Chapter VI

Findings, Conclusion and Suggestions of the Study
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FINDINGS, CONCLUSION AND SUGGESTIONS

INTRODUCTION

Urban Cooperative Banks have obtained strategic importance in the new economic environment. Significant development has taken place in the diversification of bank lending for certain sectors like agriculture, SSI, tiny industrial unit, small transport operations, retail traders, professional micro enterprises etc. These sectors had neglected by Commercial Banks which were now receiving credit from UCBs. These banks focus on mobilizing the deposits and enhancing the lending performance in urban areas. At the same time, increase in loans and advances should not result into low recovery and poor management of funds. Therefore, studying the progress and growth of urban banks would be helpful to understand the effective performance of the bank and the acceptability of these banks by the urban people. This chapter presents the major findings of the study, conclusion and suggestions.

PROFILE OF SAMPLE UCBs

- All sample UCBs have crossed the age of more than 75 years. GT and VLA UCBs were the oldest banks.

- The membership position had recorded increasing trend in all the years of the study period except PUW and SDT UCBs.

- The share capital position of SDT, TNR and VLA UCBs had fluctuated during the study period. Except the LAGR of GT and PUW showing 1.75 lakhs and 0.38 lakhs respectively, all other UCBs had recorded negative growth rate.
• Reserve fund position of all the UCBs increased over the years of the study period. The LAGR of TNR UCB was more than the overall mean of UCBs. The CAGR of SDT and TNR UCBs were more than this overall mean.

• The other reserves except NPAs provision of the UCBs had recorded tremendous growth during the study period. The CAGR of only SDT and TNR UCBs were found below the overall mean.

• The deposit position of GT and VLA UCBs had recorded growth more than two times in the year 2006-07 as against the position of deposits in 1997-98. The growth rates of AGR and LAGR were negative in SDT UCB.

• The interest on deposits of the GT and VLA UCBs had been increasing over the years. The LAGR and CAGR of all UCBs had registered negative growth so that the overall UCBs mean had also shown negative growth.

• The borrowing position of SDT UCB was almost absent in all the years except last two years at the end of the study period. Though the borrowings position of TNR and VLA UCBs was heavy in 1997-98, these banks did not have any borrowings in 2006-07.

• The working capital position of all sample UCBs recorded an increase at the end than compared to the beginning of the study period except SDT UCB. The LAGR of GT UCB stood Rs.520.89 lakhs which was three times more than the overall mean.

• The position of investment of sample UCBs had registered tremendous increase during the study period. The mean value of GT UCB was quite appreciable which stood two times (Rs.1985.60) above the overall mean (Rs.742.33 lakhs).
The loans and advances position of all UCBs had been increasing over the years except SDT UCB. The LAGR and CAGR of GT, PUW and VLA UCBs found more than the overall mean.

The total assets position of GT and VLA UCBs had heavily grown at the end of the study period which stood Rs.14945.67 lakhs and Rs.4894.24 lakhs respectively.

The gross NPAs position of sample UCBs had recorded several fold increase in GT and PUW UCBs. The AGR of GT, PUW and VLA UCBs were more than the overall mean.

The standard assets of all sample UCBs had grown over the years of the study period except the SDT UCB. The mean value of GT was doubled than the overall UCBs mean which stood Rs.2207.94 lakhs.

The substandard assets position of all sample UCBs was fluctuating during the study period. The CAGR of GT and PUW UCBs was recorded the highest growth whereas this growth rate of all other UCBs and overall mean of UCBs stood negative growth.

The doubtful assets of the UCBs had been heavily increasing during the study period. The AGR of VLA UCB was more than the overall mean which stood 64.09 percent during the study period.

The loss assets of the UCBs had been heavily increasing during the study period except PUW UCB. The mean values of GT and TNR UCBs were more than the overall UCBs mean.

Net NPAs positions of GT, PUW and VLA UCBs had been increasing heavily over the years of the study period. The growth rates of LAGR and CAGR were positive in all the UCBs except SDT and VLA UCBs.
The provision of NPAs had been highly appreciable in GT and VLA UCBs which stood Rs. 799.17 lakhs and 259.29 lakhs respectively in 2006-07.

The loss position of GT and TNR UCBs stood Rs. 24.06 lakhs and 26.62 lakhs in 1997-98. But it had improved over the years and showed Rs. 44.88 lakhs and 19.68 lakhs respectively in 2006-07.

The numbers of employees of the sample UCBs had decreased in the year 2006-07 except SDT UCB which stood 16 employees constantly throughout the study period.

FINANCIAL PERFORMANCE OF SAMPLE UCBs

The ratio of interest earned to total income was highly fluctuating in all the UCBs. This ratio had decreased at the end of the study period in all the banks except GT UCB which stood 98.10 percent.

The ratio of interest paid to total income of UCBs had fallen in 2006-07 in all UCBs. The mean value of this ratio stood 51.47 percent in 2006-07 as against 72.07 percent in 1997-98.

The ratio of total income to working capital of all UCBs had declined in 2006-07. The growth rates of AGR, LAGR and CAGR had been recorded negative trend irrespective of all the UCBs.

The ratio of total expenditure to total income was more than 100 percent in TNR, VLA and GT UCBs. Though this ratio had reduced in TNR and GT UCBs, over the years of the study period, VLA UCB recorded higher ratio upto 115.15 percent in 2006-07.

The ratio of establishment expenditure to total expenditure had increased in all UCBs at the end of the study period. The SDT UCB
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(32.64 percent) and TNR UCB (29.53 percent) had recorded higher ratio than other UCBs.

- Ratio of Net profit to total income was high in SDT UCB which recorded 11.63 percent of the ratio in 2006-07. Only LAGR of GT UCB was more than the overall UCBs mean.

- Ratio of net profit to total deposit was higher in SDT UCB (1.08 percent) than compared to all other UCBs. This ratio of all UCBs had increased at the end of the study period except VLA UCB.

- The ratio of net profit to spread had decreased in PUW and SDT UCBs in 2006-07 showing 16.24 percent and 20.98 percent respectively.

- The ratio of net profit to total assets was below 1 percent in all the UCBs in 1997-98. In the year 2006-07, SDT UCB had recorded 1 percent.

- The ratio of net profit to working capital of SDT UCB (1.04 percent) was higher than all UCBs. The mean values of SDT and TNR UCBs had recorded higher growth than the overall mean registering 0.71 percent.

- Per employee deposits of GT and VLA UCBs had recorded three fold increase in 2006-07. The AGR and CAGR of GT and VLA UCBs were found above the overall mean. The AGR and CAGR of SDT UCB had recorded negative growth.

- In the year 2006-07, VLA UCB had recorded higher growth in per employee loans and advances upto 81.41 lakhs than other UCBs. The AGR and CAGR of GT, PUW and VLA UCBs recorded high growth whereas the negative growth was observed in SDT UCB.
章 VI 找出、結論和建議

- 當期人員收入於UCBs於SDT UCB中為高，其值在1997-98為14.81萬。它比所有UCBs於2006-07中高於Rs.12.44萬。

- 當期人員支出於GT UCB於1996-97為低。它於2006-07中高於所有UCBs，其值為Rs.13.51萬。LAGR和CAGR於SDT和TNR UCBs中為負成長。

- 當期人員機構支出於GT UCB（3.64萬）於2006-07中高於所有UCBs。所有UCBs的AGR（除SDT UCB）於總平均值中為高於。

- 當期人員收益於SDT UCB於1997-98和2006-07中為高。它於所有UCBs中為高於VLA UCB，其值為-0.38萬於2006-07中。

- 當期人員收益於所有UCBs中為增加，但VLA UCB於2006-07中為-0.14萬。SDT UCB的平均值為大於總平均值。

- 比率於全部現金到存款於TNR UCB（7.97萬）於2006-07中為高於其他UCBs。所有UCBs的SDT和TNR UCBs的比率為大於總平均值。GT UCB的AGR為負成長。

- 投資比率於全部存款於TNR UCB於1997-98中為10.59萬，於2006-07中為46.10萬。GT和TNR UCBs的LAGR為獲得良好成長。

- 比率於貸款和透支於全部存款於TNR UCB於2006-07中為高於所有其他UCBs。比率於全部UCBs於1997-98和Rs.10.59萬於2006-07中為顯示負成長。GT和TNR UCBs的LAGR為獲得良好成長。

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However, only the AGR of TNR UCB was positive which stood 0.25 percent.

- Ratio of spread to total assets increased in all UCBs in 2006-07 except GT UCB (Rs.3.74 lakhs) and VLA UCB (Rs.-0.25 lakhs). TNR UCB had higher ratio upto Rs.4.79 lakhs in 2006-07 than all other UCBs. The LAGR of PUW UCB was higher than the overall mean with stood 0.19 percent.

- The ratio of cost of management to working capital was found lower in GT UCB (4.96 percent) and VLA UCB (4.46 percent) than compared to other UCBs in 2006-07. The mean values of GT and TNR UCBs were greater than the overall mean value.

- Gross NPAs of TNR UCB was higher in 1997-98 and in 2006-07 than compared to all UCBs showing 22.09 percent and 32.25 percent respectively. The AGR of all the UCBs was higher than the overall mean except SDT UCB which stood 6.4 percent.

- TNR UCB had high percent of net NPAs upto 21.79 percent in 2006-07. The mean values of GT and TNR UCBs were greater than the overall mean value. The AGR of all UCBs had recorded higher growth than the overall mean.

- Gross problems assets ratio was higher in TNR UCB showing upto 16.39 percent. The AGR of all the UCBs was greater than the overall mean except SDT UCB.

- Net Problem Assets Ratio was high in TNR UCB upto 12.31 percent in 1997-98 and 9.6 percent in 2006-07. The AGR of all the UCBs were greater than the overall mean except SDT UCB.

- Sub standard assets ratio of GT UCB was high upto 36.48 percent in 2006-07. The mean value of GT and TNR UCBs was higher than
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the overall mean value. The growth rates, AGR, LAGR and CAGR of all the UCBs had attained negative growth.

- Doubtful assets ratio of PUW UCB was high upto 86.46 percent in 2006-07. The LAGR and CAGR of PUW and SDT UCBs found lower than the overall mean whereas these growth rates with regard to doubtful assets of all other UCBs had been increased over years.

- The loss assets ratio of SDT UCB recorded high growth upto 29.47 percent in 2006-07. The AGR of all the UCBs recorded higher growth than the overall mean except TNR UCB.

- Provision ratio of all the banks had recorded considerable growth at the end of the study period. AGR, LAGR and CAGR recorded higher growth than the overall mean in GT and VLA UCBs.

- From the regression coefficients, it was found that share capital has a positive effect on net profit whereas borrowings, loans and advances and total deposits have negative effect on net profit. However these independent variables did not significantly affect the net profit as indicated by the t-test results so that hypothesis \( HO_1 \) was accepted.

- All the sample banks had high positive correlation (0.80 & above) between the working capital and loans and advances. Working capital was found to have significant effect on loans and advances at 1 percent level so that the hypothesis \( HO_2 \) was rejected. Likewise, Working capital was found to have significant effect on total assets at 1 percent level Therefore, the hypothesis \( HO_3 \) was also rejected.

- Gross NPAs was found to have significant effect on loans and advances at 5 percent level for all banks except SDT and TNR
UCBs. So, \( H_{04} \) was accepted in these UCBs whereas it was rejected in GT, PUW and VLA UCBs.

MEMBERS’ PERCEPTION TOWARDS THE SERVICES OFFERED BY THE UCBs

i. Demographic Profile of the Members

- Majority of the respondents (48.3 percent) were in the middle age group. 39.7 percent of the members were in the old age group.

- More than 85 percent of the members of the sample were male. Only 13.4 percent of the members were female.

- Majority of the respondents had secondary school of education which stood 49.7 percent.

- More than 45 percent of the respondents were private employees and followed by 30.6 percent of them were self-employed

- In the study area, More than 60 percent of the respondents had the income between Rs.5001-10000.

- Majority of the respondents (36 percent) have less than 4 members in their family.

ii. Members’ Perception towards the Services offered.

- Among the services of UCBs, members had positive attitude towards the general banking services and low level of satisfaction with counseling services.

- 49.43 percent of the members were in the moderate level of satisfaction with the counseling services of UCBs.

- It was meticulously observed that the 28 percent of members were at the low level of satisfaction towards the general banking services
offered by the UCBs. They expected the adoption of sound technologies in the line of banking and the dynamic performance of the bank to cater their deposit and loan needs.

- Maximum of 56.8 percent of the old aged members were in the moderate level of satisfaction with the services of UCBs.

- Maximum of 51.8 percent of the male members were in the moderate level of satisfaction with the services of UCBs.

- 50 percent of the members who posses the qualification upto HSC were in the moderate level of satisfaction with the services of UCB.

- Maximum of 52.2 percent of the members were private employees having moderate level of satisfaction with the services of UCB.

- Maximum of 40.9 percent of the members’ monthly income between 5001 and 10000 were in the moderate level of satisfaction with the services of UCBs.

- Maximum of 45.4 percent of the members who had family members upto 3 were in the moderate level of satisfaction with the services of UCB.

- It was proved that there was no association found between cluster of members’ perception and the age, education, monthly income and family size. Therefore, the null hypothesis \( H_0 \) was accepted.

On the other hand, as there was association found between the cluster of members’ perception and sex and occupation, the null hypothesis \( H_0 \) was rejected.
CONCLUSION

In recent years, there has been a significant growth in the performance of UCBs in the country. They have grown not only in number, but also in size and complexity of their operations. A need has, therefore, arisen for reviewing the role of these banks in the banking system and for ensuring their future growth on sound lines. Therefore, studying the financial performance of UCBs has become the need of the hour in various parts of the country. In this connection, as there is wide scope to spread the activities of UCBs in Chennai district, the present attempt throws light on the financial performance of these banks and the perception of members. These banks have attained tremendous growth in contributing owned funds and reserves, mobilizing deposits, granting loans and advances. At the same time, mounting NPAs questions the liquidity and viability of these oldest UCBs which needs for sincere efforts in the way to make it self-reliant and win the support and confidence of the public.

SUGGESTIONS

The following suggestions were offered for improving financial performance of UCBs in Chennai District.

Mobilization of More Deposits

Even though the bank performance in mobilization deposits was satisfactory, there are opportunities to accumulate more deposits, which help to strengthening the working capital and the performance. For this purpose the deposit drive with celebrations, personnel contact programs, member related programs, incentive to the employees, etc., may be arranged.
Democratic Management

The cooperative institutions are to be managed democratically to fulfill their own needs with the promotion of their efficiency. UCBs were managed through special officers with frequent changes which affected the performance of the banks. Hence the democratic member control may be properly implemented.

Ascertaining the repayment capacity of the borrower

The repayment capacity should be judged by the bankers not only taking into account technical feasibility of the project and the income of the borrower but also the social and economic status of the borrowers’ family must be checked by having direct enquiry.

Loans must be given to the entrepreneurs and not to the borrowers. It is the duty of the banker to check whether the loan reaches the needy person who utilizes it properly. This can prevent wilful defaulters.

Loan Supervisory Mechanism

Field officers can be appointed to appraise the projects for loan as well as the utilization of loans by the members. This will prevent the loans become NPAs.

Incentives to the Honest Repayers

Incentives can be given to honest repayers to create a better climate for repayment. The possibility of honouring best loanees and best employees during cooperative weak celebrations can be chalked out.

Post Sanction Supervision

At the post disbursement stage, bankers should ensure that the advance dose not become a NPAs by proper follow up and supervision to ensure both
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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 NPAs or not.

Creating Loyal Members

Members of the cooperatives are the owners and the users of the institutions. Financial health of UCBs depends on members' loyalty to the bank in the form of repaying the loan obligations within the due date. The mind set of the members to wait for loan waivers and lethargy to repay the loan should be eradicated through effective Member Education Programmes in the way to create loyal cooperators, which will reduce the NPAs at gross root level.

Computerization

Proper accounts maintenance, balancing the increase in the number of members and quick banking transactions become easy if all the branches of the bank will be computerized. It helps to meet out the increasing competition and expectations of the customers.

Innovative banking services

UCBs should design and market new products and services to meet stiff competition in the fields of products like telephone banking, credit cards and electronic fund transfers. Innovative services would maximize members' satisfaction.

The bank should take necessary steps to install more number of ATMs to attract more customers and to retain them. It will increase the prestige of the bank and fulfill the expectations of customers to deposit and withdraw money without wasting their time and energy.
NPAs Training Programme

A special training programme may be conducted for Chennai UCBs staff members to make them aware of consequences of increasing NPAs and instructions may be given to reduce the level of NPAs.

Special Mentioned Accounts

The UCBs were suggested introducing a new assets category between standard and substandard for their own internal monitoring and follow-up. In line with international best practices but keeping in view the local requirements, Assets may be transferred to this category once the earliest sings of sickness/irregularities are identified by the Early Alert System. Special Mentioned Accounts are not classified as NPAs. This would help the UCBs to look at the problems right from the beginning.

Recovery cells

UCBs should set up independent recovery and legal cell at their Head Office manned by well-qualified and competent Law Officers with adequate supporting staff for effective monitoring of recovery of accounts.

Attracting more number of members

The UCBs should attract more number of members to survive and sustain in this competitive environment. It should immediately take steps to fulfil the expectation of members such as full time banking operations, Electronic clearance, bill for foreign exchange, attractive deposit schemes, low rates of interest for loans, waiving the loans, computerization, simplified procedures, transparency, member grievance redressal and member education.