Findings and Suggestion
CHAPTER 7

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CHAPTER 7

FINDING AND SUGGESTIONS

7.1 Introduction

The topic of this research is “The Critical Study of the Performance of the Selected Co-operative Banks in Pune city.” (2006-07 to 2010-11)

This thesis is divided into seven chapters. The research is presented in five parts as given below:

Findings

Findings are based on chapter 5 and 6 comparative analysis of the performance of selected Urban Co-operative Banks in Pune city:

7.2 Performance of Selected Urban Co-Operative Banks in Pune

The researcher has selected five U.C. Banks in Pune. Cosmos Co-operative Bank is oldest, established in 1918, Janata Co-operative Bank in 1949. Vishveshwar Co-operative Bank is established in 1972 and Shri Sharada Co-operative Bank is established in 1978.

Cosmos and Saraswat Co-operative Bank have their jurisdiction in Maharashtra, Andhra, Tamilnadu, Karnataka, Goa and New Delhi. Shri Sharada Co-operative Bank is limited to Pune district. Vishveshwar Co-operative bank has
jurisdiction in Pune, Mumbai, Sholapur districts, while Janata Co-operative Bank is in the 7 district in Maharashtra State.

7.2.1 Bank-wise Progress is given below:

(A) Cosmos Co-operative Bank:
It has added 10 to 15 branches in 2009-10. The merger of weak banks into Cosmos Co-operative Bank has strengthened its position. Separate loan system is introduced for small scale & medium scale industries. It has forex department. It has provided ATM, Visa Debit Card, SMS banking Demat Service, Insurance etc.

(B) Saraswat co-operative Bank:
Its mission statement is to sustain by adopting highest standards of professionalism and excellence in all the areas of working. The bank has a network of 223 fully computerised branches covering six states viz Maharashtra, Gujrat, M. P., Karnataka, Goa, & Delhi. In 1985 this bank got “scheduled” status Bank in 2008 launched the Branding Institute.

(C) Janata Co-operative Bank:
This bank was established on 18th Oct 1949. This bank kept the goal of helping economically weaker section of society. It has 37 branches and 2 extension counters. It got status of scheduled bank in 1988. The bank implemented core Banking Technology in 2005.

(D) Vishweshwar co-operative Bank:
This bank was established on 18th September 1972. It is leading non-scheduled multi state urban co-operative Bank. It has jurisdiction Maharashtra and Chikhali taluka of Karnataka state. It has 19 branches. This bank has successfully implemented Vishweshwar Infrati Project VIP-a Core banking solution project in 2007 having centralised date processing. Adopting innovative techniques the bank has achieved commendable success in recovery of over dues.

(E) Shri Sharada co-operative Bank:
This bank is established on 9th Feb. 1978, The bank has provided all minimum facilities to its customers. The Board of Directors is enthusiastic, well experienced and honest. All the branches are computerised.
7.2.2 Performance of Selected Co-operative Banks:

All these co-operative Banks have given satisfactory performance. Saraswat Co-operative Bank, Janata Sahkari Bank, Cosmos co-operative Bank have accepted merging of the weak co-operative banks in the state. These U.C. Banks introduced e-banking products including ATMS, Visa, Debit Card, Mobile Banking etc. Cosmos co-operative Bank provided real time Gross settlement, National Electronic Funds Transfer, Cosmos Visa Debit Card. Janata co-operative Bank has RTGS membership and NFS (National Financial Switch) membership.

(A) Human resources:

Maximum 2251 employees are in Saraswat Co-operative Bank in 2006-07 followed by 1571 employees with Cosmos Co-operative Bank 672 employees with Janata Co-operative Bank 227 employees with Vishweshwar Co-operative Bank and 107 employees in Shri Sharada Co-operative Bank. These Banks are aware of the importance of quality of Human resources in the development of the bank. The banking operations are now specialised function requiring very professional work force.

(B) Membership:

The highest numbers of 123169 members were with Saraswat Co-operative Bank followed by 12349 members of Vishweshwar Co-operative Bank. 100541 members of Janata Co-operative Bank, 45566 members of Cosmos Co-operative Bank and 6495 members in Shri Sharada Co-operative Bank in 2006-07.

This membership increased by 31.98% in 2010-11 in Saraswat Co-operative Bank, 23.31% in Janata Co-operative Bank, 33.80% in Cosmos Co-operative Bank and 26.50% in Vishweshwar Co-operative Bank as compared to the membership in respective bank in 2006-07.

(C) Paid up capital:

The highest paid up capital of ` 76.64 cores in 2006-07 and ` 121.11 cores in 2010-11 in Cosmos Co-operative Bank. The paid up capital increased from ` 68.77 cores in 2006-07 to ` 102.83 cores in 2010-11 in Saraswat Co-operative Bank. It increased from ` 14.97 cores in 2006-07 to ` 68.75 cores in 2010-11 in Janata Co-operative Bank. It increased from ` 12.70 cores in 2006-07 to ` 23.32 cores by 91% in 2010-11 in Vishweshwar Co-operative Bank. Finally Shri Sharada
Co-operative Bank succeeded in increasing its paid up capital from ` 1.48 crores in 2006-7 to ` 26.67 Crores in 2010-11

(D) Reserve fund:
Saraswat Co-operative Bank is on the top in maintaining the reserve fund of ` 973.62 crores in 2006-07 which increased by 28.37% reaching to ` 1370.65 crores in 2010-11. It is followed by Cosmos Co-operative Bank with its reserve fund of 432.10 crores in 2006-07 which increased by 116.20% reaching it to the level of ` 934.87 crores in 2010-11. Vishweshwar co-operative Bank had reserve fund of ` 20.37 crores in 2006-07 & ` 41.22 crores in 2010-11. Janata co-operative Bank claimed an increase by 61.53% in its Reserve Fund of ` 13.75 crores in 2006-07 and ` 21.18 crores in 2010-11. Shri Sharada Co-operative Bank had Reserve Fund of ` 12.05 crores in 2006-07 which increased by 46.47% reaching to ` 17.65 crores in 2010-11.

(E) Working Capital:
Saraswat Co-operative Bank was on the top with its working capital of ` 10745.47 crores in 2006-07, which increased to ` 19186.27 crores in 2010-11. The Cosmos Co-operative Bank was second with its working capital of ` 4928.16 crores in 2006-07 which increased to ` 10599.54 crores in 2010-11. Janata Co-operative Bank has increased its working capital from ` 2469.81 crores in 2006-07 to ` 89.26 crores in 2010-11. Vishweshwar Co-operative Bank increased its working capital from ` 427.03 crores in 2006-07 to ` 810.46 crores in 2010-11. Shri Sharada Co-operative Bank had working capital of ` 132.82 crores in 2006-07 which increased by 54.09% reaching it to ` 210.12 crores 2010-11.

(F) Deposits:
Saraswat Co-operative Bank is on the top in respect of mobilisation of deposits. It had total deposits of Rs 8924.84 crores in 2006-07 which increased by 77% reaching it to rs 15800.96 crores in 2010-11. Cosmos Co-operative Bank is second in getting total deposits of Rs 4265.55 crores in 2006-07 which increased to rs 9136.66 crores in 2010-11. Janata Co-operative Bank registered an increase of 111.47% in its deposits mobilisation from rs 1568.11 crores in 2006-07 to rs 3316.91 crores in 2010.11. Vishweshwar Co-operative Bank gor Rs 428.23 crores in 2010-11 which increased from rs 379.87 crores in 2006-07.. Shri Sharada Co-
operative Bank had total deposits of ` 114.32 crores in 2006-07 which increased to ` 181.91 crores in 2010-11.

(G) Investment:

Saraswat Co-operative Bank had total investment of ` 4911.41 crores in 2010-11. It was followed by Cosmos Co-operative Bank with total investment of ` 2758.94 crores in 2010-11. Janata Co-operative Bank had total investment of ` 1305.57 crores in 2010-11, followed by Vishweshwar Co-operative Bank with total investment of ` 301.64 crores in 2010-11 and Shri Sharada Co-operative Bank with its total investment of ` 53.52 crores in 2010-11.

(H) Treasury Operations:

1) Cosmos Co-operative Bank:

The treasury department of Cosmos Bank adopted latest state of art technology total investment of bank of ` 3003 crores earned income of ` 209.55 crores in 2010-11

2) Saraswat Co-operative Bank

Its treasury department was responsible to comply with R.B.I requirements viz CRR & SLR.

3) Janata Co-operative Bank

Its treasury department extended its bottom line to strengthen its financial position. Its investment helped to give liquidity management by providing rising returns on investment.

(I) Advances:

Cosmos Co-operative Bank is on top in advancing ` 6384.27 crores in 2010-11 and ` 2448.38 crores in 2006-07. Saraswat Co-operative Bank gave advances of ` 1166.87 crores in 2006-07 and ` 1119.91 crores in 2010-11. Janata Co-operative Bank gave advance of ` 2246.10 crores in 2010-11 and ` 1057.16 crores in 2006-07. Shri Sharada Co-operative Bank has extended credit of ` 70.16 crores in 2010-11 which was 48% of ` 47.49 crores in 2006-07.
(J) Overdues of Loan:


(K) NPA:

Janata Co-operative Bank had highest percentage of 3.71% in 2006-07 followed by Cosmos Co-operative Bank to 1.78% in 2010-11. Saraswat Co-operative Bank and Shri Sarada Co-operative Bank had zero NPA during the period from 2006-07 to 2010-11.

(L) Profit:


(M) Audit Classification:

All the selected urban Co-operative Banks in Pune city have got ‘A’ grade during the period from 2006-07 to 2010-11.
7.3 Finding and Interpretation of the Data

The findings of testing the hypotheses are as follows:

7.3.1 Finding of Hypothesis No.1

Debt-paying ability of selected co-operative banks is affected by their profitability and operational cash flows.

The data of 5 years during 2006-2011 with 5 selected co-operative banks in Pune city, the findings of sub-hypotheses of hypothesis No. 1 are as below:

Sub- Hypothesis No 1.1

There is a significant relationship between OP /TA and LL/FA ratio.

For this hypothesis, OP /TA and LL/FA are calculated yearly during 2006-2011. Based on the results of OP / TA on the LL / FA, the statistic calculated is in the negative critical region and the hypothesis is approved inverted. In Co-operative Banks selected population, the effect of OP / TA on the ratio of LL / FA is accepted at the confidence level of 90%.

Based on the results of regression analysis, a higher level of OP / TA ratio leads to a lower level of LL / FA. That is, by increasing OP / TA ratio in selected co-operative banks, the ratio LL/ FA decreases and vice versa.

Sub- Hypothesis No 1.2

There is a significant relationship between NP/TE and LL/FA ratio.

For this hypothesis, NP/TE and LL/FA are calculated yearly during 2006-2011. Based on the results of the impact of NP/TE ratio on LL / FA ratio, the statistic calculated is located in the positive critical region and the research hypothesis is directly approved. In the population selected, NP/TE impact on the long-term debt ratio is accepted at 90% confidence level.

Based on the results of regression analysis, a higher level of NP/TE leads to a higher level of LL / FA ratio. In Co-operative banks selected, by increasing NP/TE ratio, the ratio of LL / FA will be increased and vice versa. Indeed, the increase and decrease of NP/TE is significant and remarkable.
Sub- Hypothesis No 1.3  
**There is a significant relationship between NCFOP/TA and LL/FA ratio.**

For this hypothesis, NCFOP/TA and LL/FA are calculated yearly during 2006-2011. Based on the results obtained from the effect of the ratio of operating cash flow on the long-term debt, the calculated statistics is in the positive critical region and the research hypothesis is directly approved. That is, the population selected accepted the influences of operating cash flow on the long-term debt at 90% confidence level.

According to the results obtained from the regression analysis, a higher level of cash flow leads to a higher proportion of long-term debt. That is, the increase of operating cash flow in the selected co-operative banks, cause to rise the long-term debt ratio and vice versa. In fact, any increase and decrease in operating cash flow is remarkable and significant.

Sub- Hypothesis No 1.4  
**There is a significant relationship between OP /TA and TL/TA ratio.**

For this hypothesis, OP /TA and TL/TA are calculated yearly during 2006-2011. Due to the results of the ratio of OP / TA on the total debts (TL/TA), statistic calculated is in the negative critical region and research hypothesis is approved backwardly. That is, in selected co-operative Banks population, the effect of OP / TA on the total debt ratio is accepted at 90% confidence level.

Based on the results of regression analysis, a higher level of OP / TA ratio leads to have lower level of the total debts. That is, by increasing the ratio of OP / TA in selected co-operative banks, the ratio of total debt will be reduced and vice versa.

Sub- Hypothesis No 1.5  
**There is a significant relationship between NP/TE and TL/TA ratio.**

For this hypothesis, NP/TE and TL/TA are calculated yearly during 2006-2011. Due to the effect of NP/TE ratio on the impact of long-term debt, calculated statistics is in the positive critical region the research hypothesis is directly approved. In the selected population, the impact of NP/TE on long-term debt ratio is accepted at 90% confidence level.

Based on the results of regression analysis, a higher NP/TE leads to a higher proportion of long-term debt. That is, by increasing NP/TE ratio in Cooperative banks
selected, the ratio of long-term debt increases and vice versa. In fact, the increase and decrease of ROE is significant and impressive.

**Sub- Hypothesis No 1.6**

**There is a significant relationship between NCFOP/TA and TL/TA ratio.**

For this hypothesis, NCFOP/TA and TL/TA are calculated yearly during 2006-2011. Based on the effect of operating cash flow ratio to total debt, the statistics calculated is located in the negative critical area and the research hypothesis is approved inversely. That is, the selected population accepted the influences operating cash flow to total debt ratio at 90% confidence level.

Based on the results obtained from the regression analysis, a higher level of cash flow to total debt ratio leads to have lower levels of total debt ratio. That is, by increasing the operating cash flow in the selected co-operative banks, the ratio of total debt will be reduced and vice versa.

**7.3.2 Finding of Hypothesis No.2**

The selected Urban Cooperative banks in Pune have performed their duties satisfactorily.

The data of 5 years during 2006-2011 with 5 selected co-operative banks in Pune city, the findings of sub-hypotheses of hypothesis No. 2 are as below:

**Sub- Hypothesis No. 2.1**

**There is a significant relationship between EPS and ROA, ROE ratio.**

Based on the results obtained from the regression analysis on the impact of EPS on ROA and EPS on ROE the statistics calculated are located in the positive critical region and the research hypothesis is confirmed. The impact of them is accepted at 90% confidence level in the population selected. Namely, a higher level of EPS ratio leads to a higher level of ROE and ROA ratio. That is, by the increase of EPS, ROA and ROE ratio will be increased and vice versa in selected Cooperative banks.
Sub- Hypothesis No. 2.2
There is a significant relationship between DPS and ROA,ROE ratio.

The impact of DPS on ROE represents that calculated statistics is in positive critical region and research hypothesis is directly confirmed. That is, in the selected population, the impact of DPS on ROE is accepted at 90% confidence level. By the effect of DPS on ROA, calculated statistics is not in the critical area and the research hypothesis will be rejected.

Based on the results of regression analysis, a higher level of DPS leads to have a higher level ROE. By increasing the ratio of DPS in selected co-operative banks by increase, the ratio of ROE will be rose and vice versa. In fact, the rise and fall of DPS is significant and impressive. However, the increase or decrease of DPS will not cause to decrease or increase of ROA. In other words, the ROA is not depended to DPS.

Sub- Hypothesis No. 2.3
There is a significant relationship between CARA and ROA,ROE ratio.

Based on the effect of the CARA on ROA and ROE, calculated statistic is in negative critical region and the research hypothesis is backwardly approved. In the selected population, the impact of CARA on the ratio of ROA and ROE is not accepted at 90% confidence level.

According to the results of regression analysis, the increase or decrease of CRAR will not cause to decrease or increase of ROA and ROE. In other words, the ROA and ROE are not depended to CRAR.

Sub- Hypothesis No. 2.4
There is a significant relationship between TE/TA and ROA,ROE ratio.

Based on the impact of TE / TA on ROA, calculated statistics is located in positive critical region and research hypothesis is directly confirmed. That is, in selected population, the impact of TE / TA on ROA is accepted at 90% confidence level. By the effect of TE / TA on ROE, calculated statistics is not in the critical region and research hypothesis will be rejected.

Based on the results of regression analysis, a higher level of TE / TA leads to a higher level of ROA ratio. By the increase of TE / TA in selected cooperative banks, ROA ratio is increased and vice versa. The rise and fall of TE / TA is impressive and
significant. However, the increase or decrease of TE / TA will not decrease or increase ROE ratio. In other words, the ROE ratio in depended to TE / TA.

7.3.3 Finding of Hypothesis No. 3

**The selected Urban Co-operative Banks are not professional organizations.**

To evaluate the degree of correlation, the Pearson correlation matrix is used. The performance of these banks on different counts such as advance, deposit, branches, members, human resource, CARA and net profit explains that these banks are specialized.

Only CRAR has no significant relation to the other variables. Other variables have a direct and positive relation to each others. It means that these variables had not a significant increase together. The rate of correlation between these variables ranges from 0.70 to 0.995 representing a high correlation between variables. This hypothesis is false and nullified.

7.3.4 Finding of Hypothesis No. 4

**There is a need for co-operative banks in India vis-a-vis in Pune city due to customers need.**

As discussed in chapter 2 (Research Methodology) for the present study, the primary data have been collected by administering questionnaire separately to respondents belonging to each of the following three categories of people associated with selected five urban co-operative Banks (UCBs) in Pune city.

1) Directors
2) Officers
3) Members

For this hypothesis, 200 copies of the questionnaires containing 22 questions (Q.No.1-22) in questionnaire with special reference to **Members** (Q.No.1-9), **Officer** (Q.No.10-17) and **Chairman/Director** (Q.No.18-22) of Bank of co-operative banks would be considered and tested and also may be proved by t-student test.
The statistical amount is equal to 6.24. Null hypothesis is rejected at 95% of confidence level. Therefore, there is a need for co-operative banks in India vis-a-vis in Pune city due to customers need.

7.4 Conclusions

7.4.1 Conclusion of Hypothesis No.1:

For the survival of any business, it should be able to generate sufficient earnings and cash flows to do its obligations on time. Therefore, the profitability and operating cash flow are two important elements in the company's reliabilities and debts. To study the first hypothesis which says: **Debt-paying ability of selected co-operative banks is affected by their profitability and operational cash flows.**

The ratio of total debt (TL/TA) and the ratio of long-term debt (LL/TA) are used as two criterion to evaluate the ability to pay the debts. In addition, to measure the profitability, the ratio of net profit (NP/TE) and operating profit (OP/TA) is used. The results of the regression model represented that, there is a positive and significant relation between the net profit and variables related to the ability to pay the debts (total debt ratio, long-term debt ratio).

Such a result is not expected and it may make error under the effect of the measuring the net profit. Thus, the variable of operating profit ratio is used as a variable representing profitability for more confidence.

In this case, the results of regression models explain that, there is a negative and significant relation between the variable of operating profit and the variables representing the ability to pay the debts (total debt ratio, long-term debt ratio). Thus, by increasing the operating profit, the long-term debt ratio and total debt ratio will be reduced. It means that, the variable of operating profit has a direct impact on the ability to pay debts. That is, the rise of operating profit will increase the ability to pay the debts.

In addition, the regression test results of total debt ratio (TL/TA) to operating cash flow (NCFOP/TA) indicate a significant and negative relationship between these two variables representing that, by increasing the operating cash flow, the total debt ratio will be reduced. That is, the ability to pay the debts will be increased simultaneously by the rise of operating cash flow. However, in the regression model,
the ratio of long-term debt (LL/FA) to operating cash flow (NCFOP/TA) has not reached a conclusion and contrary to what expected, the relation between the two variables is positive and significant. It is unexpected. This may be due to the small sample and the lack of uniformity in financial statements classified items of cooperative banks under the study. However, it is necessary to investigate further.

7.4.2 Conclusion of Hypothesis No.2:

ROA and ROE, two common scales for evaluating the performance of outcome are the measurement of the assets and on equity returns. Corporate managers always are trying to increase the values in the market that is directly related to the purpose of increasing earnings per share.

Due to the lack of market prices for the banks under the study, it can be concluded that if the cooperative banks managers aim to maximize EPS and simultaneously ROE and ROA, they have done the best. The results of the regression model of ROA on EPS represent that there in a positive and significant relation between 2 variables indicating that the managers are following the maximum of EPS and the increase of ROA.

Therefore, it can be said that co-operative banks have done their duties satisfactorily. It will be reinforced by considering the regression results of capital adequacy ratio on the ratio of ROA and ROE.

7.4.3 Conclusion of Hypothesis No. 3:

To evaluate the professional performance of co-operative banks, Pearson correlation test is used between growth variables. The result is that if the selected population have worked professionally, all aspects of banks performance are appropriate for the growth. Otherwise, they have grown inappropriately. The results of Pearson correlation Test indicate that there is a significant and positive correlation relation between the rates of variables change (growth). It represents that banks under study have worked professionally and only the variable of capital adequacy ratio had no change. Therefore, bank managers must find the reason.
7.4.4 Conclusion of Hypothesis No. 4:

As we have observed that (Need for urben co-operative banking), the joint stock banks are not interested in providing credit to the urban middle class. This is because of its disadvantages of high cost of advancing and receiving them. The joint stock Banks did not have intimate knowledge of standing and resources of persons of moderate means under this situation. There was urgent need of co-operative banking in India’s in general and in Pune city in particular.

Also for this hypothesis, the researcher has collected data by questionnaires and analysis them. The result of the T- test indicates that, there is a need for co-operative banks in India vis-a-vis in Pune city due to customers need.

7.5 Suggestions

1) The respondents desire that each bank should expand its branch network. This may help the bank to expand its banking business and cover small traders, businessmen, artisans.

2) Prompt service to the customer by the Urban Co-operative Bank is the need of the day. These banks must pay attention to the customer in providing him better service.

3) The Urban Co-operative Banks must acquire the confidence of the customers by providing 100% deposits the insurance coverage.

4) In order to improve Credit Deposit ratio, the banks should lend more than investment. Such loan may be given to weaker section in society. Along with the Self Help Groups in its jurisdiction.

5) The banks can undertake Non Fund base business, which covers locker provision, commission based banking services.

6) There should be functional diversification all these banks must upgrade the technology and adopt modern banking practices.

7) The mission of each bank must make an attempt to accomplish the organizational objectives adopting highest standard of professionalism in all areas and at the same time have an intimate approach towards all customers.
8) The specific business strategy of these banks must be to ensure excellence in “quality” embedded in all its product and services at an optimum cost, by strictly complying with the regulatory requirements. The bank should adopt computerization of its branches at the earliest to provide e-banking services.

9) The investment and credit policies of all these selected banks must spell clearly various risks embedded with these business lines and also militarizing measures for the same.

10) The banks must encourage young members to be on Board of Directors.

11) The working hours of the banks must be changed as per convenience of the customers.

12) The banks should give wide and house to house publicity through media to its various schemes of deposits.

13) The banks should take effective steps for recovery of loan to reduce high inefficiency in this regard.

14) These banks must take effective steps to train its supervisory staff in co-operative Laws, recovery methods and friendly relationship with the clients for effective supervision.

15) The banks should take active steps to increase its own funds.

16) The banks should arrange seminars, workshops and training programmers for its Board of Directors, Members of bank and the employees of the bank.

17) In order to face competition, the U.C. Banks, must adopt CAMELS system so as to enable them to improve their efficiency.

18) The Reserve Bank of India has adopted rating such as At, A, B+, B, B-, totally 10 grades. But it may reduce the public confidence in bank which is given ‘A’ grade. This minus gradation must be abolished.

19) This Urban Co-operative movement must spread this movement to such states where such U.C. Banks are not in existence.

20) The Reserve Bank of India must give permission to U.C. Banks to accept deposits more than one lakh from public trusts, so that they may add to their financial strength.

21) The Board of Directors must be compelled to deposit at minimum Rs. 2 lakhs for a period of five years in the bank. This may imbibe the responsibility among the Directors of the Bank.

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22) The recovery of loan must strictly be followed. The persuasion, appeal to recover the loan be made first and finally adopt legal measures for recovery.

7.6 Scope for Further Research

The study has made an attempt to have comparative analysis of the performance of selected five U.C. Banks in Pune city during the period from 2005-06 to 2010-11.

There is still scope for researcher to study the UCBs in other districts in respect of their performances. Further a researcher may analysis the performance of UCBs and other nationalized banks in same city.

There is also scope for further study to evaluate the banking polices of the Reserve Bank of India in respect of Co-operative Banks.