Chapter - VII

SUMMARY OF FINDINGS AND SUGGESTIONS

This chapter summarizes the major findings of the analysis and offer few suggestions for improving the performances of UCBs.

7.1 Findings

The main findings of the study are listed below as,

1. Sources and Application of funds

2. Recovery performance and Non-performing Assets

3. Operational Efficiency

4. Customers’ Opinion

7.1.1 Sources and Application of funds

Sources of funds

The UCBs derive their working funds from three major sources, viz,

1. Owned funds consists of share capital and reserves,

2. Deposits from the public

The study of the sources of working funds of the three UCBs chosen provides an inference that the deposits mobilized from the public is form the major portion of working funds. The average deposits during the study period constitute 94.76 per cent, 94.82 per cent and 93.38 per cent of the total working funds in the VUCB, TKVUCB, and TDVUCB respectively. Simultaneously, it is derived that the owned funds consisting of share capital and reserves form lesser portion of the working funds and it was 5.19 per cent in VUCB, 5.15 per cent in TKVUCB and 6.45 per cent in TDVUCB. The net worth of TDVUCB is stronger, that of TKVUCB is strong and that of VUCB has to be improved. An overall growth of the working funds of TKVUCB is higher than that of other two selected UCBs in Villupuram.

Among the three UCBs the VUCB share capital position has increased nearly 30 per cent to compare the base year of the study. The TKVUCB and TDVUCB share capital position has decreased up to 4 per cent and 39 per cent to compare the base year of the study respectively. Both the UCBs must concentrate to increase the share capital to their business.

Thus, the total owned funds of all three UCBs has increased throughout the study period. Out of which, the VUCB has stand in the first place, the TDVUCB and TKVUCB has occupied in the second and third places.

An average of CAR of VUCB and TDVUCB are at a higher level, i.e, 10.70 and 9.82 per cent respectively and the TKVUCB has maintained the prescribed limit
of nine per cent during the decade. All the three banks are maintained the CAR above the prescribed limit from the fourth year of the study period. Higher CAR exhibits the capital strength of the bank with a strong capital base.

The performance of VUCB, TKVUCB and TDVUCB in deposits mobilization is the small variation in the average of achievement over the targets fixed by the respective banks are 101.03 per cent (VUCB), 99.32 per cent (TKVUCB), and 106.39 per cent (TDVUCB). While varied annual incremental targets have been fixed by VUCB, TKVUCB and TDVUCB fixed uniform annual incremental target of 10 per cent of the current year deposits mobilization. The multiple growths of incremental deposits is high in TKVUCB with 1.45 times, TDVUCB comes next with 1.31 times increase, while VUCB could achieve on 1.29 times increase.

Out of the three selected banks, the VUCB has stands in the first place and the TDVUCB and TKVUCB has occupied the second and third place. It shows that the null hypothesis is rejected i.e. there is significance difference of saving deposits ratio among UCBs.

Out of the three UCBs selected for the study, VUCB and TKVUCB has borrowed funds from State Government of Tamilnadu, TABSEDICO and TAMCO. The TDVUCB has no borrowings portfolio in their financial structure. Table-3.12 depicts the borrowings position of VUCB and TKVUCB for the decade of the study.
Application of funds

Among the three selected UCBs, the VUCB and TKVUCB had an average of cash and bank balances are 36.06 per cent and 27.07 percent respectively. The TDVUCB has maintained in average of 24.8 percent during the study period. It is the lowest percent to compare the VUCB and TKVUCB. The VUCB has taken risk in their liquidity.

The average advance in total assets was highest of 52.60 per cent in TDVUCB. The VUCB is 42.19 per cent and TKVUCB is 40.19 per cent respectively. Both the VUCB and TKVUCB have to enhance their level of loans and advances. Among the three UCBs, the TKVUCB stand in the first position for the disbursement of short-term loan to their customers. Subsequently the TDVUCB and VUCB is second and third place respectively.

Among the selected UCBs, The TKVUCB has the highest per cent age as its average arrived at as 27.14 per cent of the total assets. It denotes that the bank takes low risk and derives low income. The VUCB and TDVUCB have stand in the second (16.02 Per cent ) and third (13.8 per cent ) position of the investments of the total assets Among the three UCBs, the quantum of investment is more in VUCB(Rs. 1783.66 lakhs), next in TKVUCB (Rs. 1322.95 lakhs) and comparatively less in TDVUCB (Rs. 404.50 lakhs). But, the growth rate of the investments has registered as 5.81 times in TDVUCB, 5.66 times in VUCB and 3.82 times in TKVUCB in the base year.
Out of the selected three UCBs, the VUCB has a low level of CD ratio which has great scope to improve by enhancing the loan disbursements taking calculated steps. Both the TKVUCB and TDVUCB have a higher level of CD ratio and it is only slightly higher than the general accepted level. They can improve deposits to have an ideal CD ratio.

7.1.2 Recovery performance and Non-performing Assets

7.1.2.1 Recovery performance

Among the three selected UCBs the VUCB and TKVUCB performance better in its recovery performance with an average of 97.35 per cent and 94.32 per cent respectively. The TDVUCB performed alike in their recovery with 96.49 per cent. More than 100 per cent recovery facilitates to reduce the past over dues, the creation of fresh non-performing assets.

7.1.2.2 Non-performing Assets

All the three UCBs, the VUCB and TKVUCB could maintain higher per cent age of gross NPA in the first five years of the study period. In the middle of the decade. The NPA is very steep and sudden. The TDVUCB should control the NPA with the help of their staff members.
On the whole, the TKVUCB has least net NPA ratio of 15.89 per cent. The VUCB has a second position in the least ratio of 20.52 per cent. But, the TDVUCB has only first Four years net NPA during the decade, the average net NPA ratio is 25.19 per cent. It is higher than the other two selected UCBs in Villupuram district.

Among the three selected UCBs, the TDVUCB has a better ratio to ensure depositors’ safety than the other two UCBs. The TKVUCB has to improve a lot as the depositors’ safety ratio is at low ebb. Both TKVUCB and VUCB must take immediate steps to improve the position of standard assets. Thus the overall position of standard assets in all the three UCBs is not exhibiting a comfortable picture.

Among the three VCBs, the TDVUCB has around 46 per cent of its average NPAs under doubtful debts. Whereas TKVUCB and VUCB have around 35 per cent and 30 per cent of their NPAs respectively under the doubtful category of assets. All the three the banks must take necessary action to reduce the doubtful debts for their improvement of quality of assets.

Among the three UCBs, the VUCB had large per cent age of loss assets with reference to gross NPAs. The TDVUCB had stand in the second position of the loss of assets. The TKVUCB only tolerable in the ratio of loss assets in its gross NPA. All the three UCBs, the VUCB must take immediate steps to employ all possible Techniques to recover the loss assets.
7.1.3. Operational Efficiency

This chapter is to assess the operational efficiency of selected three urban cooperative banks in Villupuram district through financial analysis. In view of the requirements of the various users of ratios, they are classified in this study into the following four important categories.

1. Operational ratios
2. Productivity ratios
3. Profitability ratios
4. Solvency ratios

7.1.3.1. Operational ratios

(i) Interest earned to total income ratio

All the three selected UCBs are highly depending on the income through interest generated through investment and credit portfolio, especially through credit portfolio. Though, the VUCB, TKVUCB and TDVUCB have only 6 per cent from other income. Therefore, the bank must think and act in accordance to the line of increasing the other income to overcome future challenges in its business development.
(ii) **Interest paid to total income ratio**

The average of interest paid to total income of selected UCBs is 56 per cent in VUCB, 66 per cent in TKVUCB and 48 per cent in TDVUCB. Thus, high ratio of interest paid to total income pose threat to profitability. Therefore, the UCBs have to evolve strategies to mobilize more demand deposits at low rate of interest and to increase its total income to reduce the ratio moderately.

(iii) **Total income to working funds ratio**

All the three UCBs must concentrate in generating more income. They have to ensure continuous increase in the total income of the banks. The banks can launch schemes to provide more ancillary services through which they can earn more non-interest income.

(iv) **Total expenditure to total income ratio**

The average ratio of total expenditure to total income of VUCB is 0.94 times, TKVUCB is 0.93 times and TDVUCB is 0.92 times. All the three banks were having a least surplus during the study period. The least margin amount is not sufficient for the future development of the UCBs in the competitive era. All the three UCBs must take into an emergent action to control the expenditure and to enhance the income.
(v) Establishment expenditure to total expenditure ratio

In all the three UCBs, the average ratio of establishment expenditure to total expenses is 0.13 times, 0.16 times and 0.15 times for the VUCB, TKVUCB and TDVUCB respectively. The management of the VUCB deserves application for their effective control over the establishment expenses. The TKVUCB and TDVUCB should control the establishment expenses in future growth of the profits.

7.1.3.2. Productivity ratios

(i) Per employee deposits

All the three UCBs have limited the number of employees and the number is almost constant throughout the decade of the study. The per employee deposit ratios of all the three UCBs have increased and they have maintain the trend in future.

(ii) Per employee advance

All the three UCBs advances has grown gradually throughout the study period, except very marginal set back in one or two year. Therefore, the ratio of per employee advances has registered a moderate growth rate in all the three UCBs.
(iii) Per employee income

All the three UCBs have almost consistent number of employees during the study period. The total income as well as ratio of per employee income has fluctuated during the study period. In all the three UCBs the rate of increase in income as well as the increase in ratio slows in the first five years of the study period. In the second half, the rate of increase is faster and more over positive in the last three years. Therefore all the three UCBs must take appropriate corrective action to improve the income so as to strengthen the ratio of per employee income.

(iv) Per employee establishment expenditure

All the three UCBs ratios of per employee establishment expenditure have showing an increasing trend throughout the study period. The net increase in the ratio of per employee establishment expenditure is around 2.5 times in all the three UCBs. All the three UCBs should maintain the control over the establishment expenditure in future.

(v) Per employee spread

Among the three UCBs the VUCB and TKVUCB are registering slow growth in the spread as well as the ratio of per employee during the whole study period of ten years. But the TDVUCB showing declining trend. Thus, the selected UCBs are taking corrective steps to improve the rate of growth of per employee in future.
(vi) **Per employee profit**

All the three UCBs have slow growth of the profit during the study period of ten years. Therefore, it is necessary to strive hard to make profits in the ensuring years to improve the rate of growth in profits.

### 7.1.3.3 Profitability ratio

(i) **Net profit to total income ratio**

All the three UCBs net profits and total income are fluctuated annually during the study period of ten years. The average ratio of net profit to total income of VUCB is 5.86 per cent, TKVUCB is 6.60 and TDVUCB is 11.33. Among these banks, the TDVUCB came under good level of performance.

(ii) **Net profit to total deposits ratio**

Out of three UCBs the TDVUCB was having highest average of net profit to total deposits then the other two UCBs. The TKVUCB and VUCB have a second and third position in the ratio of net profit to total deposits.

(iii) **Net profit to spread ratio**
The average ratio of the net profit to spread is 14.64 for VUCB, 19.24 for TKVUCB and 25.23 for TDVUCB. It is very low for all the three UCBs, but the ratio is positive. All the three UCBs should take efforts to improve the ratio.

(iv) **Net profit to total assets ratio**

The average ratio of net profit to total assets is 0.57 for VUCB, 0.63 for TKVUCB and 1.09 for TDVUCB. It is very low for all the three UCBs, but the ratio is positive. All the three UCBs should take efforts to imitate to improve the ratio by enhancing the net profit in the years to come.

(v) **Net profit to net worth ratio**

The ratio of net profit to net worth for VUCB is 13.87, TKVUCB is 14.77 and TDVUCB is 23.54. Among the three UCBs, the TDVUCB has higher than the other two UCBs of VUCB and TKVUCB. Return on equity of TDVUCB has positive growth with annual increments.

### 7.1.3.4 Solvency ratios:

(i) **Cash to deposits ratio**

The TKVUCB and TDVUCB have lower percentage of its deposits as cash throughout the study period. Among the three banks, the VUCB has realized the consequences of higher cash balance. It may help to shower higher liquidity position. The TKVUCB and TDVUCB has realized the moderate cash balance during the
... decade. It may help to increase the profitability of the bank. Three UCBs were maintaining a cash balances in different mode. Therefore all the three UCBs should maintain an optimum level of cash balance by trading off between liquidity and profitability

(ii) Investments to deposits ratio

Among the three UCBs, the VCUB and TDVUCB have maintained 20 and 19 per cent of its deposits in investments respectively. The performance of VUCB and TDVUCB, under investment portfolio may be compared with its performance in cash to deposit ratio. The VUCB has slightly higher percentage of deposits under cash (Average 29%) a non- remunerative asset. But it has low level of investment to deposit ratio (average 26%), where investment is an asset that can provide income to the bank by way of either interest or dividend. It indicates that the VUCB have not taken any steps to augment income by diverting the excess cash balances to investment portfolio without affecting the liquidity and solvency.

(iii) Credit to deposits ratio

Out of the three UCBs, the average credit deposits ratio of TKVUCB and TDVUCB is comparatively higher VUCB. In many of the years of the decade, the credit to deposits ratio of the selected UCBs is almost equal to the standard norms. It indicates that the VUCB had a better solvency and continuous flow of interest income during the study period.
(iv) **Spread to total assets ratio:**

The total assets of all the three UCBs, has set a growth trend throughout the decade except marginal fallout in few years. The spread to total assets ratio has been at an average of 0.03 and 0.04 times for both VUCB and TKVUCB and TDVUCB respectively. The spread to total assets ratio is not encouraging for all the three UCBs. The spread must be improved through professional approach by augmenting the income through interest i.e., by an effective investment and credit management. UCBs can concentrate more in mobilizing low cost funds through more savings bank and current account deposits by offering quality services to the customers. The term deposits are increases interest expenditure as the rate of interest in more. Thus, all the UCBs, must initiate efforts to increase interest income and contain interest expenses to improve the spread ratio.

(v) **Net worth to fixed assets ratio:**

The ratio of net worth to fixed assets is no homogeneity during the study period of the selected UCBs. Net worth of all the three UCBs has positive growth with annual increments. In case fixed assets, it has been almost stable throughout the decade in TKVUCB. But in VUCB and TDVUCB, the fixed assets have fluctuated. So, the net worth to fixed assets ratio of selected UCBs has registered fluctuating trend during the study period.
7.1.4 Customers’ Opinion

Analysis shows 60% of the customers are between 40 to 60 years. Male members constitute 55% of the customers and female customers closely follow with 45%.

The majority of the customers (86%) have savings bank account. Fixed Deposit and Recurring Deposit holders are low.

Proximity to the residing place and easy availability of loan are the chief reasons attributed in the choice of urban bank.

Jewel loan is availed by 70% of the total loan given, as it is popular and easily obtainable.

The general satisfaction of the customers is only 39%. The operational efficiency of the bank with reference to different variables present a mixed picture.

The study reveals the overall bank facilities are poor requiring urgent updating.

There is gender bias in the services provided. Men dis-satisfied more than women.

Regarding educational level and satisfaction there is not much of difference except that the illiterates are more satisfied with the working house personal loan, overdraft facility, cash credit and jewel loan.

It is also statically proved that as age increases the satisfaction of bank’s service is falling and vice-versa.
7.2 Suggestions:

If the bank wants to withstand stiff competition, the bank has to encourage adopting the latest business technology in their own interest such as to introduce innovative products, open the specialized branches and enter into diversified business. The bank should specialise its staff in the marketing, foreign exchange, law, human resource development, official language etc.

Today, the bank is providing ATM facility to their customer. These ATMs are operated through thumb prints, ATM cards and in addition the ATMs would also be taking to customers in their language and therefore an illiterate person can also avail the services of it. Besides, if these ATMs accept deposits, which can reduce cost and time required in counter transaction and also reduce cost of setting up of a new branch.

Many people in rural areas are doing thousands of rupees of business like-dairy, poultry, fruit farming etc. and for that they have emergency of finance or they want to deposits their daily amounts, but the banks and their branches are not available in this area. So these people are taking loans from the money lenders, who are charging exorbitant rates of interests. The UCBs can open their extension counter in those areas. This system will increase the deposits from the rural areas also.

The bank should appoint daily collection boys for the easy recovery of loans from the borrowers.

To open a collection centre in the nearest place of big bazaar for recover the micro credit provided to the small traders. The make arrangement for working
time of the collection centre is between 5.00 pm to 9.00 pm for easy collecting the loan amount.

The bank should come up with attractive loan schemes during festival seasons, which will surely increase their business.

The UCBs have to improve their savings and current deposits with planned strategies to reduce the cost of funds.