CONCLUSIONS AND RECOMMENDATIONS
CHAPTER - VII

CONCLUSIONS AND RECOMMENDATIONS

7.0 Introduction:

This topic shows the various conclusions drown on the basis of analysis of primary data collected in the field study as well as secondary data collected for the purpose of this study from libraries and expatriate’s opinions in the field on Non-agricultural Co-operative Credit Societies. The hypothesis has been tested and verified with the objects of this research work. Lastly recommendations are made on the basis of detailed examinations of the working of Non-agricultural Co-operative Credit Societies in order to improve their efficiency, profitability and survival of the Non-agricultural Co-operative Credit Societies for the benefit of middle class and common people of the society.

7.1 Conclusions:

The conclusions of the researcher in respect of various points are given below.

1. The majority of Shareholders / depositors / Loanees came from the group of the traders professionals, small scale businessmen, employees etc. They came together and formed the societies to get their economic needs fulfilled. The majority of Shareholders / depositors / Loanees came from middle class of society. It was observed that Non-agricultural Co-operative Credit Societies
were popular amongst all sections of the society. The Shareholders / depositors / Loanees are the managers and users also.

2. The majority of shareholders / depositors / loanees came from small families. It is observed that the shareholders / depositors / loanees come from the average family size that is 3 members per family. They pay the instalment regularly, as the family members are comparatively less. They are saving regularly for their future.

3. Only 12.62% shareholders / depositors / loanees have reported that they have more than one earning member in their families. Therefore, their family income has been increased. This factor leads to increase the per capita income as well as financial position of the family. These customers are the safe-customers for the Non-agricultural Co-operative Credit Societies.

4. While depositing money with financial institutions, shareholders / depositors / loanees gave the first preference to safety, then to the rate of interest given on deposits and they preferred service rendered by institution thereafter and lastly to personal contact of financial institution.

5. Shareholders / depositors / loanees have preferred the Unit trust and Mutual fund at the higher rank, where as the gold and
urban-banks are given middle choice and the nationalised banks and credit societies are given the last choice for investment.

6. Shareholders / depositors / loanees chose Non-agricultural Co-operative Credit Societies for investing their money because they fill the prompt service with personal touch and safety more important. Whereas efficiency in service and personal contact are considered thereafter. Prompt working and local institution factors are also important.

7. The shareholders / depositors / loanees have considered the various reasons for the savings. Most of the respondents have considered the reasons such as unpredictable expenses, saving for future, to get loan easily and predictable expenses preferentially.

8. The shareholders / depositors / loanees preferred fixed deposit and saving accounts.

9. It was observed that the officers and the directors of Non-agricultural Co-operative Credit Societies guide shareholders / depositors / loanees, while depositing money.

10. There are good relations between customers and officers. It helps to solve the difficulties of the shareholders / depositors / loanees.
11. No-delay at the time of repayment of deposit, observed at all the Non-agricultural Co-operative Credit Societies. It helps to achieve the faith of customers.

12. There were no complaints of shareholders / depositors / loanees about the working of Non-agricultural Co-operative Credit Societies. They found to be satisfied with the services offered by Non-agricultural Co-operative Credit Societies.

13. It was observed that the response of employees on the suggestions made by shareholders / depositors / loanees was quite satisfactory. If there is any mistake, the employees accept the mistake and correct it. They pay attention to complaints of shareholders / depositors / loanees. The relations between employee and shareholders / depositors / loanees are healthy.

14. The employees request shareholders / depositors / loanees politely to deposit money again in their society while returning the money of fixed deposits on the maturity date. They guide shareholders / depositors / loanees regarding the way of satisfying their needs.

15. The majority of the societies have not adopted the ways and means like gift scheme, visit by director increase in rate of interest etc. to attract the depositors.
16. However, it was found that some societies have collected the deposits for specific purpose. The purpose was to increase the volume of business.

17. The shareholders / depositors / loanees expected safety of deposits, good management, guidance in finance and good relations. They also expect experience in banking, having social status, regularity in recovery of loan and supporting relation from political sector.

18. The expectations of shareholders / depositors / loanees from the directors are fulfilled.

19. Shareholders / depositors / loanees expected promptness in working, accuracy in working, personal attention, good service and guidance from the employees of Non-agricultural Co-operative Credit Societies. All these exceptions were fulfilled by the employees of Non-agricultural Co-operative Credit Societies.

20. The shareholders / depositors / loanees measured the efficiency of Non-agricultural Co-operative Credit Societies on the basis of no delay in returning deposits, dividend declared for shareholders, sufficient working capital, collected total deposits, share-capital, number of branches.

21. The directors have started the Non-agricultural Co-operative Credit Societies with an object of catering of the financial needs of middle class society and small businessmen.
22. The directors gave priority to relationship with goodwill in the market, social status, and type of profession of applicant in society, while allotting shares to the applicant.

23. The directors gave highest priority to seed-capital while considering the limit of the authorised share-capital. At the same time they give priority to preliminary expenses, long-term plans and stages of progress to some extent.

24. About 50% of the societies reached the stage of increasing their authorised share-capital and remaining societies could reach the stage of increasing authorised share-capital.

25. The need to increase the authorised share-capital arose for the purposes like increase in the business, capital expenditure, to make up deficit and increasing branches.

26. The Non-agricultural Co-operative Credit Societies are providing finance to traders, artisans, women, merchants and cottage industries. These classes of society are neglected by other established financial institutions.

27. The directors of the Non-agricultural Co-operative Credit Societies have given importance to the factors like need of the loan, surety of the guarantor and his credibility, capacity of repayment of loan, credibility of the applicant for the loan, past experience, security while sanctioning loan.
28. The loans are given for general, business-purpose, emergency loan and vehicle purchase purposes.

29. The directors stated that there is specific limit for a particular type and amount of the loan. All types of the loans are given for 2 to 5 years and between Rs. 10 thousand to 2 lakh.

30. The chairman and board of directors have authority to make change in type and amount of loan.

31. The Non-agricultural Co-operative Credit Societies provided loan to small-scale business, cottage industries and medium scale industries to some extent.

32. The loanees use loan amount for purposes other than those mentioned in the loan application in rare cases.

33. The directors faced several difficulties in recovery of loans such as low repaying capacity, not giving attention to reminders, mentality to non-payment of loan, high rate of overdues, local relationship, negligence of employees etc.

34. The bad / doubtful debts are observed generally 5 to 10 %. The working capital is blocked by bad / doubtful debts and hence the Non-agricultural Co-operative Credit Societies are not be efficient in their functioning.
35. The reasons for bad / doubtful debts observed in case of Non-agricultural Co-operative Credit Societies are inefficiency in running the business, closing down the business, long term illness of the loanee etc.

36. The directors have taken steps for recovery of outstanding loan such as issue the reminders to loanee, to meet the loanee, to send letters to guarantors, take legal steps etc.

37. Very few societies had given loan to purchase cattle, which are supplementary to agriculture.

38. The directors stated that death of the livestock, diseases to livestock and no scientific knowledge are reasons for over dues of cattle loan.

39. The directors took adequate precautions while appointing the collection-agent. They gave the highest priority to personal contact, the credit of person, educational qualification, security bond and credit of guarantor.

40. The Non-agricultural Co-operative Credit Societies kept 10% cash balance and then disburse the loans.

41. It was also found that all directors used the traditional methods of financial management. They took decisions in the meeting of board of directors after considering the availability of cash and the payments to be made to the members and outsiders. They
also prepare payment register and receipt-book to know actual financial position. Very few societies use the cash-budget and cash-flow statement.

42. It was found that there was no specific amount sanctioned to the branch-managers for promotion of deposits.

43. The participation of women and backward class directors in the working of Non-agricultural Co-operative Credit Societies was nominal.

44. The directors felt the need of their role in working of Non-agricultural Co-operative Credit Societies and they also felt the need of training for themselves in the area such as co-operative law, accountancy and book-keeping, recovery of bad debts, financial management, developing social relationship etc.

45. The Non-agricultural Co-operative Credit Societies developed themselves into broad-base in the various group of society. The average membership 238 members at the time of establishment (1980) and 755 members at the end of 2000. This shows the members were increased almost 3 times on an average basis.

46. The average employees are 6 per society. 50% of the societies were having number of employees 4 or less.
47. Majority of the staff of Non-agricultural Co-operative Credit Societies was not trained through training programmes. The employees emphasised the need for training.

48. There was no problem of labour turnover because there was no change in employment and nobody left the job. It was because of the unemployment problem.

49. In all the societies building and general fund were raised for better future Non-agricultural Co-operative Credit Societies.

50. Daily cash receipts of the societies were from Rs. 5000 to 30,000. The amount varies from society to society.

51. There was no specific provision for emergency expenses. They had provided the amount for emergency expenses as and when funds were available.

52. Cash in-hand was maximum in March of every year because the recovery of loan was high at the end of March.

53. Cash in hand remained minimum in April of every year because the loan transactions and renewals are being made in the month of April.

54. The directors took into account the opinions of the staff while decisions making. However, there was no-staff representative on the board of Non-agricultural Co-operative Credit Societies.
55. The old and efficient Non-agricultural Co-operative Credit Societies gave good salary to their employees. But new and financially moderate societies could not afford to give good salary to their employees. In general the salary of staff in Non-agricultural Co-operative Credit Societies was low.

56. The employees of Non-agricultural Co-operative Credit Societies did not get any prerequisites or facilities like provident fund, loans at lower rates etc.

57. The employees felt the need of training in book-keeping and accountancy, banking, co-operative law etc.

58. The employees took part in collecting the deposits.

59. The procedure of giving the loan in Non-agricultural Co-operative Credit Societies is easy and the loanee gets the loan in a few hours, which becomes problem at the time of repayment of loan.

60. The loan given to directors and their relatives is observed nearly 10% of total loans. This type of loan becomes a problem at the time of recovery of loan.

61. The problems raised by employees are, audit fees are more, the recovery officer is not easily available, for the small societies the payment of recovery officer is not economical, permission to
start a new Non-agricultural Co-operative Credit Societies is easy which afterwards becomes a problem.

62. The Non-agricultural Co-operative Credit Societies are not willing to take loans from the district co-operative bank due to delay, deduction in the form of share capital, paper work etc.

63. The employees of Non-agricultural Co-operative Credit Societies complain that the directors are engaged in their own work.

64. The directors are using the post of director just as a social status.

65. The state government is not properly guiding this sector and so the uniformity in working and the other procedure is not followed. The jurisdictions of Non-agricultural Co-operative Credit Societies are not fixed, the insurance coverage is not provided for the deposits in Non-agricultural Co-operative Credit Societies.

7.2 Testing of the Hypothesis:

The findings and conclusions of the study have proved that the hypothesis of the present study, "The Present banking services are not sufficient to comply the financial needs of common man. Therefore, the Non-agricultural Co-operative Credit Societies are increasing and are providing immediate financial help for household purposes and business activities. It is suggested that the state government should take steps to provide finance and regulate the
activities of the Non-agricultural Co-operative Credit Societies" is tested.

7.3 Recommendations:

The following recommendations are raised based on the findings of the study.

1. In future the Non-agricultural Co-operative Credit Societies should work more with poor economic class of the society for their progress. This poor class of people can be lifted up with financial help along with middle class.

2. Shareholders should try to increase the number of depositors and amount of deposits and also saving habit in the society.

3. The shareholders / depositors / loanees who have more than one earning member in the family are safe for family and Non-agricultural Co-operative Credit Societies also. The Non-agricultural Co-operative Credit Societies should try to help to the non-earning members of shareholders / depositors / loanees families to start their own business. This will help to increase entrepreneurship in the society and the business of the credit societies.

4. The Non-agricultural Co-operative Credit Societies are collecting deposits to large extent, but the amount of deposit can be increased by giving more safety measures regarding deposits. For instance, a scheme of deposit-insurance or deposit-
guarantee card can be provided. In any condition the depositor should get his amount of deposit back with the help of insurance scheme or 'guarantee card'.

5. The shareholders / depositors / loanees gave preference to credit society while keeping deposits to some extent. The shareholders / depositors / loanees should be provided adequate facilities and service in various areas so that they should give first preference while keeping deposits.

6. For getting more business the Non-agricultural Co-operative Credit Societies should start the service of safety lockers and other national level money transfer system to have more coverage of customers and depositors.

7. The Non-agricultural Co-operative Credit Societies work in banking business and the employees must know the banking, co-operative and management system, which can update the knowledge and it can be made available with the help of professional training.

8. There should be some 'incentive-scheme' for depositors so that they can automatically keep the deposits with Non-agricultural Co-operative Credit Societies. The administrative expenses for 'incentive-scheme' should be kept minimum and not burden on Non-agricultural Co-operative Credit Societies.
9. In the developing stage of Non-agricultural Co-operative Credit Societies the directors should give more attention and time for the Non-agricultural Co-operative Credit Societies and more efficient working of Non-agricultural Co-operative Credit Societies.

10. The Non-agricultural Co-operative Credit Societies work with efficiency. This efficiency should be extended to approach and attract to the people who are not attached with the credit societies.

11. The criteria for allotment of the shares to the applicants are limited to the relationship with directors, goodwill in the market etc. factors while. It is not enough. The directors should consider and study in detail the 'financial behaviour' of the applicant while allotting the shares to the applicant.

12. The directors of Non-agricultural Co-operative Credit Societies have taken into consideration the preliminary expenses and the seed capital while considering the limit of authorised share-capital. But they have not taken into consideration the future needs of Non-agricultural Co-operative Credit Societies for development or volume of business.

They must prepare plan, which includes future needs, progress needs and detail ideas regarding capital. The directors should increase the authorised share capital only for the progress of the
business. They should not increase the authorised share capital for previous losses. The previous losses can be recovered by way of recovery of doubtful debts, participation of directors for recovery of debts, use of section 49(2) 101 for the recovery, use of recovery officer for recovery of outstanding loans.

13. The directors should consider the real repaying capacity of the loanee. When the customer is salary-earner, his salary certificate is only not sufficient. They should consider total deductions from his salary also.

The customer takes loan from other Non-agricultural Co-operative Credit Societies also. The directors should consider his total liabilities of all loans and repaying capacity accordingly. The Non-agricultural Co-operative Credit Societies can take guarantee letter from employer when loanee is a salary earner to deduct instalment of a loan directly from his salary.

The directors should check the existence of the organisation related to loan application. The loanee may produce bogus letterhead of bogus-institutions. So it must be checked to avoid future problems.

The directors should visit the place of the customer's business to check his on going business. This will give exact idea about loanee's business condition and economic condition for recovery of loan point of view. The directors should ask the loanee to
provide previous 2 years audited financial statements along with loan application. This will help in judging the loanee.

While sanctioning loan on fixed deposit, the margin of interest should be decided after taking into consideration the period of fixed deposit and period of loan. The interest on fixed deposit should not be paid until the loan is repaid.

While sanctioning the loan for vehicle purchase the Non-agricultural Co-operative Credit Societies must take all information about vehicle that is model of vehicle, year of registration, etc. It should be confirmed that insurance and all other taxes on vehicle are paid up-to-date in case of second hand vehicle.

Due precautions are not taken while giving loans for the purchase of livestock. The society should see that livestock insurance is taken by the party, the loanee have a professional training of rearing of livestock, the loanee have sufficient landholding and arrangement for repayment through dairy or other societies is made available.

14. The society should see that the loanee use the amount of loan for the same reason given in loan application. This is good habit-forming and useful for Non-agricultural Co-operative Credit Societies in getting success.
The society should study the financial behaviour and history of loanee before sanctioning the loan, which is a preventive measure.

When the instalment of the repayment of loan is delayed, the society should inform the loanee that take a care that the present instalment is collected and future instalments are regularised.

15. The steps taken by directors for recovery of outstanding debts were observed and it is suggested that they should concentrate more for this purpose. Weekly meeting for recovery of loan should be arranged. The responsibility of loan recovery should be personally accepted by directors.

The Non-agricultural Co-operative Credit Societies are started to fulfil mainly for non-agriculture purposes hence majority of Non-agricultural Co-operative Credit Societies are not giving loan for cattle which is correct. The Non-agricultural Co-operative Credit Societies giving loan for cattle should see proper knowledge for farmer and recovery arrangement of loan.

16. The directors gave highest priority to personal contact while appointing the collection agent. But only personal contacts are not important. The directors should see the behaviour of the person, professional knowledge regarding Non-agricultural Co-
operative Credit Society's business and responsible nature should be taken in to consideration.

17. Non-agricultural Co-operative Credit Societies keep 10% cash in-hand. But the Non-agricultural Co-operative Credit Societies should consider the needs in normal position and needs in emergency also. The financial management of Non-agricultural Co-operative Credit Societies is observed and it is traditional financial management. But in present scenario the modern techniques of financial management must be used. The help of professional financial manager should be taken while important decisions are made.

The managers must have some financial power to increase deposits. They can spend on advertisement, which becomes the need of the days.

18. The directors may decide a policy to loans for productive purposes only to avoid bad debts in future.

Non-agricultural Co-operative Credit Societies are still giving traditional type of loans. The directors may start the new types of loans, such as loans on national saving certificate, insurance policies, shares and debentures of companies etc. These types of loans are secured and can avoid bad debts.

The Non-agricultural Co-operative Credit Societies are giving loans to traditional business like shops, hotels, tailoring etc. The
clientage for each business unit remains limited. This results in failure in business activity, leading to increase in bad debts. It will be proper if all the directors of the Non-agricultural Co-operative Credit Societies in the same locality come together and discuss other business opportunities in that particular locality. They can develop that particular business by giving loans to the groups of promising young entrepreneurs such type of group financing will help to minimise the bad debts.

19. The women / backward class directors do not take keen interest in the working of Non-agricultural Co-operative Credit Societies. It is necessary that they should be active ensure progress of Non-agricultural Co-operative Credit Societies. To overcome this difficulty they should be assign specific duty to which they are responsible to ensure attendance of every director. If he / she is absent for three meeting suitable stapes should be taken against him / her. The society and concerned people would help to improve the awareness for active participation through informal education.

20. The directors should adopt the policy of active participation in the working of the Non-agricultural Co-operative Credit Societies. They should appoint internal auditor to regularise the financial records. The internal check should be adopted. They should train themselves in financial management so that they can check the cash-book and other necessary books frequently.
The directors should check ledgers and surprise checking should take place for control / purpose.

The directors should frame the rules and regulation for every work. This will ensure that employees are not confused while taking decisions on any matter. The customers can read the rules and follow them accordingly. It will save time and energy of both.

At least one director should remain present daily in the office. It creates check on employees. It will facilitate them to take quick decision on any matter and it is easy to employees to discuss any matter with the director. It will develop personal contacts with customers, which will result in increasing the deposits and over all business of Non-agricultural Co-operative Credit Societies. The directors will also come to know the exact difficulties in practical day to day work as well as the difficulties of the customers.

21. The average number of employee in Non-agricultural Co-operative Credit Societies are 6 but 50% of Non-agricultural Co-operative Credit Societies are found the number of employees 4 or lees, which not a good number. The Non-agricultural Co-operative Credit Societies should appoint the sufficient number of employees in Non-agricultural Co-operative Credit Societies for smooth and efficient working.
22. The training gives the up-to-date and current knowledge of working which is necessary for employees. The Non-agricultural Co-operative Credit Societies must make the arrangement for the training of staff to increase their efficiency.

23. The Non-agricultural Co-operative Credit Societies should treat the employees in a best way that they should give best service to the institution. The satisfied and efficient staff is the asset of the organisation.

24. This is not good for the future of Non-agricultural Co-operative Credit Societies. The Non-agricultural Co-operative Credit Societies must provide "contingency or emergency fund" which can be utilised for the purpose and the present financial condition should not be disturbed.

25. The daily cash receipt can be increased by efficient working and goodwill of the Non-agricultural Co-operative Credit Societies.

26. The societies should think for welfare fund, development fund along with building and general fund.

27. As the March is last moth of financial year the Non-agricultural Co-operative Credit Societies try to work hard to recover the amount of loan in that March of every year and in April again loans are distributed, so the cash remains minimum. This type of working is not smooth working. The Non-agricultural Co-operative Credit Societies should work hard and recover the loan
throughout the year, so that at the end of year the working will not be overburdened.

28. The directors should make use suggestion box or can invite suggestions from employees and good suggestions should be given incentive, which will help to improve the thinking process of employees.

The concept co-partnership can be implemented by giving a chance to the representative of staff on the board of directors. This will increase the confidence and good relationship between employees and management.

29. The employees of the Non-agricultural Co-operative Credit Societies get low salary. The Non-agricultural Co-operative Credit Societies are developing institutions and so they can not provide good salary, but they should try to increase the salary to some extent every year. Efficient employees must be given some monetary incentives and important perquisites must be provided to employees like provident fund, medical allowance, etc.

The employees are collecting deposits for Non-agricultural Co-operative Credit Societies. They must be given financial reward for the work, so it will help to collect more deposits in future.

30. The easy procedure for giving the loan becomes a problem at the time of recovery. The Non-agricultural Co-operative Credit
Societies must follow the legal and formal steps strictly. The loan should be given by following rules and regulations. The Non-agricultural Co-operative Credit Societies should be safe legally and formally at the time of recovering the loan.

31. The loan given to directors and their relatives creates problems while procedure of repayment of loan is followed. There should not be any exception to the rules when these loans are granted.

32. The co-operative department should make some changes in favour of better working of the Non-agricultural Co-operative Credit Societies such as the recovery officer should be easily available. More guidance should be given by department to the Non-agricultural Co-operative Credit Societies, reduction in audit fees, new Non-agricultural Co-operative Credit Societies should be permitted by considering the previous number of Non-agricultural Co-operative Credit Societies in the area.

33. The Non-agricultural Co-operative Credit Societies are not willing to take loan from district co-operative bank due to some problems, which are to be solved. Such as the employee should be given due respect, rules should easy to follow while giving loans, 10% deduction for shares should not be compulsory.

34. The directors must develop business attitude. It is a co-operative organisation. So, they must have social awareness and commitment. They should try to keep the various expenses
minimum such as administrative expenses, revenue expenses and various overheads.

35. There should be very important role of the state government. The government auditor should visit every Non-agricultural Co-operative Credit Societies once in a year. The separate auditors' team is to be provided for the purpose.

The state government should provide training to the management and staff of Non-agricultural Co-operative Credit Societies regarding co-operative law, banking, etc. The state government must provide deposit insurance for Non-agricultural Co-operative Credit Societies for the safety of public in general and for the progress of Non-agricultural Co-operative Credit Societies.

The government should restrict the number of Non-agricultural Co-operative Credit Societies and their branches to avoid unhealthy competition.

If, the recommendations given above will be fulfilled, the functioning of Non-agricultural Co-operative Credit Societies shall improve.