CHAPTER SEVEN

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ISSUES, FINDINGS AND SUGGESTIONS

7.1 Introduction

The researcher has written the summary of issues, findings, suggestions and conclusions based on the data analysis and interpretation done by him. All the findings, suggestions and conclusions are based on the observation and data collected and analyzed by the researcher during the time of research. The summary of issues, findings, suggestions and conclusions are as follows-

7.2 Issues & Findings on the Basis of Primary Data (Customers Responses)

1. It is observed that almost 60% borrowers are agreed, there is necessary to keep minimum amount for maintaining cheque book whereas 56% depositors are agreed, it is necessary to keep minimum amount for maintaining cheque book.
2. It is observed that almost 89.90% borrowers are agreed, service charges collected by the bank are very less as compared to other bank whereas 87% depositors are agreed, service charges that the bank collects are very less as compared to other banks.
3. It is observed that almost 86.8% borrowers are agreed, E-banking services are qualitative whereas 88% depositors are agreed, and E-banking services are qualitative.
4. It is observed that approximately 82.40% borrowers are agreed, core banking services are good enough whereas 89% depositors are agreed, and core banking services are good enough.
5. It is observed that almost 90.20% borrowers are agreed, e-payment facilities are reliable enough whereas 88% depositors are agreed, and E-payment facilities are reliable enough.
6. It is observed that almost 91.2% borrowers are agreed, Tele-banking services are helpful for them whereas 89% depositors are agreed, and Tele banking services are helpful for them.
7. It is observed that 95.3% borrowers are agreed, the rate of interest on loan account is appropriate whereas 90% depositors are agreed, the rate of interest on saving account is appropriate.

8. It is observed that 97.3% borrowers are agreed, bank provides very attractive rate of interest on loan account whereas 89% depositors are agreed, bank provides very attractive rate of interest to its customers.

9. It is observed that 70% borrowers are agreed, they get loan application very easily in the bank.

10. It has been noticed that 90% borrower are agreed, there is a simple process of applying for loan whereas 70% depositors are agreed, there is a simple process of opening deposit account.

11. It has been noticed that 90% borrowers are agreed, no recommendation is required for getting loan whereas 90% depositors are agreed, no recommendation is required to open an account.

12. It has been seen that 80% borrowers are agreed, bank officers behaves very gently at the time of sanctioning loans whereas 90% depositors are agreed, bank officers behaves very gently.

13. It has been observed that 70% borrowers are agreed, banks employees helps customers to complete formalities whereas 90% depositors are agreed, and bank employees motivate customers to open an account.

14. It is observed that 80% borrowers are agreed, bank provides quick services to its borrowers whereas 90% depositors are agreed, and bank provides quick services to their depositors.

15. It has been seen that 80% borrowers are agreed, bank requires very less time to complete loan formalities.

16. It is observed that 90% borrowers are agreed, the rate of interest of various loans is lesser than other bank rates.

17. It has been observed that 80% of borrowers are agreed, bank intimates time to time regarding the default in payment of loan installment.

18. It is observed that 90% borrowers are agreed, bank provides different schemes to increase its borrowers.

19. It has been seen that 80% borrowers are agreed, loan recovery system is good enough.
20. It has been observed that 70% borrowers are agreed, bank takes harsh steps for defaulters for repayments.
21. It has been observed that 80% borrowers are agreed, special loans are given for priority sectors.
22. It has been observed that 90% borrowers are agreed, bank intimate borrowers regarding the changes in interest rates.
23. It has been observed that 90% borrowers are agreed, there is no extra charge for repayment / part payment.
24. It has been observed that 80% borrowers are agreed, no directors recommendations for loans.
25. It has been observed that 90% borrowers are agreed, they are satisfied towards loan procedure.
26. Almost all the borrowers are agreed that their suggestions are considered in the bank.
27. It has been observed that 80% borrowers are agreed, there is a free access of higher authority for borrowers.
28. It has been noticed that 90% depositors are agreed, bank provides regular updates to its customers.
29. It has been noticed that 80% depositors are agreed, the rate of interest various deposits is much greater than other banks.
30. It has been noticed that 90% depositors are agreed, bank provides regular interest to its depositors.
31. It has been noticed that 90% depositors are agreed, bank provides different schemes to increase its depositors.
32. It has been noticed that 80% depositors are agreed, there is a special treatment for big depositors.
33. It is observed that 80% depositors are agreed, they are satisfied with the services of the bank.
34. It has been seen that 90% depositors are agreed, the employees are sufficient to render its services to its customers.
35. It has been noticed that 90% depositors are agreed, bank employees are very skillful and experienced to meet the requirement of customers.
36. It has been noticed that 90% depositors are agreed, bank communicates new changes and updates to its customers.
37. It has been noticed that all depositors are agreed, that there are several deposits schemes for senior citizens.

7.3 Issues & Findings on the Basis of Branch Accountant’s Responses

1. It is observed that 90% accountants are agreed, accounting software are updated in the bank.
2. It is observed that all the accountants are agreed, accounting statements are good enough to present the financial position.
3. It is observed that 70% accountants are agreed, internal audit is regularly done in the Bank.
4. It is observed that 70% accountants are agreed, financial statements are used as measurement tools.
5. It is observed that 90% accountants are not agreed, there is a managerial influence while preparing financial statement.
6. It is observed that 90% accountants are agreed, poor accounting statements are the functional weaknesses of the bank.
7. It is observed that 80% accountants are agreed, government policies and legal framework are created huge impact on financial statement.
8. It is observed that 90% accountants are agreed, financial statement support to the bank to achieve its objectives.
9. It is observed that all the accountants are agreed, accounting practices of the bank are more updated as compared to other cooperative bank.
10. It is observed that 90% accountants are agreed, there is training programmes for them.
11. It is observed that all the accountants are agreed, the tools the bank is using to judge the financial performance are appropriate.
12. It is observed that 80% accountants are agreed, the financial practices of the bank are more effective.
13. It is observed that 80% accountants are agreed, the Bank has maintained greater efficiency to improve its performance.
14. It is observed that 80% accountants are not agreed, there is an impact of Foreign and Private Banks on functioning of the bank.
15. It is observed that 80% accountants are agreed, bank spends lesser amount on its financial practices as compared to nationalized banks.

16. It is observed that 90% accountants are agreed, bank follows all the guidelines of RBI and cooperative department to prepare financial statements.

17. It is observed that all the accountants are agreed, dual control has increased the pressure of working.

7.4 Issues & Findings on the Basis of Branch Manager’s Responses

1. It has been noticed 60% branch managers opined, bank membership is open to all.

2. It is observed that 95% branch managers opined, cooperative education is provided to M.C. Members.

3. It is observed that 85% branch managers opined, there is no sub-committee for branch management.

4. It is observed that 80% branch managers opined, honorarium to M.C. Members or Chairman is given.

5. It is observed that 95% branch managers opined, there is no delay in holding elections.

6. It is observed that 95% branch managers opined, salaries and services rules are framed properly in the bank.

7. It is observed that all the branch managers opined, there is a good growth in terms of the membership of the bank.

8. It is observed that all the branch managers opined, the trend of increase in share capital is noticeable.

9. It is observed that all the branch managers opined, the funds are created and utilized properly.

10. It is observed that 80% branch managers opined, the trend of increase in deposit is not up to the mark.

11. It is observed that 90% branch managers opined, loans and advances disbursement is done satisfactorily.

12. It is observed that all the branch managers opined, changes in working capital are up to the mark.
13. It is observed that all the branch managers opined, there is an increase in investment of bank.
14. It is observed that 90% branch managers opined, the bank has earned profit satisfactorily.
15. It is observed that 80% branch managers opined, there is no significant growth in percentage of over dues.
16. It is observed that 90% branch managers opined, there is no increase in NPA of the bank.
17. It is observed that all the branch managers opined, the proportion of productivity per employee is satisfactory.
18. It is observed that all the branch managers opined, there is increase in net worth of the bank.
19. It is observed that all the branch managers opined, the bank has maintained CAR properly.
20. It is observed that all the branch managers opined, the ROA on is good enough.
21. It is observed that all the branch managers opined, profit earning capacity of the bank is up to the mark.
22. It is observed that all the branch managers opined, profit per employee is satisfactory.
23. It is observed that all the branch managers’ opined, financial practices are effective.
24. It is observed that all the branch managers opined, there is an impact of management on financial policies.
25. It is observed that all the branch managers’ opined, financial policies are well framed and beneficial to society.
26. It is observed that 90% branch managers opined, there is a direct impact of other banks financial policies of the bank.
27. It is observed that all the branch managers opined that, bank spends less amount on financial practices as compared to Nationalized Bank.
7.5 Issues & Findings on the Basis of Secondary Data

1. The bank has celebrated its 106 successful years of services. It is also a multi-state cooperative bank having branches other than Maharashtra state. The bank is having 91 branches as on 31.03.2012 and bank has reached its highest membership in its life in the year 2012 i.e. 75806.

2. It has been observed that the bank prepares its final accounts as per the directives of cooperative department and Reserve Bank of India and bank has achieved ‘A’ class for its audit since 2000.

3. Paid up capital of the bank is increasing every year. Average increase in Paid up Capital is Rs. 93.28 crores. Capital Risk Assets Ratio of the bank shows the average growth of 13.77%.

4. The position of Reserve and Surplus is very good in the bank. The bank has maintained reserves very well. The bank has its reserves averagely Rs. 577.39 Crores per year. The bank shows sizeable increase in its investments. The average rate of increase in investment is Rs. 2251.78 crores. Bank has changed its policies of utilization of funds. Funds are diverted more and more towards investments every year and therefore the gap between advances and investment is increased.

5. The deposits of bank are averagely increased by Rs. 5563.71 crores with slight exception whereas the Advances are averagely increased by Rs. 3520.44 crores per year.

6. Net profit position of the bank is not stable. It has observed ups and downs. The percentage of net profit to total income of bank is comfortable.

7. Position of operating profit is comfortable in the bank. The operating expenses of the bank are increasing year by year. It is more or less to total income. The percentage of operating expenses to total income is more.

8. The bank has maintained its CD ratio within the limit which is averagely below 7.38%. The average percentage of Gross NPA and Net NPA is 9.64% and 2.63% respectively per year.

9. It observed that most of the borrowers are small borrowers, who borrowed less than Rs. 50000 and very few borrowers have borrowed more than Rs.500000.
10. Annual reports of the bank do not give information about the security break-up for its advances portfolio. The value of security is not disclosed according to banking industry norms and borrowers enjoying sizeable credit facility. There is no over funding to any organization detected in the financial statements of the bank.

11. Though it is not mandatory for the urban cooperative banks to declare dividend but still bank has declared maximum dividend in last ten years. It is observed that dual control system is a sort of hindrance in the progress of bank. It is also observed that the average over dues from directors and their relatives is Rs. 954.42 crores and Rs. 2350.92 crores respectively.

12. Due to the disclosure norms and other directives of RBI. There is very less scope for window dressing in the financial statements of bank. This view is supported by authorities of RBI and cooperative departments. It is observed that the financial statements of the bank are audited by Chartered Accountants appointed by Registrar of Cooperative societies and because of this financial statements are more reliable.

13. The audit report of bank is qualitative. Every auditor has to submit their audit report to the bank before 30th June every year and concern bank has to call AGM before 14th November every year. Due to this, now transparency of financial statement is improved. It is also noticed that the directors and executives have realized the importance of financial statements.

14. The percentage of Net profit to total income is totally inconstant. It shows continuous increase for first three years but from 2006 to 2012 it showed decreasing trend.

15. The percentage of operating profit to working fund shows increasing trend for first two years, whereas from 2005 onwards it shows very uncommon trend. The percentage of operating expenses to total income shows increasing trend but 2012 it showed decreasing trend.

16. The percentage of provision to total income showed very uncommon trend for last ten years. The net profit to total assets ratio showed a slow growth.

17. The working capital to total assets showed the continuous growth from 2003. Advances to working capital ratio showed the continuous growth during the last ten years.
SUGGESTIONS & RECOMMENDATIONS

7.6 On The Basis of Primary Data Analysis

1. The bank should reduce the minimum amount to be kept for maintaining cheque book because most of the borrowers and depositors are agreed with the condition but not with the amount which is to be kept for the same.

2. The customers of the bank are satisfied with e-banking services but bank should more focus on the advanced e-banking services with reliability of these services.

3. The customers of the bank are satisfied with e-payment facilities but bank should more focus on the reliability and security of these facilities.

4. The borrowers of the bank are mostly satisfied with loan procedure and rate of interest but bank should have to take efforts to increase advances.

5. The bank should have to accept the approach of the private and foreign banks to attract depositors and borrowers.

6. The borrowers are agreed that bank provides different schemes to increase its borrowers but bank has to communicate these schemes to borrowers in easier way as they feel.

7. The bank has to use new technology to provide regular update to its customers like email banking, SMS banking etc.

8. The most of the customers are agreed that they are satisfied with the services of the bank but bank should focus on giving more reliable services to its customers.

9. The bank should update its formats of financial statements to present financial positions which should include the entire disclosure norm laid down by the RBI.

10. The bank should organize some training and development programmes for its employees to make them update with new technology and accounting software of the banking sector.

11. The bank should develop new strategies to compete with the private and foreign banks in the world of globalization. Therefore bank has to focus on increasing its customer’s network by providing attractive and beneficial schemes to different levels of employees.
12. The cooperative education programmes should be organized for all levels of employees to make them aware with the concept of Cooperation and its principles and its importance to the society.

13. The bank showed enough growth in Membership but bank has to focus on the same in future also because there is competition with private and foreign banks and these banks are very much sound by funds and technology.

14. There is no significant growth in over dues but bank has take some efforts to maintain this kind of trend by making separate loan recovery cell in every branch.

15. The productivity per employee of the bank is satisfactory but bank has direct their employees to increase their productivity per employee.

16. The bank has to be enough alert and competitive with other cooperative banks private banks and foreign banks to make financial policies more effective than other cooperative banks.

17. The financial policies of the bank are more or less similar to other cooperative banks therefore the bank has to frame their financial policies in such way to attract its customers more and more as compared to other cooperative banks.

18. The bank has to take some measures to avoid direct and indirect impact of other cooperative banks, private banks and foreign banks on its financial policies of the bank.

**7.7 On the Basis of Secondary Data Analysis**

1. The bank should keep watch on their over dues and sincere recovery efforts should be taken place to reduce over dues. For this purpose enough care should be taken place while granting advances to its members.

2. The bank should develop its network of borrowers for advances purpose in urban and semi urban areas. So that bank can easily indentify its common borrowers.

3. There should be only one controlling authority instead of dual control authority.

4. Free reserves and earmarked reserves should be shown separately.

5. Branch adjustment shown in balance sheet should be made simpler such easy so that it will be reader friendly.
6. Report on Corporate Governance should be published in annual reports mandatorily.

7. There is an increase of dissatisfaction among the bank employees and management regarding 90 day’s limit of NPA. Therefore time limit of 180 days of NPA should be restored.

8. The bank has to keep its members aware about the importance of financial statements. Bank should take initiative to train its members for developing an analytical approach about the financial statements.

9. The bank should arrange training programmes on financial management to train its employees.

10. The tenure for directors of the bank should not be more than 5 years in his lifetime to avoid wasted interest.

11. If the above suggestions are considered and implemented then the financial position of the bank will improve and their financial statements will act positively.

12. The bank should provide advanced banking services to the customers. The readiness of the customers to adopt banking services that require advanced technology is in fact a bright business prospectus to the banks.

13. The bank should focus on new and innovative programmes to attract its depositors and borrowers.

14. It is suggested that to cope up with the competitions from the nationalized, private and foreign banks, to design appropriate operational strategy like value added services, personalized attention etc.

15. Taking into consideration NPA provision and its adverse effect on net profit of bank should strengthen its recovery system. The bank has to take care while sanctioning the advances and bank has to speed up recovery of their over dues.

16. The bank should focus on depositors to increase the amount of deposits. Therefore bank has to improve its network in respective areas.

17. The bank showed satisfactory increase in Investment but the bank should divert more amounts of reserves and surplus to Investment in future.

18. The bank should focus on the net profit because the net profit showed more ups and downs during last ten years.
19. The percentage of net profit to total income is not up to the mark. Therefore bank should focus on generating more income. If bank generates more incomes automatically the percentage of net profit gets improved.

20. The bank is having small borrowers who borrowed less than Rs. 50000; therefore bank has to attract high amount borrowers also by providing their attractive schemes.

21. The percentage of Gross NPA is slightly more therefore bank should take some major steps to reduce its Gross NPA.

22. The bank should set one separate cell for recovery of loan and monitoring the loan activities.

23. The bank should give more stress on Internal Audit to make financial statements more reliable and automatically the transparency of the financial statements get improved.

24. The bank should focus on improving the percentage of Operating profit to working fund which is very uncommon from 2005.

25. The bank should focus on the net profit to net assets ratio because it showed very slow growth during last ten years.

7.8 Scope for Further Research

There is a scope for conducting further research. Due to paucity of time, the survey was confined to Pune city only. Therefore it is difficult to generalize, hence, the area to be covered for such survey should be much larger and in different regions. In addition, a large number of customers of the bank would like to response about the bank performance. In order to understand their needs and expectations from the bank, it would have been a good idea to from a bigger sample of such customers.

The study basically confined the financial performance analysis of the bank but it is appreciated non-financial issues also. As of today, very few parameters of judging the financial performance analysis are considered. Hence there is scope to develop a model for judging the financial performance analysis for the bank. Despite these constraints the present study has lot of relevance to the bank, Cooperative department, Government and the society at large.
7.9 Conclusion

Credit Supply was started in India through primary cooperative societies as per the cooperative act of 1904. The origin of urban credit movement in India can be traced to the close of 19th century. The urban cooperative banks tried to do for the small traders, small merchants and the middle class population of the city.

The owned capital working capital, deposits, the loans and advances, Reserves and paid up share capital of urban cooperative banks in Pune shows on an average positive growth rates during the study period. The increasing share of reserves and decreasing share of paid up share capital in total owned funds indicates the increasing self reliance of urban cooperative banks in Pune.

The study has shown that during the period 2002-2003 to 2011-2012 the urban co-operative banking sector witnessed substantial growth, possibly encouraged by the liberalized policy environment in post reform period. During the past ten years, the number of UCBs decreased due to ongoing consolidation process of the UCB sector in the form of merger/ acquisition among financial viable bank and exit of the non-viable ones, there was a concentration of number of UCBs in grade-I and II.

Gross NPAs as well as Net NPAs ratios declined during the same period implying improvement in asset quality for the UCB sector. The study also shows that overall financial performance of UCBs improved during the study period. UCBs should proactively adopt Corporate Governance and should not wait for its imposition by statute for the development of UCB sector. For the implementation of Corporate Governance Board of Director plays very crucial and vital role. Therefore, The Board of Directors of UCBs should implement professional management approach. Reserve Bank of India and government should co-operate with UCBs for their development.

The Cosmos Cooperative Bank Ltd is the one of the oldest cooperative bank in Pune. Recently the bank has completed its 106 years of prompt and honest services to its customers. During these 106 years the bank has showed a tremendous growth in terms of deposits, loans and net profit.

During these 106 years bank has seen a lot of ups and downs in economy and gone through the different phases also. Therefore I think that the above mentioned
suggestions are implemented rigorously in the bank then the financial performance of the bank will be remarkable in future also.

The bank has witnessed of increase in membership during the period of 2002-03 to 2011-12 with a positive growth of 12695 members in the year 2012 and the share capital during this period shows 240.22% increase over the base year. There is significant growth of share capital in the bank. The reserves of the bank showed very uncommon trend during the last ten years. It showed a slight exception in its growth. The deposits have increased during the period of ten years. It has shown 31.99% over the base year.

The total deposits of the bank have shown a high growth. The increase in the volume of deposits during the decade has been higher due to the adoption of daily saving deposit scheme; the deposits have increased by 6 times in 10 years. During the study period, it has been witnessed that the bank is self reliant, and has not depended upon outside sources. As far as the total advances are concerned loans and advances have shown continuous growth over the base year with slight exception.

Though, the amount of over dues has decreased in percentage during the period of study. The income of the bank has recorded increasing trend in the composition of income over the period. Out of the total income, interest on loans has formed the largest proportion, followed by interest on investments and other income. The expenditure of the bank has been showing a continuously increasing trend.

The total profits and the profits per share have been showing positive trend. The net profit earning capacity of the bank is good enough during the study period. This shows that the bank is at remarkable stage and earns more profits during the forthcoming years.

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