CHAPTER 7
FINDINGS AND SUGGESTIONS

SYNOPSIS

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7.1 INTRODUCTION:

Among all the sectors of co-operative movement in Gujarat, the Urban Co-operative Banking Sector has made commendable and remarkable progress. Urban Co-operative Banking has been to a greater extent self-reliant in most of the States or rather in the co-operatively advanced and progressive States in the country. The primary aim and objective of this sector is to encourage thrift and saving, lending to mutual aids for the better economic condition of those who join co-operatives.

The first experiment in Urban Co-operative credit was made in Baroda. On 5th February, 1889, Prof. Vithal Laxman Kavatekar formed the Urban Co-operative Society known as 'Anyonya Sahakari Mandali'.

UCBs developed as primary units over a span of 9 decades catering the credit needs of the non-agricultural sector consisting of urban and semi-urban, lower and middle class, salary earners, employees, professionals and those who are engaged in trade and small industries class, small shop-keepers, small industrialists, artisan etc.

7.2 MAJOR FINDINGS:

1. The first experiment in Urban Co-operative credit was made in Baroda. On February 5, 1889, Prof. Vithal Laxman Karatekar formed the Urban Co-operative Society known as 'Anyonya Sahakari Mandali' with the object of promoting thrift and providing relief to the members. However, the real beginning
of urban co-operative credit movement took place only after the enactment of Co-operative Credit Societies Act of 1912, and after the recommendations of Maclagan Committee of 1915.

2. In the beginning, there was no government financial assistance to the urban banks, as they were expected to grow themselves without assistance from the State. The growth of UCBs can be studied into two periods: (i) before 1st May, 1960, and (ii) after 30th April, 1960.

3. It has been realised that there were 288 UCBs in Gujarat at the end of 1994. Out of 288 banks, 49 were located in S & K region, 56 were in N.G. region, 159 were in C.G. region and 24 were operating in S.G. region. Thus, C.G. region has highest numbers of UCBs in Gujarat.

4. As regards the parameters of growth of UCBs in Gujarat: (i) while their number increased by 18%, there branches rose by 52.5%, (ii) though the deposits increased by 41.9%, their loans moved up by 253.65%, (iii) whereas the share capital and reserves of these banks exhibited 145.76 and 545.16% growth, the total working capital of these banks shoot up by 304.65%, (iv) against this while the profit of the banks increased by 219.63%, the total membership showed 71.83% increment during the period.

Similarly, while the depositors and borrowers of the bank indicated respectively 89.30 and 85.12 per cent increment,
the total employees (constituting the staff members) exhibited 64.45 per cent increase during the period from 1984-85 to 1993-94.

5. The progress and growth of UCBs shows the acceptability of UCBs by the urban people, 69 per cent population was covered by UCBs in 1981. According to 1991 census, whereas they have covered 100% of the urban population. This shows the acceptability of UCBs and their operations by the urban people.

6. There was no uniformity in the annual growth rate of share capitals of selected banks in four regions. The share of individuals and others in the total paid-up share capital indicated a rising trends at both the levels during the period under study (except in S & K region for individual for 1991-92).

7. Regarding the share of individual in the total share capital C.G. region constituted highest and lowest was recorded by N.G. region. As regards the share capital contributed by others, while S & K region showed the highest, and N.G. region registered the lowest.

8. A comparative analysis of reserves shows that, it showed increasing trend in all regions during the period under study, except in S & K region for the year 1991-92.

9. It is interesting to note that selected UCBs have made notable success in the field of deposit mobilisation, though
there is tough competition from nationalised and other banks. The deposits of all the selected banks increased by 224.10 per cent during the period under review. The growth of deposits in N.G. region found highest (i.e. 359.34 per cent) among all the regions. This may be due the initiative and sincere efforts taken by the members of Board of Directors and the employees of the banks. The lowest deposit growth was observed in C.G. region (i.e. 192.70 per cent).

10. The amount of current, savings, fixed and recurring deposits of selected UCBs indicated 4.5 fold growth, 2.5 fold, 1.77 fold and 2.4 fold growth respectively during the period between 1984-85 and 1993-94.

11. Selected UCBs were introduced various deposit schemes, among these Dhanlaxmi and Monthly Deposit Schemes have been adopted by 13 banks out of 26 selected banks. These two schemes found more popular and more and more members of the banks have accepted these schemes.

12. The rate of interest on deposits changed from time to time. The rates of interest is fixed by the RBI. Banks have only one descretion power, that the bank can give only 1 per cent more than the prescribed rates.

13. The interest rates prescribed by the selected UCBs on deposits were seen higher than those of the commercial banks.

14. In the case of borrowing, only C.G. region borrowed the funds from DCCBs and State Co-operative Banks.
15. Loans and advances of the selected UCBs have crossed the milestone one after another. On an average, the total advances of the banks during the period found 2.41 times more.

16. While the proportion of amount of loans and advances found small, MT loans of these banks constituted the major portion of the total advances (i.e. 93.97 per cent).

17. The purpose-wise analysis of loan operations showed that while in ST period, T & C exhibited the highest (i.e. 3.25 per cent out of 6.03 per cent) advances. The lowest advances were recorded for consumption purposes (i.e. 0.48 per cent only).

18. While in MT loan and advances, SSI constituted highest proportion (i.e. 62.28 per cent out of 93.97 per cent) and OP showed lowest share (i.e. 0.11 per cent only).

19. While the average annual proportion of ST loans stood at 4.92 per cent, MT loan's proportion constituted 95.08 per cent.

20. The trend of loan and advances issued in ST & MT showed rising during the period under study.

21. Loans and advances issued per bank in ST and MT indicated increasing trend for all the purposes during the period.

22. The average of amount of loan and advances disbursed during last ten years found 1.94 times more in 1993-94 than that of
1984-85 in S & K region. In N.G. region, it found 1.80 times more. As against this the C.G. & S.G. regions indicated 2.48 and 1.82 fold increments during the period from 1984-85 to 1993-94.

23. While the average proportion of loans of S & K region stood at 3.25 per cent, 0.75 per cent in N.G. region, 95.26 per cent in C.G. region and 0.74 per cent in S.G. region during last ten years.

24. The loans outstanding indicated continuous increasing trend in ST and MT loans during the period. The total loan outstanding increased by 1.94 fold growth within 10 years in selected UCBs. While in ST loan outstandings increased by 1.97 times and MT outstanding indicated 1.99 fold growth during the period.

25. While in ST period, T & C constituted more outstanding as compared to other purposes (i.e. 2.54 per cent out of 4.88 per cent) during the period. In MT, SSI recorded highest percentage of loan outstanding (i.e. 65.29 per cent out of 95.12 per cent).

26. Highest loans outstanding per bank was seen in MT loans and it stood at Rs.19,668 thousand. Moreover, it showed a rising trend during the period under study.

27. Region-wise outstanding showed the same pattern. In S & K region it ranged between 14.31 per cent and 31.62 per cent, in N.G. region it varied from 35.72 per cent and 45.00 per
In C.G. region it moved in between 26.68 per cent and 35.08 per cent, and in S.G. region it ranged from 35.41 per cent to 60.82 per cent. Thus, among all the regions, S & K region constituted highest outstanding during the period under study.

28. The average credit-deposit ratio of selected UCBs in Gujarat was 46 percent during the period.

29. Region-wise CD ratio shows that C.G. region has highest (i.e. 133.7 per cent) and CD ratio of S.G. region recorded lowest (i.e. 10.65 per cent only).

30. The ratio of average outstandings to loans of the selected UCBs stood at 32.98 per cent. According to regions, it found highest in S.G. region (i.e. 39.31 per cent) and it found lowest for S & K region (i.e. 24.69 per cent).

31. The trend of the rate of interest charged on advances indicated an increasing trend during the period. For ST loans, it ranged between 9 per cent and 15 per cent, and for MT loan it fluctuated between 10 per cent to 18 per cent.

32. The study reveals that the selected UCBs do not find it difficult to recover the amount of loan. The trend of recovery performance showed upward trend during the period indicating 2.63 fold growth in recovery.
33. Average per bank recovery of the banks which stood at Rs.26,418 thousand in 1984-85, rose to Rs.69,432 thousand in 1993-94.

34. Among regions, while C.G. region exhibited best recovery performance (i.e. 2.69 fold growth) and N. G. region's performance was found moderate (1.50 fold growth) during the period.

35. The total overdues of the selected UCBs indicated 2.46 fold growth, while ST overdues increased by 1.98 fold growth, and MT exhibited 2.49 times increment during the period between 1984-85 to 1993-94.

36. Region-wise figures indicated, while C.G. region showed highest overdues (i.e. 2.49 fold growth). The proportion of overdues of N.G. region was lowest (i.e. 1.65 fold growth).

37. The average ratio of recovery to loans of selected banks stood at 53.97 per cent. It means that the recovery performance of the banks was satisfactory. Among all regions, S & K region done a good job during the period as its ratio of recovery to advances was 61.72 per cent.

38. The average ratio of overdues to advances was 14.20 per cent for selected UCBs. Region-wise, C.G. region showed highest proportion (i.e. 24.04 per cent) and S.G. region indicated lowest proportion (i.e. 8.92 per cent).
39. Regarding the action taken by selected UCBs for recovering the overdues, persuasion method found more successed and legal action did not receive so much response for recovering the overdues.

40. Selected UCBs had to face the serious competition from SBI in both the sphere of deposit mobilisation and advances. In rural finance, SBI found more successful. But in outstanding, recovery and overdues the performance of UCBs found much better than that of SBI.

41. CD ratio is an important indicator to assess the functioning of the banking business. The average CD ratio of selected UCBs was 91.81 per cent, and it was 78.63 per cent in SBI. Outstanding advances ratio of UCBs was 30 per cent and SBI has 35.74 per cent. Recovery advances ratio also perform better position for UCBs than SBI (i.e. 44.77 per cent in UCBs and 35.69 per cent in SBI). The overdue advances ratio also supported the UCBs in their performance. It was 23.48 per cent for UCBs and 30.44 per cent for SBI.

42. As per norms of RBI regarding the priority sectors, the UCBs are expected to lend 60 per cent of their total advances to the loanees belonging to priority sector. According to this norm, the selected UCBs in Gujarat found working very close to attain their target of lending to the priority sector. It was observed that C.G. region found more active to attain their target. The performance of UCBs belonging to S.G. region found quite poor.
43. Various factors like the age and their education directly or indirectly affect the loaning operations of the UCBs. Majority of the Directors belonged to 31 to 45 years age group and majority of them were having education upto secondary level.

44. Out of 26 banks, 14 banks arranged 21 to 30 meetings, 10 banks arranged 12 to 20 and only 2 banks arranged more than 31 meetings during a year.

45. About the survey of salary of banks employees, out of 26 banks, 11 banks were not satisfied with their present salaries. They are demanding salary as per co-operative rules and in some banks employees have demanded new pay settlement.

7.3 OBSERVATIONS

1. Number of banks are not increasing, only branches are increasing. Therefore, the new leadership is not getting the ground to grow in the field of Urban Co-operative banking. Many UCBs in Gujarat managed by the same leadership from the years together, it has its own merits as well as demerits.

2. The urban banks in Gujarat are not keeping their offices open before and after office timing which are generally convenient to urban people, except two banks. Recently, some of the UCBs in Gujarat have started to work more and to offer their services by increasing their working hours. This is really a good sign.
3. Adequate facility of remittance of funds is not available in the urban banks. Urban banks have not been so successful in attracting women and people belonging to weaker sections of the society.

4. Cash reserve ratio and statutory liquidity ratio are very much high which restricts loaning operations of the banks.

5. The loans and advances per borrower are still high.

6. Even if CD ratio is high, urban banks in Gujarat experiences the unproductive funds lying idle with them.

7. Some urban banks have made remarkable progress in certain sphere of activities, but others are lagging far behind.

8. Some of UCBs did not comply the amendments to Banking Regulation Act 1949 in respect of publishing the figures of doubtful debts.

9. The UCBs are abide by the directives of RBI for paying only 12 per cent dividend. (No doubt, beginning has been made by allowing certain urban banks given the status of scheduled bank to declare 15 per cent dividend).

10. C.G. region fetches high amount of doubtful debts.

11. Lack of training to the staff members of the UCBs, naturally effects the efficiency of the banks.
7.4 SUGGESTIONS

1. Apart from above-mentioned problems of UCBs, there is a wide scope to spread the activity of UCBs in different parts of Gujarat.

2. While opening their new Urban banks or their branches, the preference should be given for opening them in neglected areas, especially the semi-urban and rural areas.

3. The bank should not put the artificial restrictions on the new membership, the worthy and needy persons should be helped without delay.

4. Every year, three new Directors are getting elected on the Board of UCBs. Hence, the leadership should observe that there is at least one new entry in three. So that the new sight, new thinking, new style of working and the initiative and enthusiasm of young blood will get entry and it will boost the progress of urban banks.

5. The experienced and enlightened Board of Directors will make the management efficient. Therefore, there is a need for training to Board of Directors. As it is said, "It is not the good laws that run the good banking, but it is good people who run the good/sound bank".

6. If not possible, for all the days of week, for at least two days urban bank should keep their offices open for other than normal office time or can keep the bank open on Sunday.
and the holiday on any other day as the GIDC, factories are open on Sunday and closed on any other day because G.E.B.'s staggering. This will certainly help the urban and industrial enterpreneurs and workers a lot.

7. In context with the splendid progress, bank has made in field of deposit mobilisation, time has ripen to adopt special incentives scheme to its employees who have exhibited better performance in mobilising the deposits. (As has been done by awarding cash prizes to the employees).

8. Looking to the success of Dhanlaxmi and Monthly Deposit Schemes, for speedy mobilisation of deposit and provision for employment for needy remaining urban bank should also adopt such schemes.

9. To serve the weaker section of the society, more vigorous people coming from schedule caste and schedule tribes should be brought under the perview of UCBs by making them members, borrowers and depositors. Besides concentrated efforts should be made to increase the women membership also.

10. The urban bank should see that, as far as possible, every requirement of the customer as regards to the remittance facilities should be provided, e.g. collection of bills: UCBs should provide the loans for lowest possible amount so that the poor peo0le and people belonging to poor income group also get the benefit.
11. To keep aware of the results of UCBs, the annual reports should be published in which every material fact like bad debts, doubtful debts and losses arising out of any transactions as it has become obligatory by the Banking Regulation Act of 1949, should also be disclosed.

12. There should be uniformity in the presentation of the annual reports of the bank. The annual reports should give at least 5 years progress report in respect of membership, paid-up share capital, deposits, loans, overdues, profit and losses, audit class etc. This will enable the members as well as the general public to know more about the working of the banks.

13. To satisfy the credit needs of members, urban banks require more funds, again the funds are blocked in Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), again according to the RBI directives, 60 per cent of the bank's advances should be lent to on priority sector. This results in availability of less funds to satisfy the credit needs of urban people. Hence, it is advisable that the Government should reduce the SLR percentage.

14. The 'Loan Card' may be issued to the members. Such cards will enable the member to know the duration, rate of interest and the amount outstanding which will help indirectly to boost up the recovery of dues.

15. No doubt, bank is making efforts to strengthen its recovery position by paying more attention on the supervising and monitoring of its lending operations. But yet much more is
to be achieved by the banks. In view of this bank should see that: (i) the credit is granted for the productive purpose and it is used for the purpose for which it has been asked for, (ii) those getting credit should get reasonable return on their loan amount which will enable them to supplement their income, and (iii) wilful default by the borrowers should not be encouraged at any cost.

16. The urban banks need to be liberated from the grip of politician and bureaucratic interference.

17. It is also desirable that the terms and conditions of the advances under the consortium arrangements are broadly similar between urban banks and the commercial banks, especially in regard to margins and the rate of interest.

18. The application form should be framed as simple as possible, so that borrower can easily understand. Insistence on highly sophisticated particulars and too many technicalities should be avoided, particularly in respect of entrepreneur engaging in small scale and cottage industries.

19. In the case of industrial units enjoying regular credit facilities, it is necessary to inspect them periodically, say, once in 3 months. Report on these inspections should be prepared in a prescribed proforma and submitted to the Board of Directors.
20 When coercive action for recovery of loans is necessary, the Co-operative Department should lend active support to urban banks for recovery of overdues.

21. Seminars and Conferences should be arranged among the urban bank Directors/Managers at State level. Maharashtra and Gujarat - two progressive States amongst the academicians and Members of the Boards and Managers which will certain provide some new thoughts and would help to mould their operations to walk in future should the work to be carried over by them in years to come.

22. Yet the employees are not aware about the constituent of Priority Sector Lending and therefore, no funds have been lent in certain banks for education purposes. Hence, training is highly needed.

23 In recent years, UCBs in Gujarat have made splendid progress in various sphere of activities by undertaking substantial business either in mobilising a large amount of deposits from different sections of community and disbursing loans and advances especially fulfilling the credit needs of people belonging to middle and lower income groups. In view of the vast business done by these banks and their strong network of organisation. It is high time to think positively for establishing a separate apex UCBs which will specially look after the monitor the operations of these banks.

24. No doubt, UCBs have taken certain steps for making speedy recovery of their dues. But yet much more is expected from
them, and hence it is suggested that they should take initiative and adopt more innovative techniques to speed up the recovery mechanism.

25. Sizeable amount of loans has been provided by UCBs to small scale and cottage industries in recent year. In view of this it is advisable to set up own technical cell which will be in a position to guide direct and monitor the operations of these banks and will provide requisite competence to the staff of UCBs to perform their job in this regard.

26. UCBs and DCCBs are working in the same localities and their activities especially in urban areas are quite similar to each other. Both these credit institutions belong to co-operative sector, hence it is advisable to avoid overlapping and duplication in their operations. Co-ordination should be established among all the institutions working in the co-operative fold and thereby they should make concentrated efforts to serve the people in more better ways.

27. In metropolitan citie, the activities of UCBs had made a remarkable progress certain UCBs like Rajkot Nagarik Sahakari Bank, Kalupur Commercial Co-operative Bank have been granted special "Schedule Bank" status by RBI. It may happen that other banks may acquire that position in near future, hence it is high time to think seriously regarding such big UCBs and some specific steps should be taken to
strengthen these banks by adopting modern techniques of management at appropriate places in various sphere of their activities.

28. Now-a-days, the NRI accounts have become more popular in Gujarat. Universities, colleges, industries and even State Government have started to boost up these NRI accounts for attracting business from them. Hence, UCBs especially those working in the metropolitan cities and towns which are having potentialities to fetch such business should also be taken care of.

29. More emphasis also should be given by UCBs by making use of modern tools and techniques. In this context, the use of computers, Fax machines, xeroxing and lemination machinery should be widely used.