

CHAPTER VII

SUMMARY OF FINDINGS, PROBLEMS, SUGGESTIONS AND CONCLUSION

- 7.1 Introduction
- 7.2 Summary of Findings
- 7.3 Perception of Bankers of the Problems
- 7.4 Suggestions
- 7.5 Area for Further Research
- 7.6 Conclusion

7.1 INTRODUCTION

This study is an attempt to evaluate the performance of Co-operative Urban Banks in Tirunelveli district.

This study begins with an overview of Co-operative Urban Banks. It deals with the genesis of co-operative urban banking in India, Tamil Nadu and Tirunelveli district. It measures particularly the growth and working of Co-operative Urban Banks in Tirunelveli district.

The various types of deposits mobilised by the Co-operative Urban Banks in Tirunelveli district and the different types of loans and advances granted by the banks are studied. It evaluates the financial performance of the banks, in detail.

The efficiency of the banks in recovering loans and managing overdues is also examined, while assessing perception of bankers on the causes for overdues. The factors which influence the attitude of the customers towards the services rendered by the banks also come under consideration.

The researcher has used both primary and secondary data for writing the dissertation. For collecting the primary data, the researcher has used an interview schedule. The required secondary data were collected from the published and

unpublished reports, documents and statements maintained by the banks. The information collected from various offices, institutions and libraries of various universities also forms a part of the secondary data.

The approach to the study is both descriptive and analytical. Summary of findings problems and suggestions for improvement of the Co-operative Urban Banks are presented in this chapter.

7.2 SUMMARY OF FINDINGS

The thesis deals with an overview of co-operative urban banks. It covers the genesis of co-operative urban banking in India, Tamil Nadu and particularly in Tirunelveli district, its area of operation, organisational structure, growth and pattern of working.

For analysing the growth of co-operative urban banks in Tirunelveli district, eight growth indicators had been identified namely, membership, share capital, deposits, working capital, outstanding loans, overdues, profits and reserve fund. Percentages were used to analyse the growth.

Out of the 1936 co-operative urban banks at the end of March 2000, over 50 per cent are unitary in nature (with single branch banking). The five states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu account for 79

per cent of total co-operative urban banks in the country. Of these Maharashtra alone has 616 banks and accounts for 31.82 per cent of total co-operative urban banks in the country.

In Tamil Nadu, there are 127 co-operative urban banks as on March 31, 2000. There are 59 co-operative urban banks with deposits ranging from Rs.10 crores to Rs.25 crores and two banks with deposits above Rs.100 crores.

In Tirunelveli district, there are six co-operative urban banks at Ambasamudram, Kallidaikurichi, Veeravanallur, Nellainagar, Tirunelveli Junction and Palayamkottai.

During 1992-93 and 1993-94, there was a decline in the membership of the banks due to the removal of 'B' class shares. The banks have positive trends in the growth of share capital, deposits, working capital and outstanding loans over the period of ten years from 1990-91. The highest percentage of increase of overdues was during 1992-93 due to inadequate legal action taken for recovering overdues. The profits of the banks have been fluctuating widely over the period of ten years. The maximum increase of profit was 64.80 per cent during 1999-2000.

In describing the mobilization of funds and their utilisation, current deposits, savings deposits, fixed deposits, borrowings from Central Co-operative

Bank, State Government and other societies are taken into consideration, along with an examination of short-term, medium-term and long-term loans granted by the banks. The compound growth rate technique has been followed to find out the annual growth rates of current deposits, savings deposits, fixed deposits, short-term, medium-term and long-term loans and advances, using percentages.

The growth of current deposits mobilized by the banks showed mixed trends from 1990-91 to 1999-2000. Ambasamudram, Nellainagar, Tirunelveli Junction and Palayamkottai Co-operative Urban Banks had a significant level of growth of current deposits. There was a consistent growth of current deposits at Ambasamudram, Veeravanallur, Nellainagar, Tirunelveli Junction and Palayamkottai Co-operative Urban Banks. There was no consistency in the growth of current deposits in Kallidaikurichi Co-operative Urban Bank.

The study reveals that there was more than four-times increase of savings deposits mobilized by the banks over the period of ten years. This was due to higher rate of interest on deposits offered by the banks than other commercial banks.

There was a significant growth of savings deposits in all the banks from 1990-91 to 1999-2000. There was a consistent growth of savings deposits at Ambasamudram, Kallidaikurichi, Veeravanallur, Nellainagar and Tirunelveli

Junction Co-operative Urban Banks. There was no consistency in the growth of savings deposits in Palayamkottai Co-operative Urban Bank.

The fixed deposits of the banks showed an increasing trend over the period of ten years. There was a significant growth of fixed deposits in all the banks. The growth of fixed deposit was consistent in the case of Ambasamudram, Kallidaikurichi, Veeravanallur, Nellainagar and Tirunelveli Junction Urban Banks. There was no consistent growth of fixed deposits in Palayamkottai Co-operative Urban Bank. There was a consistent growth of total deposits in all the Co-operative Urban Banks in Tirunelveli district except in Palayamkottai Urban Bank.

Regarding borrowings, Tirunelveli Junction Co-operative Urban Bank borrowed from the Tirunelveli District Central Co-operative Bank. Kallidaikurichi Co-operative Urban Bank borrowed from the State Government. Nellainagar Co-operative Urban Bank borrowed from Tirunelveli District Central Co-operative Urban Bank and from other societies. Other Co-operative Urban Banks in Tirunelveli District did not borrow from any sources.

The study reveals that the short-term loans given by the banks registered a fluctuating trend over the period of ten years.

The growth of short-term loans given by the banks was significant during the study period.

There was a consistent growth of short-term loans given by Ambasamudram, Kallidaikurichi, Veeravanallur, Nellainagar and Tirunelveli Junction Co-operative Urban Banks. There was no consistency in the growth of short-term loans given by Palayamkottai Co-operative Urban Bank during the study period.

The medium-term loan given by the banks showed a positive trend in all the years except in 1991-92.

The growth of medium-term loan in respect of all the banks except Kallidaikurichi Co-operative Urban Bank was significant during the study period. There was consistent growth of medium-term loan in all the Co-operative Urban Banks in Tirunelveli district except in Palayamkottai Co-operative Urban Bank.

The study revealed that there was a positive trend in the long-term loans given by the banks in all the years except during 1991-92.

The growth of long-term loans given by Ambasamudram, Veeravanallur, and Tirunelveli Junction Co-operative Urban Banks from 1990-91 to 1999-2000 was significant. There was a consistent growth of long-term loan at

Ambasamudram, Kallidaikurichi, Veeravanallur, Nellainagar and Tirunelveli Junction Co-operative Urban Banks. Palayamkottai Co-operative Urban Bank had no consistent growth of long-term loan.

All the Co-operative Urban Banks in Tirunelveli district had consistent growth of total loans and advances except the Palayamkottai Co-operative Urban Bank.

Regarding the financial performance of co-operative urban banks in Tirunelveli district, the share capital, working capital, profitability and solvency have been considered. Suitable ratios were applied to assess the financial performance of the banks.

There was a fluctuating trend in the return on share capital in all the co-operative urban banks in Tirunelveli district. There was a positive trend regarding the return on share capital and the return on working capital during the period of ten years in case of Nellainagar and Tirunelveli Junction Co-operative Urban Bank.

The study reveals that Nellainagar and Tirunelveli Junction co-operative urban banks had alone declared dividends in all the ten years.

The return on total assets showed a positive trend in the case of Nellainagar and Tirunelveli Junction Co-operative Urban Banks during period of ten years.

Kallidaikurichi Co-operative Urban Bank had the highest rate of return on total assets (2.84%) during 1993 when compared to other banks under study.

The study reveals that the current ratio in all the co-operative urban banks in Tirunelveli district was higher than the standard ratio of 2:1 over the period of ten years.

The Debt Equity Ratio was also higher than the standard ratio of 1:1 in all the banks during the study period.

Nellainagar Co-operative Urban Bank alone had the standard ratio (0.67:1) of fixed assets to long-term funds during 1998-99. Over the period of ten years all the banks had lower ratios of fixed assets to long-term funds.

The analysis of recovery and overdues of loans, took into consideration the loan-wise recovery, loan-wise overrrdues, age-wise classification of overdues, recovery of loans and overdues to demand for repayment of loans, legal action and overdues and perception of bankers on the causes for overdues.

With a view to comparing the recoveries and overdues of individual co-operative urban banks with all the co-operative urban banks in Tirunelveli district, "t" test has been applied. Percentages are used for comparing age-wise classification of overdues, recoveries of loans and overdues to demand for loans and legal action taken for overdues.

The perception of bankers on the causes for overdues is analysed with the help of "Factor Analysis".

The analysis of loan-wise recovery showed that out of the total recovery of loans in all the banks taken together, jewel loan contributed the maximum recovery of 81.76 per cent followed by deposit loan (10.08%) and mortgage loan (3.58%).

There was a difference between the mean recovery of Ambasamudram Co-operative Urban Bank and Kallidaikurichi Co-operative Urban Bank and the mean recovery of all the banks taken together.

The study also reveals that there was no difference between the mean recovery of Veeravanallur, Nellainagar, Tirunelveli Junction and Palayamkottai Co-operative Urban Banks and the mean recovery of all the banks taken together.

The analysis of overdues showed that out of the total overdues in all the banks taken together, jewel loan contributed the highest percentage with 42.11 per cent, followed by mortgage loan (21.66%), small scale industries loan (9.82%) members housing loan (9.10%) and surety loan (8.80%). The balance of 8.51 per cent was contributed by other loans.

The calculation of 't' values of overdues of the banks showed that there was no difference between the mean overdues of individual banks and the mean overdues of all the banks taken together. It was also revealed that the performance of Ambasamudram, Veeravanallur and Palayamkottai co-operative urban banks in controlling overdues was better than other banks under study.

The age-wise analysis of total overdues of all the banks taken together showed that a major portion of (41.97%) overdues was between one to two years. The percentage of overdues within one year was 30.29. Between two to five years it was 14.86 and above five years it was 12.88.

The study reveals that Ambasamudram Co-operative Urban Bank and Veeravanallur Co-operative Urban Bank had performed well in recovering the loans demanded for repayment since the percentage of recovery was higher in these two banks than in other banks under study.

The analysis of legal action and overdues showed that Nellainagar Co-operative Urban Bank and Palayamkottai Co-operative Urban Bank had taken more legal action since the coverage of overdues by legal action in these two banks was higher than in other banks under study. The percentage of recovery of overdues by legal action in all banks taken together varied between 66.02 per cent and 94.76 per cent.

The analysis of the relationship between the variables and identified factors of perception showed that the following were the important factors which influenced the bankers' perception on the causes for overdues in Co-operative Urban Banks in Tirunelveli district.

- i) Government intervention in the business activities.
- ii) Lending pattern
- iii) Uncontrollable factors
- iv) Diversion of loans sanctioned to customers
- v) Assessment of credit worthiness
- vi) Controllable factors
- vii) Delay in settlement of legal cases
- viii) Lackadaisical approach to credit recovery

The measurement of attitude of the customers towards the services rendered by the co-operative urban banks in Tirunelveli district was also undertaken. For measuring the attitude forty statements were identified. A five-point scale based on Likert's scale was devised for measuring the attitude of the customers towards the services rendered by the banks. The attitude scale was developed by awarding scores to forty statements. The services rendered by the banks such as deposit, loans, agency service, collection, issue of cheque, drafts and bills, dividend, infrastructure and relationship were taken as components.

Out of the 325 respondents of the study, 19.38 per cent of the respondents had low level attitude, 64 per cent of the respondents had medium level attitude and 20.62 per cent had high level attitude towards the services rendered by co-operative urban banks in Tirunelveli district. The study revealed that the largest number of customers had a medium level attitude.

The study analysed the factors which influence the attitude of customers towards the services rendered by the banks. For this, seven factors such as sex, age, marital status, educational background, occupation, income and number of dependents were identified. With a view to ascertain the relationship between the factors and the attitude of the customers towards the services rendered by the banks, the Chi-square Test was applied. It was found that there was a significant

relationship between the sex of the customers and their attitude towards the services rendered by the banks.

But there was no significant relationship between the age of the customers and their attitude towards the services rendered by the banks.

There was a significant relationship between the marital status of the customers and their attitude towards the services rendered by the banks and also between the educational background of the customers and their attitude towards the services rendered by the banks. The relationship between the occupation of the customers and their attitude towards the services rendered by the banks, was also significant.

Similarly there was a significant relationship between the income of the customers and their attitude towards the services rendered by the banks. But no significant relationship was found between the number of dependents and the customer's attitude towards the services rendered by the banks.

7.3 PERCEPTION OF BANKERS OF THE PROBLEMS

The perception of bankers of Co-operative Urban Banks in Tirunelveli District of the problems faced by them during the course of their business was analysed with the help of Garrett's Ranking Technique.

For this purpose, four variables, namely Government policy, recovery, political intervention and deposits were identified.

Twenty statements were framed and the responses of each co-operative urban banks were noted.

7.3.1 Government Policy

The co-operative urban banks are governed by the State Government under the provisions of the State Co-operative Societies Act. Hence the Government policy is considered one of the variables for ascertaining the problem faced by them.

For analysing the problems, the following five statements were framed and the responses of the co-operative urban banks were obtained.

- i) Licensing problem
- ii) Waiving of loan amount and interest thereon
- iii) Dual control
- iv) Frequent Government intervention
- v) Frequent transfer of high officials

Table 7.1 shows the mean scores and ranks for the specific problems related to Government policy.

TABLE 7.1

Perception of Bankers Regarding the Problem of Government Policy

<i>Sl.No.</i>	<i>Factors</i>	<i>Mean Score</i>	<i>Rank</i>
1.	Dual Control	62.50	I
2.	Waiving of loan amount and interest thereon	40.00	II
3.	Licensing problem	33.33	III
4.	Frequent Government Intervention	19.50	IV
5.	Frequent change of high official	12.50	V

It is inferred from Table 7.1 that the problem of 'dual control' was the most significant problem faced by the Co-operative Urban Banks.

7.3.2 Recovery

Recovery of loans advanced by the Co-operative Urban Banks becomes an important problem faced by the Co-operative Urban Banks. The financial stability and the survival of the co-operative urban banks mainly depend upon the efficiency of the loan recovery.

The following five problems are identified under this headings.

- i) No promptness in the repayment of loan.
- ii) Frequent change of addresses of borrowers.

- iii) Belated disposal of legal cases
- iv) Cost of recovery
- v) No power to take direct action against the defaulters.

Table 7.2 presents the perception of co-operative urban banks of the problems of recovery.

TABLE 7.2

Perception of Bankers Regarding the Problem of Recovery

<i>Sl.No.</i>	<i>Factors</i>	<i>Mean Score</i>	<i>Rank</i>
1.	Belated disposal of legal cases	75.00	I
2.	No power to take direct action against the defaulters	50.00	II
3.	Cost of recovery	41.67	III
4.	Frequent change of addresses of the borrowers	32.50	IV
5.	No promptness in the repayment of loan	20.83	V

It is observed from Table 7.2 that “Belated disposal of legal cases” is the major problem faced by the Co-operative Urban Banks.

7.3.3 Political Intervention

Political intervention plays a vital role in the day-to-day administration of Co-operative Urban Banks .

Politicians pressurise the administrators of Co-operative Urban Banks for advances and collection of loans.

The following five statements are identified under this caption.

- i) Intereference of local political party functionaries in granting loans.
- ii) Political invervention in the day-to-day administration.
- iii) Change of Government
- iv) The political intervention affecting the overall performance of the Co-operative Urban Banks .
- v) Inconsistency in the tenure of the Board of directors.

Table 7.3 shows the perception of Co-operative Urban Banks of the problem of political intervention.

TABLE 7.3

Perception of Bankers Regarding the Problem of Political Intervention

<i>Sl.No.</i>	<i>Factors</i>	<i>Mean Score</i>	<i>Rank</i>
1.	Political intervention in the day-to-day administration	75.00	I
2.	Interference of local political functionaries in granting loans	40.00	II
3.	Change of Government	33.33	III
4.	Political Intervention affecting the overall performance of co-operative urban banks	20.83	IV
5.	Inconsistency in the tenure of Board of Directors	20.00	V

It is inferred from the Table 7.3 that the problem “Political intervention in the day-to-day administration” is the major problem faced by the Co-operative Urban Banks.

7.3.4 Deposits

The financial soundness of the Co-operative Urban Banks is depends upon the mobilisation of deposits.

The problems faced by the Co-operative Urban Banks during the course of deposit mobilisation are analysed with the help of the following five statements.

- i) Utilisation of deposits,
- ii) Interest on deposits,
- iii) Managing the excess deposits,
- iv) Area of operation,
- v) Introduction of novel scheme.

Table 7.4 presents the mean scores and ranks of the perception of the co-operative urban banks regarding deposits.

TABLE 7.4

Perception of Bankers Regarding the Problem of Deposits

<i>Sl.No.</i>	<i>Factors</i>	<i>Mean Score</i>	<i>Rank</i>
1.	Utilisation of deposits	62.5	I
2.	Managing the excess deposits	50.00	II
3.	Area of operation	41.67	III
4.	Introduction of novel schemes	33.33	IV
5.	Interest on deposits	20.83	V

It is inferred from table 7.4 that “utilisation of deposits was the major problem highlighted by the co-operative urban banks”.

7.4 SUGGESTIONS

On the basis of the problems identified, the following suggestions are offered.

The dual control has become a very serious problem affecting the functioning of the co-operative urban banking sector. The areas relating to investments, prudential norms, branch licensing, remission of debt, change of management come under the realm of banking-related functions for which RBI may be made the sole regulating authority.

Registrar of co-operative societies may confine his activities to registration, approval and amendments to by-laws, election to management committees, protection of members' rights and supersession of management committee for violation of the aforesaid activities.

Clear-cut demarcation between the functions of RBI and those of the State-Government to ensure smooth functioning of Co-operative Urban Banks is to be done.

Co-operative Urban Banks may be allowed to extend their area of operation over the entire district of their registration.

The Board of co-operative urban bank may consist of knowledgeable persons who are aware of their responsibilities as board members.

At least, two directors with suitable banking experience or relevant professional background may be present on the Boards of Co-operative Urban Banks.

The posting of officials on deputation from various departments to the top management of the co-operative banks may be replaced by choosing professional managers.

The Urban Co-operative Sector lacks professionalism. They may search for professionals to man the junior and middle levels in management cadres and simultaneously impart proper training to all cadres of staff.

The staff in Co-operative Urban Banks do the same work as those in commercial banks. But they get less salary. Hence the salary structure may be suitably revised to boost the morale of the employees in Co-operative Urban Banks.

The lending pattern of the Co-operative Urban Banks may be suitably changed to grant all types of loan liberally in order to avoid the accumulation of idle deposits.

The interest rates on loan may be further reduced to enable more people to avail of loan facilities.

To control overdues, the viability of the projects may be considered while granting loans and there has to be effective monitoring over the use of loan amount.

The Co-operative Urban Banks may be permitted to invest their surplus deposits in commercial banks other than District Central Co-operative Banks and State Co-operative Banks to get attractive interest on such deposits.

Adequate legal actions have to be taken for the recovery of overdues.

Registrars may direct the Co-operative Courts for speedy recovery and the execution of decree.

Co-operative Urban Banks may be made free of political intervention in the day-to-day administration of the banks.

There may be greater autonomy for Co-operative Urban Banks and minimum role for government officials in the governance of the Co-operative Urban Banks. Andhra Pradesh Government has taken a lead in legislating the Andhra Pradesh Mutually-Aided Co-operative Society Act, 1995 which grants

greater degree of freedom to the co-operatives. This may be followed by other states.

7.5 AREA FOR FURTHER RESEARCH

The researcher studied deposit mobilisation advances of loans financial performances recovery and overdues. The following areas also need improvement.

1. Lending policies of Co-operative Urban Banks
2. Advances and Recovery strategies of Co-operative Urban Banks
3. Funds management in Co-operative Urban Banks
4. Reserve Management in Co-operation Urban Banks
5. Management of non -performing Assets in Co-operative Urban Banks
6. Management of risks in Co-operative Urban Banks
7. Internal control in Co-operative Urban Banks
8. Audit of Co-operative Urban Banks
9. Human Resource Management in Co-operative Urban Banks
10. Public Relations in Co-operative Urban Banks-A Comparative Study
with commercial banks
11. Problems and prospects of Co-operative Urban Banks.

7.6 CONCLUSION

The Indian banking and financial system has been undergoing some significant changes in recent years. The aim of the financial sector reform that is currently under way is to create a system that is both viable and efficient. With the reduction in the reserve requirements, the lendable resources of banks have expanded. They have also greater freedom to determine interest rates. Banks are operating in a competitive environment and therefore the need to take care of customer requirements has become urgent. The co-operative urban banks are an integral part of the financial system. They meet a felt need. They have a local touch and meet the requirements of small and medium borrowers. It is, however, important that they remain financially sound. Small and medium sized banks can be efficient and customer-friendly. The co-operative urban banks must prove the adage "Small is beautiful".