Chapter VII  
Summary, Conclusions and Suggestion’s

This Chapter highlights on the overall summary of the present study, Major conclusions drawn by the researchers and important suggestions made by the researchers to overcome the problems on the profitability and credit pattern of Marathwada region and Western Maharashtra’s District Central Co-Operative Banks.

The cooperative movement in India is the agricultural credit cooperative movement. India is basically an agricultural country. Near about 70 percent of Indian population depends upon agriculture directly or indirectly. Agriculturists want credit for cultivation, because they are economically poor. They have to run to the village moneylenders for the purpose, as other credit agencies are not developed. As such, they come to the clutches of moneylenders and suffer a lot. To get away from sufferings and remain away from the clutches of the moneylenders, they formed cooperative societies at the village level, Agricultural Credit Cooperative Societies in India are the oldest and most important forms of cooperative organisation.

Firstly, the cooperative movement originated in England. The first cooperative society named "Rochdale Friendly Cooperative Society was formed there in 1830. As far as cooperative credit institutions are concerned, they started first in Germany in the middle of the 19th century. So far as the Indian cooperative movement is concerned the introduction of cooperative Act, 1904 was considered as the real beginning of the cooperative movement in India.

The cooperative credit societies Act, 1904 provided for organising cooperative credit societies in rural and urban areas. So it was
realised that central organizations should be formed for assisting and guiding the primary societies. Accordingly, the central government enacted cooperative societies Act in 1912, which gave legal recognition for the formation of central organisation since then central banks were formed at district level to which primary societies are affiliated. According to the recommendations of the All India Rural Credit Survey Committee (1954), the structure of central cooperative banks was rationalised and smaller banking unions, central cooperative banks were recognised and strengthened into viable institutions.

The first central cooperative bank was registered in 1906 as a primary society followed by Bombay in 1910. Soon after the amendment of the cooperative societies Act in 1912 large number of central banks were established.

At present the Indian short-term cooperative credit structure consist of 29 state cooperative banks at a state level, 367 district central cooperative banks at district level and 93816 primary agricultural cooperative societies at village level. In India there are two sources of rural credit for the agricultural credit.

1. Institutional Agricultural Credit;
2. Non Institutional Agricultural Credit;

Institutional Agricultural credit consists of Government, commercial banks, cooperative banks, the Regional Rural Banks (RRBS) and non-bank financial intermediaries. Non institutional agricultural credit include, money lenders, commission agents, traders, landlords, relative, friends, and other financers etc.

Moneylenders, indigenous bankers and other non-institutional lenders had a predominant role in rural credit, until the nationalization of 14 commercial banks in 1969. The All India Rural Credit Survey Committee (1951-52) found 92.70 percent of the rural credit was
provided by the private agencies. It means the share of non-institutional agencies in the rural credit was 92.70 percent.

The importance of private agencies in rural credit has been decreasing because of expansion of institutional credit agencies. The indigenous bankers and moneylenders have been following money malpractices to exploit the borrowers. Moreover, their accounts are not opened to inspection due to high rate of interest of moneylender. People have started doubting their integrity. It was also said that, the credit, provided by the private agencies is unproductive as its main objectives is not to increase agriculture production but to bring the farmers in the grip of perpetual indebtedness and as Henry W. Wolff graphically put it". It is the bond of debt that shackles agriculture". Because of all these reasons the non-institutional agencies are bound to reduce their importance.

The development of institutional credit is, thus, a basic condition for agricultural progress. The history of agricultural development in all the countries shows that an integrated system of institutional credit laid the foundations of agricultural prosperity. The objectives of the institutional credit is to make a break through in the vicious circle of poverty rack-renting, usury and debt and to stimulate the farmer to boost agricultural productivity.

The Reserve Bank of India published the statistical tables relating to banks in since 1941 reveal that organized banking structure of the country is composed of the Indian commercial bank (Scheduled and non-scheduled), foreign banks (scheduled and non-scheduled) and cooperative banks. The organised banks are constituted and governed by separate acts and rules, they are all engaged in surveying and providing credit to the different segments of our economy, ultimately linked with the Reserve Bank of India at the top as the central banking.
The cooperative bank provides the short and medium-term agricultural credit. The central cooperative banks play a vital role. They are the linking factor between the primary credit societies at village level and state level, state (Apex) cooperative banks.

This chapter is divided into four different parts i.e.
A) Summary of the present study.
B) Major Conclusions
C) Important Implications and.
D) Overall Conclusions

A) Summary of the present study.

1) Introduction
The chapter first deals with the introduction. It gives the detailed information about the significance of the study, objectives of the study, hypothesis tested, research methodology with collection of data and the presentation of the study.

2) Review of Literature
This chapter deals with the overall review of the literature available on the particular topic. Literature is the most important part of any research. In this topic, the review is taken of articles and books regarding the research topic. This chapter is divided into two parts i.e. Review of Research Articles, Review of Books, thesis and other related published or unpublished literature on this particular topic.
3) History and Progress of District Central Cooperative banks in India

The third chapter deals with history and Progress of district central Cooperative banks in India, the chapter highlights on Origin of District Central Cooperative Banks In India, Trends of Capital, Reserves and Borrowings of DCCB’s in India, Deposit, Credit and CD ratio of DCCB’s in India, Place of Maharashtra District Central Cooperative Banks on Indian Scene and Origin and Progress of district central cooperative banks in Marathwada Region.

4) Profitability and over dues for District Central Co-Operative Banks in Maharashtra

The Fourth chapter highlights on Profitability and over dues for District Central Co-Operative Banks in Maharashtra, the deals with the Co-operative credit System in Maharashtra, District Central Co-operative Banks (DCCBs) : A Special Mention, Growth of District Central Cooperative Banks In India After New Economic Policy, Districtwise Progress in Sources of funds of District Central Cooperative banks in Maharashtra state, Share capital of District Central Cooperative Banks occupied by government in Maharashtra and Amount of profit & Loss of District Central Cooperative Banks in Maharashtra.

5) Loan disbursement and Credit utilization pattern of District Central Co-Operative Bank in selected regions.

The fifth chapter deals with the Loan disbursement and Credit utilization pattern of District Central Co-Operative Bank in selected regions, the chapter highlights on Financial Performance of the DCCB - A CAMEL
Analysis, Kisan Credit Card, Inspection of District Central Cooperative Banks, Sources of Funds of DCC Banks in Maharashtra, Trends of Deposits, Owned Funds and Total Assets of DCC Banks in Maharashtra and Total uses of funds of district central cooperative banks in Maharashtra region from 1990-91 to 2004-05.

6) Data Collection and Analysis

In this chapter an attempt is made to appraise the financial performance of the District Central Co-operative Bank in Maharashtra during the study period from 2004 to 2013 was selected branches and region in Maharashtra, Share capital of District Central Cooperative Banks in Maharashtra, Deposits with District Central Cooperative Banks in Maharashtra, Working Capital of District Central Cooperative Banks in Maharashtra and Trends in Profits of district central cooperative banks in Maharashtra Region.

7) Summary, Conclusions and Suggestions

This Chapter highlights on the overall summary of the present study, Major conclusions drawn by the researchers and important suggestions made by the researchers to overcome the problems on the profitability and credit pattern of Marathwada region and Western Maharashtra’s District Central Co-Operative Banks.

B) Major Conclusions

1. It is observed from the opinion survey that one of the main reasons for non-repayment or less repayment of loans was the unwillingness of the borrowers to repay rather than their inability to pay and that wilful
defaults were responsible for the pathetic state of Indian banking system.

2. It is observed that the main reasons for non-repayment or less repayment of loans identified by them are business going sick and low earnings from the projects financed.

3. It is observed that the same stating that inability to gauge the importance of transparency, accountability and prudential norms in the operations of the banking system resulted in an increasing burden of non performing advances (NPAs).

4. It is observed from the opinion survey that re-lending, diversion and misutilization of loans as the major factors responsible for willful defaults in the co-operative banks.

5. It is observed that dismal performance of co-operative banks was due to excessive political interference and the after effects of loan waiver scheme of the government, resulting in an alarming proportion of NPAs.

6. It is observed that short-term and medium-term loans and found that one of the major factors influencing the non-repayment of loans was settlement of old debts.

7. It is observed that the size of holdings of the defaulters, their caste, amount of borrowings, educational status, age, sex, religion, community and size of landholding had a direct bearing on the repayment of dues. It observed that low repayment capacity, cropping intensity, consumption
expenditure and income from dairy farming etc. Significantly influenced the repayment performance of the borrowers.

8. It is observed from the opinion survey that absence of lining of credit with marketing led to lesser income, resulting in higher incidence of NPAs. Major non-wilful causes are low market prices for the produce due to lack of linkages and insufficient income resulting in mounting NPAs.

9. It is observed from the opinion survey that the failure of crops and natural calamities were the major factors responsible for high incidence of defaults. Adverse agro climatic conditions and floods were the factors contributing to excessive NPAs.

10. It is observed that in many cases defaults occurred because of inadequate amount of loans to generate surplus income and delay in disbursement of loans.

11. The share capital of DCCBs increased during the study period. In the year 2004-05 the total share capital of DCCBs was Rs. 68,315 lakh increased up to Rs. 1,29,272 Lakh in the year 2011-12. (Table No:-6.1)

12. In the year 2004-05 the owned fund of DCCBs was Rs. 2, 40,999 lakhs increased up to Rs. 6, 96,600 lakh in the year 2012-13. The study concluded that during the eight years of duration the own funds of DCCBs was increased by 189.05 per cent. (Table No:-6.3)

13. Position of working capital in the year 2005-06 was Rs. 24,27,842 Lakh continuously increased, up to the year 2012-13 is Rs. 45,62,938. It
is concluded from the table that the working capital increased of: DCCBs during the study period by 87.94 per cent. (Table No:-6.6)

14. The highest Net profit of these banks was Rs.123.57 lakhs which has decreased up to Rs.(-14328.40 lakhs) in 2010-11 and index number of net profit high i.e. 136 and low i.e. (-16110) during the study period. The increase in net profit is indicate due to the good recovery of overdues and decreasing in net profit indicate due to the low recovery of overdues of district central cooperative banks in Maharashtra region. Rs.3556.94 lakhs per year during the study period. But, on an average district central cooperative banks in Maharashtra had registered a loss of Rs.3512.63 lakhs per year during the study period. (Table No:-6.8)

15. The average, ratio of net profit to share capital of district central cooperative banks in Maharashtra region was (-22.77 percent) during the study period. This ratio varied between (-98.90 percent) minimum in 2009-10 and 2.25 percent maximum in 2004-05. The district central cooperative banks in Maharashtra region had recorded a positive ratio of net profit to share capital during 2002-03 (2.08 percent), 2004-05 (2.25 percent) 1999-00 (0.38 percent) 2000-01 (0.75 percent) and in 2006-07 (0.78 percent) and it was negative for remaining whole period. (Table No:-6.9)

16. The percentage of Net profit to owned capital fund of these bank was 1.26 percent in 1996-97, which decreased up to (-1.13 percent) in 2011-2012. The ratio of Net profit to owned capital fund of district central cooperative bank in Maharashtra fluctuated between (-32.75 percent) to 1.42 percent during the study period. It means, these banks had reached to the maximum prescribed standard norm during the study
period. On an annual average percentage of Net profit to owned capital of these bank was (-5.55 percent) during the study period. (Table No:-6.10)

17. The percentage of net profit to total income of these bank was 1.00 percentage in 1996-97 which decreased up to (-2.17 percent) in 2011-2012. On an average the percentage share of net profit to total income of district central cooperative banks in Maharashtra region was (-8.33 percent) during the study period. The percentage share of net profit to total income of these bank was 1.04 percent highest in 1998-99. During the whole period these banks have earned profitability on total income in 1996-97 1998-99, 1999-00, 2000-01, and in 2006-07 and for remaining whole period these banks have negative profitability on total income. (Table No:-6.12)

18. The ratio of total expenses to total income of these bankwise was 98.98 percent in 1996-97which has increased up to 102.17 percent in 2011-2012. On an average the ratio of total expenses to total income of these bank was 107.49 percent and varied between 23.19 percent minimum to 160.95 percent maximum during the study period. This average ratio was 17.49 percent points higher than the standard norm of 90 percent. (Table No:-6.14)

C. Important Implications
1. If the co-operative movement is to develop on perfect sound lines, the government should necessarily take immediate steps to curb the growth of vested interests in the movement as well as necessary action to prevent undue interference of the politicians.
2. In today’s liberalized market driven economic environment, co-operatives have to reorient and readapt their structural functioning and management in order to protect themselves from the onslaught of vested interests.

3. Overdues can be minimized, if the loan is provided to those farmers who satisfy the test of technical feasibility and financial viability. Similarly, the measures for improvement in crop yield, remunerative price to crop produce, reasonable input prices and crop insurance etc. are also necessary to enhance the repayment capacity of particularly small farmers.

4. The credit co-operative must be free to carry on their operations purely on commercial lines and matters such as fixation of interest rates, determination of unit costs and scale of finance, modus operandi of recoveries, hiring and firing employees and so on should be completely left to them.

5. The health of the credit co-operatives, particularly those in the lower tiers has been deteriorating over the years. However, there appears to be no panacea for the ailment, which has severely hampered their growth. There is no second option that these vital links in the rural financial sector have to survive to meet the noble cause for which they were established.

6. As regards credit, the DCCBs should diversify their loan portfolio from traditional low yield crop loans to high yield non-farm sector as also retail loans like consumer durables, vehicle loans, advances against gold/silver etc. Concerted efforts in the area of recovery through
development of core teams/departments at taluka headquarters/ head office would yield good results and directly impact their profits positively.

7. It is suggested that Central co-operative banks must focus attention on mobilization of low cost deposits as well as to concentrate on cheap borrowings in order to gain a comfortable interest spread to ensure profit.

8. It is suggested that the CCBs should have majority number of PACSs on their Board of Directors to enable them to shape the policies of the CCBs for the benefits of affiliated primary societies and they should take more interest on the affairs of the bank.

9. Recovery camps should be organized frequently in rural areas. Government should ask the local revenue authorities to extend the full cooperation to the DCCB/PACSs in organizing such recovery camps.

10. It is suggested that incentives can be given to honest repayers to create a better climate for repayment. The possibility of honoring best loanees and the best employees during cooperative weak celebrations can be chalked out.

12. The DCCBs in all India level the repayment schedules may be fixed strictly on the basis of norms fixed after a careful project analysis exercised for the region such agricultural project analysis should be revised periodically so that the installment amount would be worked out in a way which would be convenient for the farmers to repay.
13. The government should introduce proper measures to help banks in taking possession of land belonging to wilful defaulters.

14. It is suggested that at the post disbursement stage, bankers should ensure that the advance does not become NPAs through proper follow up and supervision. They should also ensure both asset creation and asset utilization. Bankers can do either off-site surveillance or on site inspection to detect whether the project is likely to become an NPA.

D. Overall conclusion

The management of a district central cooperative bank is in charge of a board of directors elected annually, or in some case, triennially, on the basis of one member, one vote, at the general meeting, which is the ultimate authority in this and in other types of cooperative societies. The requirements for a director of such a bank were described by the Maclagan committee, which held that the work called less for technical skills them for ordinary probity and knowledge and should be well within the capacity of any professional man. He needs only to have a general knowledge of money rates and to fix his own to produce a required margin of profit he should be careful to forecast the probable receipts and demands from societies, to maintain careful accounts, and to see that his working capital is regularly employed and that sufficient fluid resource is always kept available.

Thus, the funds management plays very significant role for the development of an organisation. The cooperative banks are generally interested to services and growth. For the purpose of survival, the cooperative banks must adequate funds with them to meet various requirements. For this purpose, bank must not reject any request for withdrawal. The maintenance of adequate liquid assets serves this
purpose. This will not only increase the public faith and confidence but also brings the solvency of the bank. Besides, the banks have to earn profit for carrying out their day to day activities and appropriating funds for developing various funds such as reserves fund, building fund, etc. which strengthen the financial structure of these bank.

The studies reviewed above have indicated that the progress of district central cooperative banks in India and in Maharashtra and it was steady but not satisfactory. Some studies indicated that financial function in a district central cooperative bank is highly regulated by the Reserves Bank of India and by the registrar. Most of the studies reviewed above have indicated that today some district central cooperative banks are working well and some are not poor recoveries and bad debts are at times responsible for unsatisfactory functioning of district central cooperative banks. Some studies indicated that the credit management has been able to cover the cost of funds, which is evinced by the positive difference between interest income and interest cost. Some studies indicated that the district central cooperative banks have failed to maintain non-overdues and their unsound lending policies. Some studies also stated that the percentage increase in the interest cost has been more than the percentage increase in the interest income. Some studies indicated that the financial position of district central cooperative banks in Marathwada was poor. Reviewed studies also stated that the main factor responsible for financial weakness is lack of financial resources. The main reason for mounting overdues was lack of supervision and inability of peasants to pay back their loans. Most of the studies reviewed that the growth performance of district central cooperative banks in Maharashtra was good except in Marathwada and Vidarbha regions. Some study stated that the recovery performance of district central cooperative banks was very bad.