CHAPTER VI

FINDINGS, CONCLUSIONS AND SUGGESTIONS
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Following are the main problems, findings and suggestions of the present study

6.1 Problems of the Imphal Urban Co-operative Bank Ltd.

The following are the problems of the bank:

1. Many a time the management of the Imphal Urban Co-operative Bank Ltd. faced manifold administrative problems because of the lack of good and able administrators for a long time. As a result the audited statement of accounts could not be placed in time to the representative general body and as such the required information about the financial management could not be obtained in time. Many a time, the critical and important decision cannot be taken by the officer of the bank. It is the evil effect of the dual management i.e. partly controlled by board (elected from the shareholders) and partly by the government.

2. Still the Imphal Urban Co-operative Bank Ltd. has not touch IT world. It means that the bank has not started core banking system like SBI, UBI, etc.

3. Expert financial management is not found in the Imphal Urban Co-operative Bank Ltd. like chartered accountant, cost and work accountant, chartered financial analyst, etc.

4. The Imphal Urban Co-operative Bank Ltd. is facing problems of acute shortage in manpower also.
6.2 Findings of the study

1. The IUCBL was the first co-operative bank established in the North Eastern Region of India. It was established on the 16th June 1966 and registered under the Assam Co-operative Societies Act 1949 (Act 1of 1950). The bank commenced its working on 1st March 1967 after getting a license from RBI (ACD.MN.I-P dated 29th Nov.1966) issued under provision of the Banking Regulation Act 1949 with hardly Rs. 1 (one) lakh as a working capital at B.T. Road, Imphal. Now the bank has 9 (nine) branches at different places of Imphal East and Imphal West districts having total capital of Rs. 332.78 lakhs in the year 2009. The bank is following dual control system. Of late the IUCBL has signed MOU with the RBI for eliminating the dual control system.

2. The sources of finance for IUCBL are raised from two sides viz. internal source and external source. The internal source of finance is share capital and its reserve and surplus. The bank sales share when it needs money. The bank has also earned a lot of money from the operation of business. It has ploughed back profit in various form of reserves such as statutory reserve, dividend equalization fund, building fund, bad and doubtful debt fund, investment depreciation reserve, non-performing assets reserves, cash reserve ratio, current year profit, etc. From the legal point of view, all the financial institutions, which are lending and engaging in investment operations, are required to maintain a specified amount of reserves as cash or bank balances with central bank and as investment in approved securities. The cash reserve ratio of at least 3% and maximum of 20% of total of the net demand and time liabilities is necessary. The external source of finance for the IUCBL is the deposits from customers, and other liabilities. The deposits from customers are fixed / term deposits, saving deposits, current deposits and money call & short notice. Other
liabilities includes overdue interest reserve, interest payable, sundry creditors, payment order, bonus payable, leave encashment payable, auditor’s fees payable, dividend account, bonus payable, income tax payable, etc.

3. During the study period, the lowest deposits were Rs. 5263.26 lakhs and highest were Rs. 17,554.22 lakhs. It increased 3.34 times during the study periods. Among the deposits the mean p.c. to the total were 44.94% for the fixed deposits, 24.52% for current deposits, 19.88% for saving deposits and 10.67% for money call and short notice. The major source of finance for IUCBL is deposits from customer. So they will have to accompany their customers with good relationship.

4. The bank protects the depositors by providing deposit insurance under the Deposit Insurance and Credit Guarantee Corporation Act 1961. Mention may be made that India was the second country in the world to introduce the scheme. The first was the United States who introduced the Scheme in 1934.

5. The RBI is providing the “know your customer” principles. The bank followed the principles like proper identification of depositors and other customers, prevention of financial frauds, identification of money laundering and other suspicious and antisocial activities, monitoring of large value cash transactions and foreign currency transactions, etc.

6. The deployment of fund is one of the important ways for boosting the earning of the bank. The IUCBL invests their money in two ways viz. purchasing of security instrument which can realize money through market and giving loan to the needy persons. The IUCBL invests their money by purchasing security instrument from market in three categories namely (1) held to maturity (2) held for trading and (3) available for sale. While purchasing security one of the important considerations is
market value for the particular security. Two factors are necessary for determination of market value i.e. quoted securities and unquoted securities. Quoted securities easily find their value from the Stock Exchange Market, RBI, Primary Dealers Association of India, Fixed Income Money Market and Derivatives Association of India, etc. But for the unquoted securities values are not found from stock exchange market, RBI, Primary Dealers Association of India, Fixed Income Money Market and Derivatives Association of India, etc. It is broadly divided into three categories (a) central government securities (b) state government securities and (c) other approved securities. For valuation of such securities, it has to seek / advice from Primary Dealers Association of India or Fixed Income Money Market and Derivatives Association of India.

7. The growth of investment of the IUCBL is Rs. 811.03 lakhs in 1999-00 to Rs. 4449.16 lakhs in 2008-09. There is nearly 5.49 times increase in investment value by purchasing different securities. The average annual growth rate in the p.c. is 24.89. Among the three components i.e. HTM, HFT & AFS the bank is inclined to invest their money held to maturity because large amount of money invested is held to maturity. From another angle it is evident that mean p.c. are found as 63.79 for HTM, 6.61 for HFT and 29.60 for AFS of the total investment.

8. One of the most important functions of the bank for earning income is loan and advance. The IUCBL is providing loans to different persons in different trades. While providing loans by the bank, the bank considers safety, liquidity, profitability, purpose, diversification, security, national interest, suitability and ideal advance. The bank also considers capital position, earning requirement, deposit variability, local and national economic condition, monetary policy, opinion of expert loan officer, competitive position and credit needs of the area served. The IUCBL gives loan in
two ways namely, short term loan and medium term loan. The bank has not gone beyond the optimum level of loan and advance which is given by the RBI while lending loans. During the study period, the total advance was Rs. 2219.59 lakhs in 1999-00 and Rs. 6571.13 lakhs in 2005-09. It is nearly 3 times increase in the value of advance carrying an annual average growth rate of 13.46%.

9. From the ratio analysis, the current ratio is found to be below the standard ratio varying in the range of 1.08 to 1.47. The quick ratio is also found to be below the standard ratio varying in the range of 0.54 to 0.92. The deposit per employee shows increasing trend from Rs.43.70 lakhs in 1999-00 to Rs. 155.35 lakhs except in 2000-01. The advance per employee was also showing increasing trend from Rs. 17.07 lakhs in 1999-00 to Rs.58.15 lakhs in 2008-09. The net profit per employee also shows increasing trend in the range of Rs.0.13 lakhs to 1.08 lakhs. The debt equity ratio was too high in the beginning of the study period but it has been decreasing year by year. Fixed asset to net worth ratio was decreasing during the study period but during the last four years the ratio has fluctuated. The debt service ratio of the IUCBL was showing increasing trend from Rs.0.39 lakhs to Rs.1.42 lakhs except in 2004-05, 2005-06 and 2008-09.

10. The net margin ratio of IUCBL was in the range of Rs. 1.92 lakhs to Rs.6.85 lakh. It is not a satisfactory ratio because it is too low. The annual average of staff expenses ratio was about 29.11%. The interest paid out of the total income was in the range of Rs.43.62 lakhs to Rs.56.17 lakhs. The average expenditure on interest paid was 50.25%. In a lighter vein, the interest paid is Rs.50.25 for every income of Rs.100. The interest received of IUCBL was in the range of 85.14% to 96.94%. The average interest earning by the bank was about 92%. In a simple language, from every Rs.100 of total income, the bank earned Rs.92 from investment and loan & advance.
The interest income to total earning assets ratio was found decreasing except in 2001-02 carrying 9% to 6%. The return on equity was a low p.c. carrying 1.56% to 5.06%. The annual average p.c. was only 3.63%. It means that for every equity share of Rs.100 the profit was Rs.3.63 only. The equity multiplier ratio was 18.69 times in the beginning of the study i.e. in 1999-00. But it has decreased to 10.96 times in 2004-05. Thereafter, it was up and down in the ratio.

6.3 Suggestions

The following are the suggestions emerged from the study for the development of the Imphal Urban Co-operative Bank Ltd:

1. It is better to eliminate the dual control system of the bank. For this a registration is necessary under the Multi State Co-operative Act 2002. If it is registered under this act there is no question of control by the Government. Automatically, the administrative system will improve in future.

2. Recruitment of more employees is necessary in the Imphal Urban Co-operative Bank Ltd. because there is shortage of manpower in the bank. Appointment of right person for the right job is necessary for improving the performance of the bank.

3. Appointment of one full time expert financial advisor like chartered accountant, cost and work accountant, chartered financial analyst, etc. for the bank is absolutely necessary. If he is so appointed he will look after their fund in the right way, in the right time and in proper place for the achievement of the goal of the bank. The financial manager will raise fund from different sources and help in raising whatever the needs of money and then he will assist the management in utilising the fund in the right direction at different ways.
4. The bank has to convert itself into fully core banking system to touch the IT world. It will give an excitement to the customer of the bank. If it is done many new customers may also join.

5. For the expansion of business, issue of new share capital is necessary because it is a key to success in today's business operation. While issuing the new share the bank should follow the “right share” policy so that interest of the old shareholder is protected.

6. One loan collecting cell is necessary to open. When any loane of the bank has failed to repay their loan instalment amount, at that time the bank will take help from the loan collecting cell. In this way the bank can reduce the NPA in future.

7. Deposit mobilization of money is necessary particularly in low interest group i.e. saving account and current deposit account in order to increase the earnings of the IUCBL.

8. For more earning of income of the bank, it is necessary to invest large amount of fund for loan & advance. Taking some risk in the business, it will earn large amount of profit. So it has become necessary for the bank to take risk in order to earn large amount of profit in the near future.

9. Annual dividend is required to be paid to the existing shareholders more often than not.

10. Pending the touching of IT world by the bank, efforts should be made by following green banking whereby deposit, withdrawal and remittance transactions involve the least use of paper echo friendly initiative.
11. Maximum efforts should be made to serve better the customers particularly the senior citizen who are still not ready to migrate themselves from tradition banking to alternative banking channels like ATM cum debit card, mobile banking, internet banking, etc.

12. The bank may take up certain programmes on financial literacy and interact with high net-worth individuals, self-help groups and others to devise ways and means for their financial inclusion. Bank's participations in social programmes will also be very helpful.