CHAPTER -VII
CONCLUSIONS AND SUGGESTIONS

In the present study the evaluation of Non Performing Assets of the selected Urban Co-operative Banks from the Marathwada Region has been done. The study considered in all 24 banks covering 3 banks each from all the eight districts of Marathwada. The financial records of these banks is in the form of Annual Reports for the year 2003-2004 to 2009-2010 were taken up for this research.

On the basis of data classification, analysis and interpretations the conclusions are drawn. For data analysis and the interpretation time series as well as cross section analysis has been used. For comparison the base year figure of different items have been taken as 100 and in subsequent years the change is represented as percentage on fixed base method.

The NPA has been studied along with other performance indicator of the selected banks.

The Gross NPA for majority of the banks shows an inclining trend. The combined (industry) average of Gross NPA of the banks is 136.00% for the period under study i.e. from 2003-2004 to 2009-2010. The Gross NPA of Deogiri, Dr Babasaheb Ambedkar, Shiveshwer, Samarth, People’s Co op Bank’s are just above the industry average. While the Vaijnath Appa Saraf Marathwada, Laxmi, Vithal, Gajanan UCBs have average of Gross NPA well above the industry average. This indicates that, these banks need to bring down the level of Gross NPA. Almost 9 of the total banks fall in this category of above average Gross NPA. There are in all15 banks who could perform well and have kept the Gross NPA during the period below the combined average. The Siddheshwer, Shankar, Priyadarshini, Vasant Dada UCBs have their averages below the industry average, whereas the Vaishya, Mahesh, Sunderlal Savji, Chhatrapati Rajeshri, Purnawadi, Jalna merchant, Bhagyalaxmi, Godavari, Terna, Jai Tulja Bhawani UCBs have their respective averages much below the industry average. Laxmi UCB with 318.41% was the highest Gross NPA and it is almost two and half times more than the combined average. The Jalna Merchant UCB remained lowest with only 60.58%. This suggests that, the bank was able to control the Gross NPA during the study period.
The Net NPA comparison on time scale show volatility in number of banks. The combined (industry) average of Net NPA of the banks is 115.81% for the period under study. The trend of Net NPA is an increasing one for the banks mentioned here under, they are: Deogiri, Dr. Babasaheb Ambedkar, Shiveshwer, Laxmi, Vithal and Gajanan UCBs. These banks could not maintain the average below the industry average and this indicates poor NPA management of these banks. The rising Net NPA is an indicator of the liberal credit & advances and poor recovery of debts. The banks having their Net NPA averages just below the industry average are Vaijnath Appa Saraf Marathwada, Samarth, Mahesh, Purnawadi, Bhagyalaxmi, Shankar, Terna and Jai Tulja Bhawani UCBs. There are 8 banks who have very well maintained their Net NPA average and have kept it much below the combined average. The banks who have performed exceedingly well during the period under study are Siddheshwer, People’s, Priyadarshini, Jalna Merchant, Vaishya, Sunderlal Savji, Siddheshwer Latur, and Chhatrapati UCBs. The Sunderlal Savji UCB has kept the Net NPA at zero level for last 5 years. Similarly People’s Co-operative, Vaishya UCB succeeded in keeping Net NPA at zero level in the last two years of study while Siddheshwer UCB, Sillod has brought down the Net NPA to Zero in the in last one year. The highest Net NPA was recorded by Gajanan UCB with 429.18% while the lowest Net NPA was shown by Sunderlal Savji UCB with only 19.09%. Generally the banks with lack of resources and poor training could not contain the NPA. This also indicates the lack of ability of these banks to handle the assets of the bank given to borrowers in the form of credit or loan. The study also found that, the majority of these banks have not deployed IT systems in their functioning. Hence, reporting of defaulters and their follow up appears slow and improper.

The NPA Provisions was one important item for evaluation of performance of selected UCBs. The combined average stands at 257.49% for the period under study that begins from 2003-2004 and ends at 2009-2010. There are four banks which made heavy provisions during the period of study are Vaijnath Appa, Samarth, Laxmi and Chhatrapati UCBs. There are 17 banks in all with much below the combined average. They are Deogiri, Dr. Babasaheb Ambedkar, Siddheshwer Sillod, People’s Co-op, Shiveshwer, Jalna Merchant, Mahesh, Sunderlal Savji, Vithal, Gajanan, Purnawadi, Shankar,
Bhagyalaxmi Mahila, Godavari, Terna, Jai Tulja and Vasant Dada UCBs. The bank with highest percentage was Shri Chhatrapati Shahu UCB with 1391.23% and Godavari UCB lowest with 41.40%. From the prevailing trend, it is concluded that the provisions made by the banks is from the expected profit that means, it is a loss to the banks. Usually the banks make provisions to reduce the quantum of NPA as it is a matter of grave concern to the banks to keep it under control. The banks who have made less provisions indicates that their performance is good and in order while the banks who have made more provisions than the combined average needs to concentrate on their performance by improving speedy recovery drives and establishing Special Recovery Cell.

As per RBI proclamation the banks must maintain CRAR at least at 9.00%. All the banks under study have maintained it except some instances in some years. The Gajanan UCB Ltd at 8.64% in 2005-06, Purnawadi UCB Ltd at 8.09% in 2004-05 and 7.91% in 2007-08 and Terna UCB Ltd., which has CRAR at 8.66%, 8.55% and 6.77% in 2003-04, 2004-05 and 2005-06 respectively. The combined average of the banks stood at 115.04% for the period from 2003-2004 to 2009-2010.

There are nine banks who have the CRAR average just below the combined average and they are - Deogiri, People’s Co-op, Priyadarshini, Vaishya, Mahesh, Sunderlal Savji, Siddheshwer Latur, Chhatrapati Rajeshri Shahu, Purnawadi, and Vasant Dada UCBs. Another six banks have their averages well below the combined average namely Dr. Babasaheb Ambedkar, Samarth, Sunderlal Savji, Vithal, Gajanan, and Bhagyalaxmi UCBs. There are in all nine banks who crossed the combined CRAR average and from them Laxmi and Godavari UCBs have their averages just above the combined average. While seven banks with higher average than the combined average are Siddheshwer Sillod, Vaijnath Appa, Shiveshwer, Jalna Merchant, Shankar, Terna and Jai Tulja Bhawani UCBs. The bank with highest CRAR is Terna UCB with 199.64% and lowest is shown by Samarth UCB with 69.07%. There exist an inverse relationship between the CRAR and NPA. This has been validate by the hypothesis testing by applying coefficient of correlation between CRAR and NPA.
Profit maximizes the wealth which is required for the future plans, expansions, developments etc. and depends on good performance by the organization. The bank with highest profit on an average is Priyadarshini UCB by earning 509.84% profit and the bank with lowest profit average is Gajanan UCB by earning 10.33% profit. The combined average of Net Profit of all the banks is 119.47%. There are three banks who have earned profit just above the combined (industry) average and they are Deogiri, Samarth and Jalna Merchant UCBs. The banks who have registered more average than the combined average are Priyadarshini, Mahesh, Laxmi, Chhatrapati Rajeshri Shahu, Vasant Dada UCBs. In all seven banks namely, Siddheshwer Sillod, Vaijnath Appa, Vaishya, Sunderlal Savji, Siddheshwer Latur, Terna and Jai Tulja Bhawani UCBs have the average just below the industry average. There are in all 9 banks namely Dr. Babasaheb Ambedkar, People’s Co-op., Shiveshwer, Vithal, Gajanan, Purnawadi, Shankar, Bhagyalaxmi Mahila, Godavari UCBs have recorded the average much below the combined average.

The Combined Average of Advances computed by fixed base method of all the banks comes to 151.41%. Advancing loans is the basic function and as well as the major source of income of the bank. The existence and survival of the banks depends on this factor. 14 banks have registered their average below the combined (industry) average are Deogiri, Dr. Babasaheb Ambedkar, Siddheshwer, Vaijnath Appa, People’s Co-op., Shiveshwer, Siddheshwer Latur, Priyadarshini, Vithal, Purnawadi, Shankar, Bhagyalaxmi, Godavari and Jai Tulja UCBs. The only bank registered the average just above the combined average is Terna UCB and the remaining 9 banks recorded their average well above the combined average. They are Samarth, Jalna Merchant, Vaishya, Mahesh, Sunderlal Savji, Laxmi, Chhatrapati Rajeshri Shahu, Gajanan and Vasant Dada UCB Ltd. Almost all the banks have increasing trend of advances from year on year basis. The increase is indicative of business development. The banks who could register their average below the combined average need to increase their loaning capabilities, but at the same it should be ensured that, it should be repayable on time and does not hamper the credit recycling. The hypothesis of existence of relationship between the Advances and NPA is rejected and it is concluded that there is no perfect correlation in the Advances and NPA.
Generating revenue is the first and foremost function of the banks. The Interest and Discount is a major source of revenue for all UCBs. The Combined Average of the item Interest and Discount received is 123.93%. There are 14 banks which show lower average in comparison with combined average that includes Deogiri, Vaijnath Appa, People’s Co-op., Priyadarshini, Shiveshwer, Jalna Merchant, Vaishya, Siddheshwer Latur, Vithal, Gajanan, Purnwadi, Shankar, Godavari, and Jai Tulja Bhawani UCBs. There are 10 banks who have registered higher average than the combined average namely Dr. Babasaheb Ambedkar, Siddheshwer Sillod, Samarth, Mahesh, Sunderlal Savji, Laxmi, Chhatrapati Rajeshri Shahu, Bhagyalaxmi, Terna and Vasant Dada UCBs. On the basis of the prevalent trend, it is concluded that the banks with lesser average than the combined average have not performed well and those banks having more average than the industry average is said to have done well by earning good amount of revenue. The bank which has earned highest percentage on average basis is Samarth UCB with 182.34% and lowest percentage of growth in Interest and Discount is recorded by Godavari UCB at 83.27%.

As per the provision of Section 17 of the Banking Regulation Act, 1949, the banks should set aside at least 20% of net profit as reserve out of annual profit and transfer it to Reserve Fund. Laxmi UCB is the bank with highest Reserve of 320.76% amongst all the banks and Purnawadi UCB is with lowest Reserve of Rs. 111.50%. The combined average of Statutory Reserve of all the banks for the period from 2003-2004 to 2009-2010 is 184.76%. All the banks have maintained satisfactory level of reserve and have shown inclining trend during the period of study. On a comparison of combined average and individual bank average it is found that, 15 banks fell below the combined average; they include Deogiri, Dr. Babasaheb Ambedkar, Vaijnath Appa, People’s co-op, Shiveshwer Priyadarshini, Sunderlal Savji, Siddheshwar Latur, Vithal, Gajanan, Purnawadi, Shankar, Bhagyalaxmi Mahila Terna and Vasant Dada UCBs. There are 9 banks whose average is above combined (industry) average are Jai Tulja Siddheshwar Sillod, Samarth, Jalna merchant, Vaishya, Mahesh, Laxmi Chhatrapati Godavari & Shankar UCBs.
The Capital of the bank is very important element and banks should have adequate capital in order to run the business in proper way and direction. Capital of all the banks increased year by year, indicating growth and development of business. The average of the item capital is 148.95%. There are 8 banks having an average above the combined average are Deogiri, Jalna Merchant, Vaishya, Mahesh, Sunderlal Savji, Chhatrapati Rajeshri, Gajanan and Vasant Dada UCBs. There are 16 banks having average capital below the combined average are Dr Babasaheb Ambedkar, Shiveshwer, Sillod, Vaijnath Appa, People’s Co-op., Shiveshwer, Priyadarshini, Samarth, Siddheshwar Latur, Laxmi, Vithal, Purnawadi, Shankar, Bhagyalaxmi Mahila, Godavari, Terna, Jai Tulja Bhawani, Vithal, Godavari & Terna UCBs. Chhatrapati UCB recorded highest percentage of change at 257.77% and Godavari UCB recorded lowest percentage of 111.83%

Membership is the backbone of any bank. The financial activities are carried out on their savings by credit creation process. The over all average of the item Membership is 116.32%. The following 16 banks have shown lower than the combined average - Dr. Babasaheb Ambedkar, Siddheshwar Sillod, People’s Co-op., Priyadarshini, Jalna Merchant, Vaishya, Sunderlal Savji, Siddheshwar Latur, Vithal, Purnawadi, Shankar, Bhagyalaxmi, Godavari, Terna, Jai Tulja Bhawani and Vasant Dada UCBs. However there are 8 banks having registered higher namely Deogiri, Vaijnath Appa, Samarth, Mahesh, Laxmi, Chhatrapati Rajeshri Shahu and Gajanan UCBs. Increase in membership is observed in the banks except Peoples Co-op Bank Ltd., Hingoli whose membership in middle years is declined. The bank with highest average is Chhatrapati Rajeshri Shahu UCB with 153.47% and lowest average of 95.33% is of People’s Co-operative Bank Ltd. The Deposits of the banks are considered very important and crucial factor in banking business. The average of Deposits for the entire period under study I of all the 24 banks comes 136.79%. There are 12 banks who have recorded more average than the combined average. These banks are Dr. Babasaheb Ambedkar, Siddheshwar Sillod, Samarth, Jalna Merchant, Vaishya, Mahesh, Sunderlal Savji, Laxmi, Chhatrapati Rajeshri Shahu, Gajanan, Terna and Vasant Dada UCBs and 12 other banks whose average is below the combined average are Deogiri, Vaijnath Appa, People’s, Shiveshwer, Priyadarshini,
Siddheshwar Latur, Vithal, Purnawadi, Shankar, Bhagyalaxmi Mahila, Godavari and Jai Tulja Bhawani UCBs. The banks with more average than the combined average have done well while those who have less average than the combined average need improvement in this regard. Samarth UCB has recorded the highest average with 195.06% while lowest by Vithal UCB with 98.33%.

**Suggestion:**

On the basis of the study following suggestions are presented hereunder;

The UCBs should upgrade their functioning by leveraging IT and MIS. The IT based systems shall equip them to handle the borrowers account vigilantly. Further, it will result in prompt reporting and recovery of debts.

The products offered by these banks are traditional and they need to improve on product line.

One of the major issues in NPA is wrong lending decisions. This can be improved by strict adherence to RBI guidelines. While sanctioning loans to members the capacity of borrower and guarantor should be ascertained by the professional agencies or Chartered Accountants.

Lack of training and professionalism of staff is observed. To overcome, this lacuna the UCBs should train their staff and make new recruitment of professionals.

The recovery camps to be organized regularly to prevent the accounts from getting into NPA.