Chapter Seven

Conclusions and Suggestion

The present study of growth of non-performing assets in Urban Co-operative Banks concluded following points and researcher have suggested the logical solutions harmoniously.

**Hypothesis One:** Existing significant differences in the movement of NPA among different UCBs in study region. (H0) There is no existing significant difference in the movement of NPA among different UCBs in study region.

- **Conclusion:** it appears that the NPA movements of TJSB and DNSB are highly accepted. In case of Bassein Catholic Bank and KJSB NPA movement is moderately accepted. In case Abhinav Bank NPA movement is moderately rejected and in the case of TBS Bank NPA movement is strongly rejected.

- **Suggestion:** Thane Bharat Sahkari Bank should take strong initiative to improve its NPA movement for its sustainability.

**Hypothesis Two:** Sanction of bad loans leads to increase in NPA of study region (Urban Co-operative Banks in Thane district, Maharashtra state, India.)

(H1)There is a sanction of Bad Loans leads to increase in NPA of study region. In order to analyze it a one way Chi-Test is used for the study.

A hypothesis test is conducted to verify whether there exists significant differences sanction of Bad loans in study region.

H0: There exists no significant difference in sanction of Bad Loans leads to increase of NPA in UCBs of study region.

<table>
<thead>
<tr>
<th></th>
<th>TJS Bank</th>
<th>DNS Bank</th>
<th>Abhinav Sahkari Bank</th>
<th>Bassein Cath. Bank</th>
<th>KJS Bank</th>
<th>TBS Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>H0</td>
<td>Strongly significant</td>
<td>Significant</td>
<td>Significant</td>
<td>Strongly significant</td>
<td>Strongly significant</td>
<td>Strongly Rejected</td>
</tr>
</tbody>
</table>

- **Conclusion:** In case of TJSB, Bassein Catholic and KJS Banks have taken appropriate steps while sanctioning loans therefore effect NPA could manage. But
in case D N S bank and Abhinav Sahkari Bank have taken measureable steps while sanctioning loans. Whereas, Thane Bharat Sahkari Bank loaning pattern is not predictable.

- **Suggestion:** TJSB, Bassein Catholic and KJS Banks are advice to continue and maintained their procedure while sanctioning the loan. D N S bank and Abhinav Sahkari Bank are advice to improve and maintained their procedure while sanctioning the loan. Thane Bharat Sahkari Bank is advice to restructure and maintained their procedure while sanctioning the loan.

### 7.1 Growth of NPAs in UCBs

To study the growth of non-performing assets in Urban Co-operative Banks was the first objective of present study. It was primary objective of this research which is to find out at what rates NPAs are developed in UCBs in the given region during the period under research.

**Conclusion:**

1) **Thane Janta Sahkari Bank:**

Had its NPA of 6.67 percent during 2007-08 to the total advance, where as in 2014-15 it was 4.02 percent.

It almost reduced by 2.65 percent which is due to controlling managerial functioning and decision making in the organisation.

They developed the proper loaning and recovery pattern as controllable factors.

Employees are also made aware about impact of NPA on banking operation and its consequences.

Actual NPAs amount during 2007-08 was Rs. 8574.02 lakhs whereas during 2014-15 it was Rs.17722.06 lakhs. This increase is due to increased operating efficiency and not because of inefficiency.

It indicates that there is an increase of NPAs amount by Rs. 9148.04 lakhs which has gone up by 106.69 percent during the study period.

2) **Dombivili Nagri Sahkari Bank** had its NPA of 9.6 percent during 2007-08 to the total advance, where as in 2014-15 it was 2.66 percent.

The bank has tried to introduce transfer rant functioning in its day to day operation system.
The bank has effective loaning and staffing pattern for disbursement and recovery of loans

The bank has made separate portfolio for each type of loaning and recovery of loans

Actual NPAs amount during 2007-08 was Rs. 6286.32 lakhs whereas during 2014-15 it was Rs. 7252.66 lakhs.

It indicates that there is an upsurge of NPAs amount by Rs. 966.34 lakhs which has gone up by 15.37 percent of NPAs amount during the study period. In reality it has increased at very low rate as compared to increase in loaning amount.

3) Abhinav Sahkari Bank

It shows that its NPA of 8.94 percent during 2007-08 to the total advance, where as in 2014-15 it was 6.53 percent.

Actual NPAs amount during 2007-08 was Rs. 774.6 lakhs whereas during 2014-15 it was Rs. 1558.6 lakhs.

It indicates that there is an upsurge of NPAs amount by Rs. 784 lakhs which has gone up by 195.95 percent of NPAs amount during the study period.

4) Bassein Catholic Cooperative Bank had its NPA of 4.24 percent during 2007-08 to the total advance, where as in 2014-15 it was 3.51 percent.

Actual NPAs amount during 2007-08 was Rs. 5366.95 lakhs whereas during 2014-15 it was Rs. 9137.58 lakhs.

It indicates that there is an upsurge of NPAs amount by Rs. 3770.63 lakhs which has gone up by 70.26 percent of NPAs amount during the study period.

5) Kalyan Janta Sahkari Bank has its NPA of 12.22 percent during 2007-08 to the total advance, where as in 2014-15 it was 2.58 percent.

Actual NPAs amount during 2007-08 was Rs. 3889.28 lakhs whereas during 2014-15 it was Rs. 3041.77 lakhs.

It indicates that there is a decline of NPAs amount by Rs. 847.51 lakhs which has gone down by 21.79 percent of NPAs amount during the study period.

6) Thane Bharat Sahkari Bank

Has its NPA of 12.1 percent during 2007-08 to the total advance, where as in 2014-15 it was 3.48 percent.
Actual NPAs amount during 2007-08 was Rs. 4404.30 lakhs whereas during 2014-15 it was Rs. 224.36 lakhs.

It indicates that there is a decline of NPAs amount from Rs. 4179.94 lakhs which has gone down 94.91 percent of NPAs amount during the study period.

7) All Selected UCBs of study region

The total selected UCBs of study region indicate that NPA of 10.23 percent during 2007-08 to the total advance, where as in 2014-15 it was 5.67 percent.

Average actual NPAs amount of selected UCBs during 2007-08 was Rs. 4992.34 lakhs whereas during 2014-15 it was Rs. 6936.66 lakhs.

It indicates that there is an increase in average NPAs amount by Rs. 1944.32 lakhs which has gone up by 38.95 percent of NPAs amount during the study period.

Suggestion:

1. The problem of bad loans of UCBs will get solved only when these banks "have a strong internal mechanism for protecting their self-interest."
2. The change in law regarding controlling NPAs of UCBs required is meaningful provided BOD of UCBs takes it positively.
3. UCBs are burdened with carrying cooperative interests. If they start operating strictly based on RBI guidelines, then customers who crowd the UCBs will run away and other unproductive loans will be minimize.
4. An effort should be made to compare the types of business in the area of advances handled by the UCBs.
5. The Prime Minister Narendra Modi has said in the past: "I believe government has no business to do business. The focus should be on Minimum Government but Maximum Governance." And if there is one place where he can really do what he has said, is in the case of UCBs sector.
7.2 Functioning and management of Urban Co-operative Bank

A second objective of the study is, to study the functioning and management of UCBs. This objective of research was also aims at to verify the method of functioning and management of UCBs in the given region during the relevant period under research.

Researcher conclude of primary data, percentage level of respondent’s opinion towards generally substandard assets are inadequately protected by current sound worth and paying capacity or guarantee assets are same in every UCB, Thane district.

The lacunas concluded the functioning and management of Urban Co-operative Bank that utilization of manpower. In the cases of NPA management following suggestions is derived.

Conclusions

1) Satisfactory Manpower

Researcher was observed during study that the manpower provided to the UCBs for NPA management was not adequate in relation to the task assigned to them. There is a need to give satisfactory manpower to the branches for NPA management. There is a misapprehension that NPA management is nothing but recovery of banks dues. However this is not correct. Actual NPA management involves analysis of non-performing assets, planning, deciding strategy for recovery, selecting accounts for immediate action; follow up, interaction with the borrowers, dealing with compromise/write off proposals etc. This needs involvement and understanding on the part of staff on continuous basis so that there is focused attention on recovery. Further, the manpower looking after NPA management should be experienced and trained so that they understand the problems of recovery and deal with them effectively.

Suggestion: In order to control the level of NPAs amount it is necessary for UCBs officials to:

1. Identify the borrower properly.
2. Scrutinize the proposal carefully.
5. Investigates and follow up closely.
6. Postpone the account for reasons beyond the control of the borrower.

7. The UCBs staff is conscious of these orders, as they are part of their manual or training. However, in practice they are ignored or escape care because of assorted duties and pressure of work. All this ultimately leads to losses to the UCB.

8. The UCBs should therefore take a liberal approach as far as NPA management is concern in providing staff.

7.3 Structure/ pattern of loaning to its members by UCBs

Researcher studied the structure/ pattern of loaning to UCBs members and procedure for its disbursement and recovery. It means which documents are to be verified while loaning to its members and procedure followed for verification of documents to be observed.

Conclusions

Primary data was concluded that the Consciousness & Training programmes for Borrowers are need for the better improvement.

During study, it was observed by the UCBs staff that the awareness at borrower’s level regarding non-performing assets. Its impact on UCBs profitability was very less. There was not much of interaction with the UCBs officials also. The mortgagors were therefore had no knowledge or information on many things which are in their interest. It is therefore suggested that the UCBs branches should arrange training cum awareness camps at plakhs in their area of operation twice in a year and educate the borrowers on various issues. This will help both the borrowers and the UCB in improving communication/interaction with the mortgagors and concurrently improve the recovery atmosphere.

Suggestions: Helping Borrowers in Difficulties

During the interview of respondents (UCBs staff and BODs), it revealed that defaulter borrowers conversant that they could not pay banks dues because of personal problems. At the same time, they informed that they had not communicated their problems/
difficulties to UCBs official. Few of them who approached the UCBs got satisfactory solution to their problems.

This clearly underlines the need to know the reasons for default and whether any relief can be provided to the borrower before classifying any account as NPA. For this purpose the dealing officer should prepare a list of overdue accounts and find out the reasons for default and discuss the same with the manager. After the discussion, only those accounts where there is no alternative should be classified as NPAs.

7.4 Burden of NPAs on Profitability of UCBs

Researcher was analyzed the reasons of decline in profitability of Urban Co-operative Banks due to increasing NPAs. It means to verify the relevance of NPA upon profitability of UCB and how it has affected profitability of UCB in positive or negative sense.

Further it is observed that on account of non-recoverable NPAs, profitability has gone down because NPAs are adjusted against profit.

Conclusions:

<table>
<thead>
<tr>
<th>NPA burden on profitability (amount in crores Rs.)</th>
<th>UCBs</th>
<th>NPA Burden</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) TJSB</td>
<td>255.48</td>
<td>Managing with full standard active</td>
<td></td>
</tr>
<tr>
<td>2) Basin</td>
<td>131.73</td>
<td>Control with full standard active</td>
<td></td>
</tr>
<tr>
<td>3) DNSB</td>
<td>104.56</td>
<td>Control with full standard active</td>
<td></td>
</tr>
<tr>
<td>4) ASB</td>
<td>61.15</td>
<td>Control with full standard active</td>
<td></td>
</tr>
<tr>
<td>5) KJSB</td>
<td>43.85</td>
<td>Minimize with full standard active</td>
<td></td>
</tr>
<tr>
<td>6) TBSB</td>
<td>3.23</td>
<td>Minimize with inactive standard</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deviation of NPA amount during 2008-2015 (Rs. Lakhs)</th>
<th>UCB 1</th>
<th>UCB 2</th>
<th>UCB 3</th>
<th>UCB 4</th>
<th>UCB 5</th>
<th>UCB 6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9148.1</td>
<td>966.4</td>
<td>784</td>
<td>3770.6</td>
<td>-847.5</td>
<td>-4179.9</td>
<td>9641.6</td>
</tr>
</tbody>
</table>

| Deviation of NPA Ratio during 2008-2015 | 2.34 | 1.98 | 2.58 | 1.71 | 5.14 | 7.82 | 2.3 |

| Deviation of Advances during 2008-2015 | 312301.2 | 207173.7 | 15204.1 | 133751 | 86070.9 | -29952 | 724549 |

| % Growth NPA amount | 111.90 | 31.81 | 85.85 | 57.07 | -20.67 | -101.62 | 35.78 |

| % Growth Advances | 242.95 | 316.38 | 175.47 | 105.67 | 270.43 | -82.29 | 182.28 |
Researcher has made his conclusion that TJSB is the highest and TBSB is the lowest profitable UCBs after consideration of NPA burden. It resulted in to Write Off of Loans. Write off is one of the ways of reducing NPAs.

**Suggestions:**

It is necessary to ensure, before any account is written off, that all efforts for recovery have failed and there is no possibility of recovery in the account in normal course. As the losses are absorbed by head office many a times the recovery efforts are slackened to some extent.

To overcome any apprehensions in this regard, it is suggested that the branch net profit may be reduced to the extent of carrying cost or part thereof for one or two years. This will increase the responsibility of the branch while recommending write off of any account.

### 7.5 Applicability of RBI and GOI guidelines

Examine RBI guidelines and Government of India guidelines relating to NPA with selected UCBs. One of the major objective of research is to study the guidelines issued by RBI and Govt. of India relating to NPA and also to see whether these guidelines are followed by bankers or not.

**Conclusion:** Ranking applicability of RBI guidelines effectively followed by selected UCBs in study region.

<table>
<thead>
<tr>
<th>UCBs in Study region</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalyan Janta Sahkari Bank</td>
<td>1</td>
</tr>
<tr>
<td>Dombivili Nagri Sahkari Bank</td>
<td>2</td>
</tr>
<tr>
<td>Thane Janta Sahkari Bank</td>
<td>3</td>
</tr>
<tr>
<td>Bassein Catholic Cooperative Bank</td>
<td>4</td>
</tr>
<tr>
<td>Abhinav Sahkari Bank</td>
<td>5</td>
</tr>
<tr>
<td>Thane Bharat Sahkari Bank</td>
<td>6</td>
</tr>
</tbody>
</table>
**Suggestion:** Ranking applicability of RBI guidelines effectively followed by selected UCBs in study region, still need to equip with technical support of financing research.