound.
4. Bank has made sufficient profits during the perod under our study. It indicates efficient utilisation of funds and economy in the administrative expenditure.
5. Over trading in loans and advances is going to affect the liquidity position of the bank. This is not a sound financial policy of the bank.
6. The bank has been paying higher rate of interest on the deposits accepted by the bank. This will certainly affect the profitability of the bank.

7. The bank has been paying less salaries & allowances to its staff as compared to other Co-op. banks.

8. Every year reserves created by bank are quite low and this may affect its working adversely.

10.4 SUGGESTIONS :

On the basis of observations, the researcher would like to make the following suggestions for efficient working of the bank.

I) SUGGESTIONS REGARDING PROFILE OF THE BANK :

The bank should fix the targets every year for mobilising deposits, sanctioning loans and advances, investment of funds and Capital. This would help the bank to assess its actual performance.

II) SUGGESTIONS REGARDING ORGANISATION AND MANAGEMENT ASPECTS OF THE BANK :

1. The backlog of the scheduled tribes should be filled in as early as possible.

2. Adequate No. of employees should be appointed for efficient working of the bank. Ladies should be given preference while recruiting new staff.

3. At least one watchmen for each branch & Head office must be immediately appointed for protecting the bank from any possible danger.

4. Suitable training facilities should be provided to the staff.

5. As the attendance for general meetings is not satisfactory, it is necessary, to communicate the members well in advance and enlighten them about the importance of

attending meetings. The attendance register should be properly maintained.

6. All the record and registers should be properly maintained.

7. For making Gold stock insurance policy effective, main conditions of insurance Company should be fulfilled.

8. Shares certificates should be issued for all shares issued by bank.

9. Employees representative should be taken on the board of directors.

10. Dividend which has remained unpaid for more than three years should be transferred to the reserve fund.

11. The financial reports of all branches should be prepared in the 'N' form prescribed for the purpose.

III) SUGGESTIONS REGARDING DEPOSIT MOBILISATION :

1. As the deposits have been showing decreasing trend, it is necessary to take steps to attract more deposits by advertising various schemes of deposits.

2. While introducing new schemes, the bank should see that there is no adverse effect on the existing deposit schemes.

IV) SUGGESTIONS REGARDING LOANS AND ADVANCES :

1. The bank should not sanction loans against the security of gold by the money lenders when such gold belongs to some third parties.

2. It is advised that the loans should be sanctioned only when the required information is given by the individual in writing only. Not only his income but his family expenditure should be considered while dealing with the loan applications.

3. The documents executed should confirm to the provisions of the law and directives of statutory authorities and appropriate to the nature of the loan and general practice in vogue.

4. The bank should take steps to recover the overdues as early as possible.

V) SUGGESTIONS REGARDING LIQUIDITY POSITION OF THE BANK.

1. The bank should employ its liquid resources efficiently and profitably.

2. Bank should keep sufficient amount of cash balance.

3. The short-term sources of funds should not be used for long-term applications of the funds.

4. Bank should not sanction more loans than its financial capacity for such disbursements.

VI) SUGGESTIONS REGARDING SOLVANCY OF THE BANK :

1. Bank should see that its own funds are employed effectively.

2. Bank should increase its investments upto the norms prescribed by the Co-op. Department.

3. Bank should try to create reserve up to the norms prescribed by the Co-op. Department.

VII) SUGGESTIONS REGARDING PROFITABILITY :

1. The Bank should implement effective cost control programmes.

2. The Bank should attract more deposits by introducing various schemes of deposits and should rely less on external loans from D.C.C Bank Satara.

Above all, the bank should adhere to the latest ammended Provisions of the Act, Rules, Bye-laws and directives, of R.B.I. and co-operative Department in the day today operations of the bank.