CHAPTER IX
RECOMMENDATIONS AND SUGGESTIONS
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A) Recommendations for Co-operative Department:

1. Statutory reserve fund can be used only at the time of liquidation of any organization i.e. ECCS. Therefore, every year 25% of net profit transfer to statutory reserve becomes on an idle investment. It leads to unnecessary blocking up of funds. It is recommended that there should be certain limit on statutory reserve fund. Instead of transferring 25% amount to statutory reserve every year, the percentage can be reduced to 15% with the prior permission of District Deputy Registrar (DDR). This will increase surplus fund for disbursement of loans, liquidity, profitability and solvency to some extent. There should be linkage between share capital and statutory reserve fund. This will help to maintain liquidity position.

2. In case of ECCS collection of deposits from members in the form of monthly contribution or recurring deposit is one of the major sources for raising funds. It encourages habit of thrift or saving amongst the members. But the members, who borrow loan from ECCS their recurring deposits, may be connected to installments of loan which creates adversity for members as well as for ECCS. It is recommended to verify the credit worthiness of proposed borrower, eligibility criteria should be reframed or revised. There should be linkage between net earnings from employer and the amount of loan along with its repayment schedule.

3. As far as deposits are concerned ECCS should see to it that borrower makes payment of these loan installments regularly and at the same time he keeps certain amount every month in the form of recurring
deposits. In this way, ECCS will be in a position to raise funds regularly by way of deposits. At the time of final settlement of loan account, their recurring deposits may be converted into loan installments partly or proportionately as the case may be. This will create conducive atmosphere and will help in maintaining solvency, profitability and liquidity position.

4. In recent globalization era, policy of the employer has drastically changed. It is performance oriented employment and most of the work is outsourced or is on contract basis. It has adversely affected on regular and permanent employment in the organization.

In other words there are no chances or less scope for an increase in the prospective members of ECCS because only permanent employers can become members of ECCS. It is recommended that the ECCS should relax the norms of membership or ECCS should adopt inclusive policy as far as membership is concerned. All the employees of an organization should be the part of ECCS.

a) Platinum Membership- for highly paid employees
b) Golden membership- for medium scale employees and for permanent employers.

c) Silver Membership- Temporary but on contract basis for a longer period i.e. more than 3 years, this period can be extended.

d) Ordinary membership- Member may not be permanent but likely to be permanent and would like to be associated with ECCS and parent organization. This inclusive policy of membership will expand the activities, increase in share capital and other ancillary services.
5. During recession period, some of the parent organizations face number of financial difficulties. In order to overcome these difficulties or for retrenchment purpose parent organization may go for voluntary retirement scheme (VRS). It is recommend that there must be a proper communication between parent organization and the ECCS. Especially when parent organization goes for VRS, it has to communicate this to ECCS well in advance, so that ECCS will make adequate provision for making repayment of deposits as well as will make final settlement of respective member's loan accounts.

6. Co-operative sector faces one more genuine problem i.e. lack of efficient and skilled management and staff. Therefore in most of the co-operative societies including ECCS, organization structure is weak. It is recommended that;

a) The Board of Directors should undergo training. Knowledgeable and they should be well versed with the functioning of the society.

b) For large scale ECCS, skilled and permanent staff should be appointed.

c) For medium and small scale ECCS, skilled part time staff should be appointed.

This will help in maintaining proper books of accounts, proper systems can be installed. This will result in less or no scope for misappropriation of funds and manipulation of accounts.

7. Very few ratios are applicable to co-operative sector. The norms of ratios should be changed according to the nature of society and new ratios should be applied if necessary.
Net profit to working capital ratio should be more than 1% but less than or around 3%. If it increases, pass on the benefit to the members by reducing the rate of interest on loan.

Current ratio should not be 2:1 for ECCS. It is convenient for companies but not for ECCS. There must be some change which will help in improving the performance of ECCS. Co-operative department should issue revised guidelines for calculations of ratios and standard norms should be framed for maintaining uniformity and for the betterment of co-operative sector.

8. Maximum portion of net profit has to be transferred to various reserves to protect the interest of members in longer run.

9. The norm of CD ratio is not suitable for ECCS hence separate and suitable norm should be prepared according to the capital structure of ECCS.

10. Due to tremendous increase in number of co-operative societies, the AR’s at Taluka level and DDR’s at district level are not able to exercise proper control on the functioning of the ECCS. Therefore area of operation of A.R. and D.D.R. should be restricted or number of D.D.R. /A.R. should be increased.

11. The education fund amount must be calculated in direct proportion to number of members, so the large ECCS will pay a higher contribution which is at present restricted to maximum of Rs.1000 only.

12. ECCS run by Government based organizations are performing well, whereas in private sector ECCS formation is also very difficult. Private employers are not encouraging or supporting the employees
to form ECCS. Therefore co-operative department should take some aggressive steps to boost this movement.

B) Recommendations for Sponsoring Bank:

1. There should be one director in DCC Bank to represent the ECCS’ problem.

2. Those societies who have taken cash credit loan from DCC Bank, the rate of return on non-refundable reserve fund should be equal to cash credit.

3. It is suggested that cash credit to salary earners societies should be treated as a priority sector advance and the rate of interest should also be concessional.

4. Well established and disciplined societies should be exempted from strict supervision and control of the bank.

5. DCC Bank should not deduct 10% shares at time of granting cash credit to ECCS and pay dividend at normal rate on the share capital. It is very costly for ECCS. DCC Bank should consider the deduction as deposit rather than as share capital. This will yield substantial income of ECCS. It can be a good solution to the problem.

C) Recommendations for Management of ECCS:

1. The directors of the ECCS must be given training at periodical intervals in professional management, financial management and of co-operative principles.

2. The ECCS should maintain their books of accounts as per the requirement of co-operative Act and the director should check books of accounts frequently.
3. The loan limits to be sanctioned according to the salary earning capacity of members. Member loan limit is fixed according to byelaws and provisions of Maharashtra State Co-operative Societies Act.

4. Financial eligibility of members to borrow loan should be properly analyzed, e.g. monthly loan installments should not be in excess of take home salary of an employee.

5. There should be a scope for increasing own fund by the ECCS by adopting suitable policies for linking of membership with their borrowing and their monthly contribution to deposit with their salaries.

D) Other Recommendations:

1. There must be State/District level federations so that, the problem of the ECCS will be addressed quickly and their functioning will become smooth.

2. The Loan Insurance scheme must be introduced to the ECCS. The general insurance of the loanees must also be taken and the premium must be paid out of loans disbursed or create separate fund for these purpose.

3. The ECCS are incurring excessive expenses on annual general meeting(AGM), rebate on interest, Diwali gift to members, etc. which must be restricted.

4. The audit fees should be charged according to number of members to avoid heavy burden of audit fees on ECCS.

5. There should be standard limit for general meeting expenses according to the size of society.
6. Employers should provide fund to ECCS to fulfill the requirements of working capital in the form of Advances or Deposits.

7. In private sector ECCS the chief executive of parent organization is given an ex-officio position or president by provisions in the byelaws. The convention should be changed.

8. Inter-society lending should be permitted to finance the requirement of one society by the use of surplus funds of the other society in the same locality.

9. Appointment of professional internal auditor for the ECCS may be insisted for the ECCS having working capital more than one crore.

10. Due to recession in private sector ECCS are also in trouble. If ECCS goes into liquidation benefit of reserve and surpluses should be given to the existing members as well as past members those who have undertaken VRS from parent company within 5 years before liquidation.

11. Age/life, performance and nature of ECCS plays very important role in the development of ECCS. Recent phase of recession has created critical problems for smooth functioning of ECCS. VRS is one of the genuine problems which have adversely affected the operational and financial performance of ECCS. Therefore, retired employees should get all the benefits according to the existing members.