

CHAPTER : VII

SUMMARY CONCLUTIONS AND SUGGESTIONS

7.1 Summary and conclusions.

7.2 Suggestions.

7.1 SUMMARY AND CONCLUSIONS :

The summary and conclusions of the present study relating to operations of the two banks is as under :-

(A) OPERATIONS OF THE TWO BANKS :

(1) While studying the share capital of the Ajara Bank it was examined that the percentage of share capital to working capital of the bank has declined from 3.37% in 1982 to 1.87% in 1986. Therefore, it is necessary to increase share capital of the Ajara Bank, by converting 'B' Class members or otherwise.

(2) It was found that nearly about 80% of working capital of both the banks under study is made up of deposits, during the period under study.

(3) In case of borrowings from other banks, it was found that, The Ajara Bank has not borrowed any amount from other financial agency during the period from 1982 to 1985; as compared to the Janata Bank, which has borrowed money from K.D.C.C. of Rs.16.57 lakhs in 1982, Rs.5.86 lakhs in 1983, Rs.26.19 lakhs in 1984 and Rs.17.68 lakhs in 1985; but there were no borrowing in the year 1986.

(4) While studying working capital of the two banks, it was found that, the ^{work}ing capital of the Ajara Bank increased during 1983 to 1986 at an average Rs.121.92 lakhs as against Rs.34.84 lakhs that of the Janata Bank.

It means growth rate of working capital of Ajara Bank was more than the Janata Bank during the period under review.

(5) It is observed that, the percentage of overdues of Ajara Bank to its loans outstanding declined from 4.48% in 1982 to 1.38% in 1986. On the contrary this proportion was increased in case of Janata Bank from 2.14% to 3.98% from 1982 to 1986.

(6) Regarding branch expansion, the Ajara Bank stood ahead of the Janata Bank, It has opened eight branches (One of which is at BOMBAY) and succeeded to provide owned buildings at four branches. On the other hand Janata Bank has opened four branches but not succeeded in providing own buildings to it's branches.

(B) DEPOSIT MOBILISATION OF THE TWO BANKS (H/O) :

(7) During the period under study, the current deposits of the Ajara Bank (H/O) have raised by 8.14 times, as compared to 2.71 times increase in current deposits of the Janata Bank (H/O). Again there were ups and downs in the current deposits of the Janata Bank (H/O).

Therefore, it can be concluded that the growth of current deposits of the Ajara Bank (H/O) was more than that of the Janata Bank (H/O).

(8) Average annual growth from 1982-83 to 1985-86 of the savings deposits of the Janata Bank (H/O) was Rs.3.28 lakhs as against Rs.2.49 lakhs that of the Ajara Bank (H/O). It

can be said that in regard to attracting Savings Deposits, Janata Bank (H/O) has made fairly good progress as compared to the Ajara Bank (H/O).

(9) By observing ups and downs in current deposits and growth in savings deposits of the Janata Bank (H/O) it can be concluded that most of the customers of the Janata Bank (H/O) belong to middle class.

(10) While comparing the fixed deposits of the two banks (H/O), the researcher has found that, during the period under study, the fixed deposits of Janata Bank (H/O) indicated an increase by 2.35 times as against 1.52 times that of the Ajara Bank (H/O). It may therefore, be said that, though the Ajara Bank (H/O) has more fixed deposits than the Janata Bank, the growth rate in fixed deposits of Janata Bank (H/O) was higher than the Ajara Bank (H/O).

(11) It is observed by studying the recurring deposits of both the banks (H/O) that the recurring deposits of Janata Bank (H/O) raised by 2.86 times during the period from 1982 to 1986, as against 1.56 times increase, that of the Ajara Bank (H/O). Average annual growth rate from 1983 to 1986 of recurring deposits of the Janata Bank (H/O) also more, which was 30.46% as compared to 12.01% in case of the Ajara Bank (H/O). Thus, it may be concluded that, the position of recurring deposits of Janata Bank (H/O) was more satisfactory than the Ajara Bank (H/O).

(12) During the period under study the average annual growth rate of dam duppat deposits of the Janata Bank (H/O) was 43.40% as compared to 19.39% in case of the Ajara Bank (H/O). Dam Duppat deposits of the Janata Bank (H/O) were increased by 4.19 times during the period from 1982 to 1986 as against two times that of the Ajara Bank (H/O). Therefore, it was found that even though the Ajara Bank (H/O) attracted more Dam Duppat deposits in quantity as compared to Janata Bank (H/O) the qualitative growth of the Janata Bank (H/O) in collecting dam duppat deposits was good.

(13) By studying, the pigmi deposits of the two banks (H/O) it was examined that there were vast variations in Pigmi deposits of both the banks. However, these deposits are doubled in case of the Ajara Bank (H/O) during the period from 1982 to 1986. But the Janata Bank has failed to attract Pigmi deposits, because the Pigmi deposits of Janata bank have shown declining trend in 1986.

(14) Comparing the total deposits of the two banks (H/O), it was found that, the Ajara Bank (H/o) has mobilised deposits more than 1.5 times of total deposits of the Janata bank (H/o). However, it would be noted that the Janata bank (H/o) has increased it's total deposits by 2.34 times, as against 1.34 times that of the Ajara bank (H/o) during the period from 1982 to 1986. It is further observed that, there is steady progress in mobilisation of deposits by both the banks under study and the banks are gaining public confidence day by day.

(15) The Ajara bank (H/o) has made fairly good progress than the Janata bank (H/o) in mobilising current deposits and pigmi deposits, during the period under review from 1982 to 1986, on the other hand, the Janata bank (H/o) has shown more satisfactory progress than the Ajara bank (H/o) in mobilising savings deposits, fixed deposits, recurring deposits and dam duppat deposits.

(C) LOANS OUTSTANDINGS OF THE TWO BANKS (H/O) :

(16) It is observed by studying loans against mortgage outstanding that, the share of these types of loan, in total loans and advances outstanding of both the banks (H/o), stood more than 1/5th , during the period under review.

(17) While observing, the machinery loans outstanding of the two banks (H/o) during the period under study, it was examined that, most of the machinery loans were advanced for purchasing trucks. The share of machinery loans outstanding in total loans and advances outstanding of the Ajara bank (H/o) stood at an average 23.49% during 1982 to 1986, as against 10.85% that of the Janata bank (H/o). This fact clears that, the Ajara bank has advanced more machinery loans as compared to the Janata bank.

(18) It was found that there were ups and downs in gold loans outstanding of the Ajara bank (H/o). While the gold loans outstanding of the Janata bank (H/o) have shown increasing

trend. The share of gold loans outstanding in total loans outstanding of the Janata bank was at an average 26.47% during 1982 to 1986, as compared to 22.73% that of the Ajara bank.

- (19) Comparing the loan against fixed deposits of the two banks (H/o), the researcher found that these types of loans of the Ajara bank (H/o) increased by 2.41 times during the period from 1981-82 to 1985-86, as compared to 1.32 times increase in fixed deposit loans of the Janata bank (H/o). The share of these loans in total outstanding loans of the Ajara bank (H/o) was at an average 8.28% as against 4.31% that of the Janata bank (H/o). It may be noted that, the fixed deposits loans outstanding of the Ajara bank (H/o) were more than that of the Janata bank (H/o) because the Ajara bank (H/o) has more than double fixed deposits of the Janata bank (H/o).
- (20) There was no remarkable progress in respect of pledge loans of the Ajara bank (H/o) during the period under study. Moreover, the Janata bank (H/o) has not advanced any amount against pledge loans.
- (21) Regarding secured cash credit loans outstanding, it was observed that, majority of these types of loan were advanced against hypothecation of goods, by both the banks. Further, it may be noted that, the secured cash credit loans outstanding of both the banks (H/o) were doubled. However, the share of these loans in total outstanding loans of the Janata bank (H/o) was at an

average 10.70% from 1982 to 1986, as against 8.04% that of the Ajara Bank (H/o).

- (22) In regard to advancing loans for allied-agricultural activities, it showed that both the banks (H/o) have made no satisfactory progress during the period under review.

- (23) While comparing unsecured loans outstanding of the two banks (H/o), it was examined that, an average proportion of unsecured loans outstanding to total outstanding loans of the Janata bank was 25.77% from 1982 to 1986, as compared to 12.69% that of the Ajara bank (H/o). Further, it is observed that, the growth rate of these loans of Janata bank (H/o) was more than that of Ajara Bank(H/o). Thus, it can be concluded that, the Janata bank (H/o) has granted more unsecured loans as compared to the Ajara bank (H/o).

- (24) The two banks (H/o) under study have maintained steady progress in their loaning business. By observing the loans outstanding it was found that, the Ajara bank(H/o) has given preference to security than the Janata bank (H/o), because it's average proportion of secured loans in total loans outstanding was 87.32% from 1982 to 1986, as compared to 74.23% that of the Janata bank (H/o).

- (25) The resercher has found in discussion with bank officials that, the Ajara bank (H/o) has advanced loans for trade, small scale industries, education, self employed and professionals, allied agricultural, machinery and

consumption loans to its members, during the period under study. It indicates that, the Ajara bank has adopted ^{diversified} ~~diversified~~ -loaning policy. On the other hand, Janata bank (H/o) has granted loans for trade, small scale industries, allied-agricultural, machinery and consumption loans but it has not advanced any amount for education loans and self employed, professional loans during the period under study.

(2) OVERDUES OF THE TWO BANKS (H/O) :

- (26) By observing the overdue loans of the two banks it can be seen that, the overdue loans of the Ajara bank (H/o) were secured at an average 90.75% from 1982 to 1986, as compared to 76.60% that of the Janata Bank (H/o) . It means overdue loans of Ajara bank (H/o) are more safe regarding security than the Janata bank (H/o) . Further it may be noted that, the secured overdue loans mainly consist of loans against mortgage, machinery loans, fixed deposit loans, gold loans, secured cash credit loans and very minor share of allied agricultural and employment provident fund loans.
- (27) Regarding unsecured overdue loans, it was found that, these overdues of the Janata bank increased by 5.52 times from 1982 to 1986; on the other hand the unsecured overdue loans of the Ajara bank, (H/o) have declined during the period under study.
- (28) While studying, suits filed by the two banks against borrowers for recovery of overdue loans, it has observed,

that the Janata bank has filed suits against eleven borrowers (including 2 unsecured overdue loans) as compared to suits filed against four borrowers (all secured) by the Ajara bank (H/o) . Overdues of unsecured loans of the Janata bank (H/o) indicates defective loaning policy and absence of proper assessment of repayment capacity of a borrowing member.

- (29) The average praportion of overdue loans to total loans outstanding of the Janata banks (H/o) was 5.15% from 1982 to 1986 as compared to 3.31% that of the Ajara bank (H/o) . Further it is observed that the management of Ajara bank (H/o) has shown it's ability to decrease the overdues from 5.11% of outstanding loans in 1982 to 2.55% by the end of 1986. However, the positionof the Janata bank in regard to overdues was not satisfactory. The overdues of the Janata bank have been rising from Rs.1.80 lakhs in 1982 to about 6 lakhs^{in 1986}, which is a matter of serious concern for the management of Janata bank(H/o) Th-us, the obvious conclusion in this matter is that, the Ajara bank (H/o) shows high ability in keeping overdues at low rate as compared to Janata bank (H/o) .

(F) (5) MANAGEMENT OF EARNINGS :

- (30) Total income received by the Ajara bank including it's eight branches, raised by 3.10 times from 1982 to 1985, as compared to 2.47 times that of Janata bank with it's four branches. It means the income^m received by the Ajara bank was more than Janata bank.

- (31) Total expenses of the Ajara bank were raised by 3.12 times from 1982 to 1986, as compared to 2.49 times that of Janata bank. It means the expenses of the Ajara bank were increased more than the Janata bank.
- (32) While studying ratios, to find out working results, it was found that the income to deposit ratio, interest received to deposit ratio and income to working funds ratio of the Ajara bank were stood ahead of Janata bank. The cost of management, staff cost of the Ajara bank was comparatively lower than Janata bank. Therefore, it can be concluded that, the Ajara bank's working results were comparatively good than that of Janata bank.
- (33) While studying, net profits earned by the two banks, it was examined that, the amount of net profit of Ajara bank was more than the Janata bank but the growth rate of Janata banks net profit during the period under reference was ^{more} than that of Ajara bank.
- (34) The proportion of net profit to working funds of the Ajara bank was 1.24% during five years period under reference as against 0.66% that of Janata bank. As well as the ^{percentage} of net profit to total income of Ajara bank was at an average 8.30% from 1982 to 1986 as against 4.57% that of Janata bank. This shows that the profitability of Ajara bank was more than Janata bank.
- (35) The Ajara bank has successfully maintained rate of dividend of 12% throughout the period from 1982 to 1986, as compared to 4% to 10% rate of dividend paid by the Janata bank during the period under reference .

- (6) Loan policy of both the banks should ^{be} production-oriented rather than security-oriented.
- (7) Limited amounts of loans should be disbursed on personal sureties for consumption purpose wherein assessment of repayment capacity of a borrower would play an important role.
- (8) Banks should identify village and cottage industries, artisans and increase the advances to weaker sections to boost up small scale industries.
- (9) They should establish personal contacts with farmers, traders, businessmen, in order to expand banking business.
- (10) Banks should provide more finance for allied-agricultural activities by fixing instalments for repayment of loan.
- (11) Generally, the banks include their deposit schemes in publicity folders, they should insert their loan schemes of the bank also.
- (12) Banks should concentrate more on lending for productive purposes and least preference should be given for consumption purpose.
- (13) Banks should keep up-to-date the loan applications received register, marking in it, whether the loan for each application has sanctioned or not. If loan is not sanctioned, the reason behind it should be mentioned.
- (14) Banks should maintain "the surety register" up-to-date and revise it time to time by assessing the financial position of the guarantors.

(15) Janata bank should make its maximum efforts to sanction loans for education, self employed and professional loans. It is advised that the bank should adopt diversified loan portfolio.

(16) Both the banks should try to promote small scale industries in Ajara & Tahsil and make an attempt to increase priority loans and weaker section loans in order to reach national priority goals.

(17) The banks should draw up a programme to recover overdues by all possible methods. e.g. they should appoint a special recovery officer, rescheduling repayment period in respect of genuine and hard cases, classifying overdues in wilful and nonwilful and initiating legal action in case of wilful defaulters better supervision on use of loan, lunching recovery dervie well in advance of the due dates.

(18) They should furnish balance sheet of each branch in their annual reports.

(19) As both the banks in Ajara under study have to face successfully the competition from nationalised banks, newly established urban co-op. societies, they should be careful and strive to facilitate quick, healthy and friendly banking services to the customers coming to them. With sustained, honest and serious efforts, the banks should bring good name and fame to their institutions in the world of co-operation.