CHAPTER - VII

CONCLUSIONS & SUGGESTIONS

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7.1 Introduction:-

The urban co-operative banks are originally conceived as the small man's banks. Urban co-operative banks represent a self-reliant sector and this segment does not depend on any financial support from government agency. The potentiality of these urban co-operative banks in mobilization of resources is indeed great. The future vision of UCBs is very bright in the spheres of share capital, membership, deposits, credit development, profitability and the other ancillary services.

The urban co-operative banks are expected to assume the leadership in undertaking developmental programmers for the growth and success of the co-operative movement in urban and semi-urban centers of India. These urban banks mostly cater to the needs of the district where they are registered and take care of the credit needs of lower and middle class peoples. In order to examine their financial strength and to improve their performance, periodical evaluation is quite needed.

The present study related to analysis of the financial performance of urban co-operative banks in Jalna district. The analysis & interpretation made and inference drawn in the preceding chapters, the main findings and conclusions drawn from the detailed study and analysis of primary & secondary data and certain suggestions arising there from are presented in this chapter.

This chapter is divided into two parts.

- Findings and Conclusions
- Important Suggestions

7.2 The major findings and conclusions of the study:-

- It was found that, due to vision documents announcement in 2005 by Reserve Bank of India, urban co-operative banks in India had decreased from 2105 banks in 2003-04 to 1606 banks in 20012-13. These were because of viable banks were merger/amalgamation with other UCBs and unviable UCBs were liquidated, it was one of the reason for particular decline. But in other hand
while the amount of deposits and loans & advances of UCBs in India had ₹ 110256 crores and ₹ 67930 crores in 2003-04 respectively, which had increased up to ₹ 276900 crores and ₹ 157800 crores respectively in 2012-13 were resulting in an increasing of 2.51 times & 2.32 times respectively.

• It was noticed that, in the year 2012-13, the state of Maharashtra ranked at 1st position in regard of share percentage of urban co-operative banks parameters in India. The state of Maharashtra held 32.19 percent share in the terms of number of UCBs, 62.76 percent of total deposits in India are held by banks which working in state of Maharashtra and same position also seen in advances distributed by UCBs in India out of 66.35 percent of disbursement are made in the state of Maharashtra.

• It was concluded that, inter-district disparities had been seen in state of Maharashtra in 2008-09. In term of establishment of urban co-operative banks in Jalna district held by only 1.17 percent share, whereas share capital held by urban co-operative banks in Jalna district i.e. 0.25 percent share as compare to whole Maharashtra state. Deposits and advances are also seen in same way i.e. 0.18 percent and 0.17 percent respectively held by UCBs in Jalna district.

• It was found that, there were increases in nominal membership and share capital of UCBs in Jalna district by 1.55 times and 3.92 times respectively during the study period. It had also seen from table that there was huge increase in share capital as compare to membership of 2.67 times. Management of selected UCBs in Jalna district had not much more interested for developing members in UCBs. There was a need to increase in members of UCBs, so more and more people can get the benefits of urban banks. This table also shows that, share capital per member ₹ 540.01 in 1998-99 it had increased to ₹ 1361.69 in 2007-08, the increased was 2.52 times.

• It was noticed that, nominal members of all sample UCBs had increased except MUCB in 2003-04 and PNSB in 2004-05 & 2007-08 during the study period from 1998-99 to 2007-08. MUCB ranked 1st position in respect of membership increased with 301.24% and least position held by JPCB with increased in membership of 106.41% but in respect of membership JPCB lead with 17340
members (42.76%) compare with total membership of six sample UCBs in Jalna district i.e. 40548 in 2007-08. Growth trend had also seen in share capital of six sample UCBs in Jalna district. The 1st position in respect of share capital of held by SGMUCB with increased 6.4 times followed by SSB with increased 5.91 times and least position held by PNSB with increased 2.05 times during the study period.

- It was concluded that, reserve & other funds of six selected UCBs in Jalna district had increased tremendously, indicating an increasing of above 17 times (excluding JPCB) it means reflecting healthy financial base of all the sample banks. But JPCB had strong share of 67.59% of total reserve & other funds held by six sample UCBs.

- It was observed that, the deposits of UCBs in Jalna district were ₹ 3664.59 lakhs in 1998-99 which had increased up to ₹ 14822.17 lakhs in 2007-08. The deposits of UCBs had shown continuously positive trend except 2004-05 and 2006-07, with on an annual average growth rate of 17.82 percent. The increasing trend in deposits indicates that the urban co-operative banks in Jalna district were progressing well in the field of deposits mobilization during the study period. The increasing in deposits of UCBs in Jalna district reveals that the people had faith and trust in respect of deposits in these banks. (Table no. 5.6)

- It was found that, all the six sample UCBs in Jalna district had succeed to attract deposits from their customer, as their total deposits had showed fluctuated trend during the decade under the study. In case of average amount of deposits the JPCB (₹ 5359.52 lakhs) stood at first position, followed by JMCB (i.e. ₹ 1441.35 lakhs) least position held by PNSB (i.e. ₹ 459.31 lakhs) during the study period. Regarding the growth rate in deposits, it was found that the SSBM had shown the highest average annual growth rate i.e. 90.97 percent followed by SGMUCB i.e. 41.95 percent, MUCB i.e. 29.02 percent and JMCB i.e. 26.51 percent, its fact only these 4 banks have achieved the desirable growth rate of 25 percent per annum but the PNSB and JPCB had not achieve the desirable growth rate in their deposits except in few years over the study period.
It was seen that, working capital annual growth rate was recovered 16.44 percent of urban co-operative banks in Jalna district. The working capital of UCBs was ₹ 4,898.64 lakhs in 1998-99 which had increased to ₹ 18,442.62 lakhs in 2007-08 (3.76 times growth). Working capital components of owned funds had decreased from 12.02 percent in 1998-99 to 8.11 percent in 2007-08. The decreased percentage of owned funds to working capital indicates UCBs in Jalna district depend very much on external sources like deposits and borrowing. (Table no. 5.8)

It was pointed out that, there had been increasing trend in annual growth rate of loans & advances of urban co-operative banks in Jalna district. Loans & advances had increased more than two folder rise. The remarkable annual growth had noticed in 2000-01 & 2001-02 i.e. 39.82 percent and 27.32 percent respectively.

It was noticed that, the growth in loans & advances of six selected urban co-operative banks were highly fluctuation during the study period. It was found that, JPCB had distributed highest amount of loans & advances and ranked at 1st position with ₹ 3,984.72 lakhs average per annum followed by JMCB with ₹ 1,081.55 lakhs average per annum, 3rd ranked secured by SSBM with ₹ 720.62 lakhs average per annum and least rank was held by PNSB with ₹ 337.74 lakhs average per annum during the study period. As far as annual growth was to be concern SGMUCB had on 1st rank with 35.42 percent and least position held by JPCB with 4.79 percent. (Table no. 5.11)

It was found that all six sample UCBs had fulfill their social obligation in respect of loans & advances by 60 percent to priority sector and 15 percent to weaker section to total loans & advances, except JMCB at 14.40 percent and PNSB at 13.97 percent during the study period, they found at near to targets in weaker section loans disbursements. As far as disbursements of loans & advances to priority sector was to concern JPCB disbursed hug average amount i.e. ₹ 2,594.18 lakhs during the study period. In case of percentage of priority sector to total loans & advances, the SSB stood at the highest i.e. 83.52 percent per annum, similarly as regard to percentage of weaker section advances to total advances, the SSBM had ranked the 1st.
• It was pointed out that, the standard tolerance level of gross NPA as per the RBI guideline is require below than 10 percent of total loans & advances and it was found that, on an average, SGMUCB (i.e. 6.33 percent), SSBM (i.e. 6.80 percent) & PNSB (i.e. 8.83 percent) were below the standard adequate level. The standard tolerance level of net NPA as per the RBI guideline is require below than 5 percent on net loans & advances and it was observed that from table no. 5.13 that the, on an average SGMUCB (i.e. 4.13 percent) and SSBM (i.e. 4.57 percent) were succeed to maintain below that level.

• It was conclude that, investments of UCBs in Jalna district had increased from ₹ 1361.31 lakhs in 1988-99 to ₹ 6219.52 lakhs in 2007-08, it means investments increased up to 4.56 times. It was also noticed that minimum annual growth rate was 2.72 percent and maximum growth was 53.54 percent during the study period.

• It was revealed that, on an average investment growth rate of SSBM had i.e. 79.46 percent followed by SGMUCB (i.e. 40.71 percent) and while lowest average growth rate noticed in investment i.e. 12.76 percent has shown by JPCB.

• It was found that, on an average net worth to working capital had positive in respect of MUCB with 9.47 percent & JMCB with 4.90 percent and other four sample urban co-operative banks in Jalna district had negative growth rate during the study period.

• It was noticed that, percentage of deposits to working capital had increasing trend in all sample UCBs except JMCB & MUCB with 89.52 percent and 94.52 percent respectively. The downward trend in the percentage of deposits to working capital reveals that, the share capital and reserve of UCBs has increased. There by it can be conclude that reserve base of JMCB and MUCB were strengthening.

• Credit deposits ratio indicated the relationship between advances and deposits. A higher credit deposits ratio indicates that bank might not have enough liquidity to cover any unforeseen funds requirements and ratio had too low banks were not making full use of their resources. It was found that,
on an average, the JMCB, MUCB and SGMUCB had succeeded to maintain credit deposits ratio within the prescribed norms of 65 percent to 70 percent during the study period but on an average, credit deposits ratio of JPCB with 72.44 percent and PNSB with 71.15 percent which were 2.44 percent and 1.15 percent higher than the maximum limit of standard norms. On an average, credit deposits ratio of SSBM was too low i.e. 46.01 percent it indicates that bank had not made full use of their resources.

- It was noticed that, operating expenses ratio had decreasing trend in all sample urban co-operative banks except MUCB during the study period. Operating expenses ratio should be maintained at the below of 2.5 percent as per the norms of urban co-operative banking sector. On an average, operating expenses ratio of SSBM had lowest i.e. 1.50 percent followed by MUCB i.e. 1.66 percent and SGMUCB i.e. 2.24 percent these banks were maintained above ratio at a adequate level and other three sample urban co-operative banks had maintained at inadequate level.

- It was observed that, the cost of funds is one of the most important input costs for a financial institution; since a lower cost will be generate better returns. All six sample urban co-operative banks showed a fluctuated trend in cost of funds ratio. On an average, cost of funds ratio of all sample UCBs were within standard norms of 8 percent. It means clear that the management of all sample UCBs in Jalna district were quite efficient and able to get low cost deposits.

- It was noticed that, on an average, net interest margin ratio of JPCB, JMCB, PNSB, SGMUCB, MUCB and SSBM were 5.53 percent, 5.12 percent, 4.95 percent, 4.53 percent, 3.76 percent, & 11.23 percent respectively which were higher than the standard norms of 3.5 percent. On the above ratio we were conclude that, sample banks investment policy was concern this ratio were maintained successfully by bank management. (Table no. 5.23)

- It was observed that, the ratio net profit to working capital of SGMUCB, JMCB MUCB were averaged at 2.07 percent, 1.73 percent and 1.19 percent respectively, which is higher than the standard norms of 1 percent but other
three sample banks had unsuccessful. It means SGMUCB, JMCB and MUCB were succeed in operating efficiency of the management in utilization of funds.

- It was found that, average ratio of net profit to paid up share capital of JPCB, JMCB, MUCB and SGMUCB which were higher than the maximum standard norms of 15 percent during the study period. On an average, JMCB has registered the highest profitability on paid up share capital i.e. 73.32 percent, followed by JPCB (i.e. 40.17 percent) and then after SGMUCB (i.e. 32.71 percent). SSBM has registered lowest profitability i.e. 2.44 percent per year on share capital during the study period.

- It was concluded that, the volume of business per employee ratio of urban co-operative banks in Jalna district was averaged at ₹ 55.09 lakhs per year during the study period. The SSBM has highest volume of business per employee ratio i.e. ₹ 109.97 lakhs per year, followed by SGMUCB (i.e. ₹ 92.32 lakhs per year). JPCB was at the bottom having lowest volume of business per employee ratio i.e. ₹ 44.07 lakhs per year during the study period.

- It was found that, out of total 300 respondents, 125 (41.67 percent) respondents were above 30-45 age group, followed by 96 (32.00 percent) respondents were above 45-60 age group, then after 64 (21.33 percent) respondents were 18-30 age group and 15 (5.00 percent) respondents were above 60 age group.

- It was observed that, out of total 300 respondents, share percentage of women operated bank account were 36 (12 percent) which was very low as compare to women population in census of 2011 of India, which was 48.45 percent of total population.

- It was noticed that, as far as occupation of respondents was to be concern, highest share was held by farmers i.e. 105 (35 percent), followed by 65 (21.67 percent) respondents from businessmen, then after 49 (16.33 percent) respondents from salaried employee and least share held by pensioner, house wife etc.

- It was found that, out of total 300 respondents, highest number of respondents were comes from educated up to H.S.C. level i.e. 148 (49.33 percent), second
position comes from those respondents educated up to graduate level i.e. 91 (30.34 percent) and least position of respondents comes from educated up to post graduate level i.e. 30 (10.00 percent).

- It was concluded that, initial amount deposited while opening the bank account was to be concern, highest share held by those respondents who initial amount deposited up to ₹ 300 i.e. 149 (49.67 percent), 2nd position held by those respondents who initial amount deposited up to ₹ 500 i.e. 95 (31.67 percent) and least position held by those account holder who availed the services from bank on Zero balance opening account i.e. 26 (8.37 percent). (Table No. 6.8)

- It was observed that, out of 300 respondents, 254 (84.67 percent) respondents had not knowledge about Non Performing Assets (NPA) and rest have it i.e. 64 (15.33 percent) respondents and then only 18 (39.13 percent) respondents who had knowledge about NPA they checked the NPA figures before opening bank account.

- It was found that, out of 300 respondents from six sample UCBs, 195 (65.00 percent) respondents had not knowledge about bank deposits up to ₹ 1 lakh (deposits plus interest amount) had insured by DIGGC and 105 (35.00 percent) respondents had knowledge about above the scheme. (Table no. 5.12 & 5.13)

- It was concluded that, out of 150 selected respondent borrowers, highest share percentage i.e. 46 (30.67 percent) borrowers held by business purpose, 2nd position secured by farming purpose borrowers i.e. 41 (27.33 percent) 3rd position held by housing purpose borrows i.e. 26 (17.33 percent) and least percentage of borrows were from industrial purpose borrows i.e. 3 (2.00 percentage).

- It was found that, as far as loans disbursement period was to be concern, out of 150 borrowers, highest numbers held by respondents borrowers who got loan within 7 days i.e. 49 (16.34 percent), followed by 46(15.33 percent) respondents borrowers who got loan within 21 days then after who
respondents borrowers got a loan within 1 months i.e. 33 (11.00 percent) and remaining 22 (7.33 percent) borrowers got the loan after 1 months.

- It was observed that, majority of borrowers had experienced some problem & difficulties for getting the loan i.e. 55 (36.67 percent) and other 95 (63.33 percent) borrowers had not faced any problem & difficulties for getting the loans.

- It was found that, out of 95 borrowers, 17 (30.91 percent) borrowers faced problem regarding of high securities required by banks, followed by 16 (29.09 percent) borrowers faced problem regarding delay in sanctions or disbursements of loan and 14 (25.45 percent) borrowers faced difficulties regarding with technical knowledge, legal illiteracy, compliance of various documents etc..

- It was concluded that, out of 150 respondents borrowers for the study, 133 (88.67 percent) borrowers experienced that their income position had improve after getting the loan and 17 (11.33 percent) respondents borrowers feels that their economic position had not improve after getting the loan.

- It was noticed that, out 150 respondent's borrowers, only 17 (11.33 percent) borrowers had not repayment the installments of loan regularly. They get difficulties for repayments of loans in following way i.e. 9 (52.94 percent) respondents borrowers had faced over borrowing problem followed by 5 (29.41 percent) respondents borrowers faced business failure problem and 3 (17.65 percent) respondents borrowers failed to regular repayment of loan due to their economic cycle.

- It was found that, as far as motivation factor regarding the opening bank account in particular bank was to be concern, out of 300 respondents, 83 (28 percent) respondents motivated through interest rate, schemes & popularity of bank, 69 (23.00 percent) respondents motivated by schemes of particular bank and 23 (8 percent) respondents inspired by interest rate of particular bank.

- The study was noticed that, out of 300 respondents from six sample UCBs in Jalna district, 248 (82.67 percent) had positive effected of image or brand of
the bank and 52 (17.33 percent) respondents had not affected of image or brand of the bank.

- It was found that, out of 300 respondents in the regard of computerized and e-banking concern, 220 (73.33 percent) respondents had agreed that, it was essential part of modern banking and rest 80 (27.77 percent) respondents disagreed with above statements.

- It was concluded that, in regard of customer future preference of bank were to be concern, out of 300 respondents, 172 (57.33 percent) were satisfied with same Bank, followed by 102 (34.00 percent) respondents those preference to State Bank and last 11 (3.67 percent) respondents had agreed that they prefer other Co-operative Banks.

7.3 Important Suggestions of the Study as Under:-

Based on the above finding, following some important suggestions have been made for improving the financial position of urban co-operative banks in Jalna district.

- It is suggested that, for the procedure de-concentration of urban co-operative banks in specified area more and more people should connected with urban co-operative banks and new UCBs and branches should introduce in unbanked area.

- The equity bases of the urban co-operative banks in Jalna district were not favourable. The average percentage of owned funds to total working capital has continuously decreased from 12.02 percent to 8.11 percent during the study period. The owned fund is zero cost funds whereas the borrower’s funds are high cost funds. The sample urban co-operative banks in Jalna district are depending heavily on borrowing funds, so that they are high financial risk. In order to serve large numbers of people of small means, to strengthen the resource base, to reduce high interest liability and to attain the public confidence. It is suggested that the banks has to augment its share capital. Therefore, it is necessary to issue the new shares from time to time according to the changing circumstances.
• The average annual growth rate of deposits of sample urban co-operative banks in Jalna district were found to be 17.82 percent during the study period, that indicates that's deposits growth rate of urban co-operative banks in Jalna district were lower than the desirable growth rate of 25 percent. As well as on an average JPCB (9.20 percent per annum) & PNSB (24.78 percent per annum) had not maintained above desirable growth rate. It is suggested that these banks should make efforts to maintain desirable growth rate of deposits by following way, to increase comparative interest rate on deposits, to attract deposits from individuals & institutions that may be members and non members and introduce attractive deposits schemes etc.

• All six urban co-operative banks had fulfill their social obligation in respect of loans & advances by 60 percent to priority sector and 15 percent to weaker section on total loans & advances but on an average JMCB and PNSB weaker section targets had not achieve. It is suggested to JMCB & PNSB should achieve loans disbarments target for weaker section.

• The standard tolerance level of gross NPA as per the Reserve Bank of India guideline is below than 10 percent on total loans & advances but on an average, JPCB, JMCB and MUCB had not succeed for maintaining it during the study period from 1998-99 to 2007-08, so it is suggested that to potential managerial people for assessing the credit worthiness and scrutinizing the project report, appointing loans screening committee and credit investigation agencies before landing. If necessary credit recovery agencies should also be appointed.

• According to Reserve Bank of India norms, on an average credit deposits ratio had not maintained by JPCB, PNSB and SSBM during the study period. It is suggested that JPCB and PNSB should maintained credit deposits ratio at standard level "between" i.e. 65 percent to 70 percent, which currently near to it i.e. 72.44 percent and 71.15 percent respectively. It is also suggested that on an average, credit deposits ratio of SSBM had too low i.e. 46.01 percent they may take serious cognitions of it and should proper use of their resources.
• As per the standard norms of urban co-operative banking industry, operating expenses ratio should be maintain at below than 2.5 percent on working capital, but on an average PNSB, JPCB and JMCB had not succeed to maintain this ratio in standard norms, so it is suggested hereby above banks should be control the salaries and allowances by judicious development of staff and judicious distribution of work. Effectiveness in an organization depends on clarity of purpose, clearly conveyed to the personal who understand what they were expected to do. In order to tone up the operational efficiency of the existing staff, they may be properly trained and developed to become fit for doing the banking business. Management audit are must be necessary to control the operating cost.

• The on an average profitability ratio on working capital of JPCB, PNSB & SSBM were found to be less than the standard norms of 1 percent. So it is suggested that above banks should be make efforts to maintain profitability norm. It is necessary to increase efficiency of management to recover overdue and increase income over expenditure for getting desirable profit.

• The study indicated that, the ratio of net profit to paid up share capital of SSBM was 2.74 percent and PNSB was 6.94 percent which showed less than the standard norm of 9 percent to 15 percent. It is suggested that management of above banks utilized their resources in proper way when banks can get profit as per the standard norms.

• It is suggested that, more attention should be given on sinner citizen customers, as there percent age had very low i.e. 5 percent on total respondents. They have much deposit with them and they have desires more interest rate on their deposits and more and more facility should be given to senior citizen customers.

• It is suggested that, more concentration should be made on women customers by following way, their bank account should be open at zero balance with debit card, net banking and insurance with account as Pradhan Mantri Jan Dhan Yojana gathered crores of funds and get huge bank account in this way.
• Majority of urban co-operative banks in Jalna district customers not familiarize about NPA it is aware from survey. It is suggested that financial literacy camp must be arrange to their customers.

• Deposits insurance scheme did not know of the various respondents, so it is suggested that sum work should be done in that area by different advertising way.

• Majority of borrowers not aware about the various procedures of loans & advances disbarments. So it is suggested that photo copy of loans disbarments documents should be provided with lending form in vernacular language and sum assistance should be made by human resources to borrowers.

• It is seen that majority of respondents require e-banking and computerized banking with debit cards facilities but sample urban co-operative banks had not provided this services, so it is suggested that sample banks should start e-banking, computerized banking, mobile banking and debit cards services to give their respective customer.