CHAPTER VII
SUMMARY OF FINDINGS, SUGGESTIONS
AND CONCLUSION

7.1 INTRODUCTION

Co-operative movement was started in India in 1904 as a credit movement. Its development presents a unique phenomenon. The growth of co-operative movement till independence made some quantitative progress in terms of number of societies, membership and working capital. But qualitatively it suffered from several intrinsic factors namely illiteracy among the masses, poor socio-economic conditions, irresponsible administration, inadequate infrastructure and improper environment for healthy growth. However, in spite of all these impediments, the co-operative movement in pre-independence stage helped in averting the monopoly of money lenders and inculcating among the masses the habit of thrift and the spirit of co-operation.

Since independence, co-operatives in India have expanded both vertically and horizontally. It is embracing wider and wider fields of action and is considered one of the biggest and most diversified movements in the world. Co-operatives have made inroads into the fields of rural and urban banking.
Co-operative banks are a part of the vast and powerful superstructure of Co-operative institutions which are engaged in the tasks of production, processing, marketing, distribution, servicing and banking, in India. Co-operative banks were created as a new type of institution based on the principles of co-operation to solve the problems peculiar to the Indian conditions. In rural areas, as far as agricultural and related activities were concerned, the corporative banks have provided adequate short-term and long-term institutional credit at reasonable rates of interest. Co-operative banks were made an integral part of the institutional framework of community development and extension services which were assigned the important role of delivering the fruits of economic planning at the grass- root level. Today co-operative banks continue to be a part of a set of institutions which are engaged in financing rural and agricultural development.

In this context, the present study attempted to review the functioning of Thoothukudi District Central Co-operative Bank Limited. The specific objective of the study was to analyse various problems of the study unit and also offer appropriate suggestions for improving the working of the study unit.

7.2 SUMMARY OF FINDINGS

In the foregoing chapters, the origin and growth of the Bank, deposit mobilization, lending and recovery performance, financial performance and views
of the bank employees were discussed. The major findings of the study are presented below:

From the study it was found that the Bank has been functioning in Thoothukudi district since 1991-92.

The study revealed that the Bank has only “A” class members consisting of co-operative societies and the State Government. The Individuals are admitted as associate members to avail jewel loans and consumer loans without voting rights.

It was seen from the study that the total number of members stood at 917 as on March, 2008. The bank had an authorised share capital of Rs 14.24 crores and the paid -up share capital stood at 21.40 crores at the end of March 2008.

The Bank had Rs 919.25 lakhs as reserves in 1998-99 which rose to Rs. 5591.69 lakhs at the end of March 2008. Out of the total reserves, bad and doubtful debts reserve started increasing from 6.36 per cent in 2000-01 to 62.41 per cent in 2007-08 during the study period of 10 years.

The study reveals that the growth of deposits showed nearly a five-fold increase during the study period. Borrowings of the Bank decreased from Rs.6391.15 lakhs in 1998-99 to Rs 3868.23 lakhs during 2007-08. The main source of borrowing was Tamil Nadu State Co-operative Bank with loans ranging from 94.44 per cent to 98.28 per cent in the total.
It was observed that there was a fluctuating trend in borrowing during the study period of 10 years.

It was found from the study that the working capital of the bank increased from Rs 30313.45 lakhs in 1998-99 to Rs 59393.45 lakhs in 2007-08, indicating a two-fold increase. Among the various sources of working funds, deposits formed a major portion of the working capital. The percentage of deposits to working capital stood at 77.47 per cent during the year 2006-07.

The analysis of the working capital of Thoothukudi District Central Co-operative Bank with average working capital of all central Co-operative Banks in Tamil Nadu and at all India level revealed that the Bank mobilised working capital nearly 1.5 times of the average working capital of all central Co-operative Banks in Tamil Nadu and more than two times of the average working capital of all CCBs at all India level.

The study also revealed that the growth of loans and advances registered a fluctuating trend during the period under study. The growth of investments indicated nearly a five-time increase from Rs 17726.67 lakhs to Rs 48192.27 lakhs during the study period. A mixed trend was observed during the period of 10 years. Investments made in Government and other securities formed 60.56 per cent in total investments at the end of the March, 2008.
Regarding the profitability of the Bank, a fluctuating trend was observed during the period under study. The higher amount of loss was observed in 2003-04, 2006-07 and 2007-08 to the extent of Rs 935.29 lakhs due to increase in interest payment and establishment expenses. The Bank did not declare dividends since 2002-07 to the shareholders. It is clear from the study that the profit-earning capacity of the Bank is poor.

The study indicated that the Bank had increased its branches from 34 to 40 during the study period. Only 16 branches had own buildings and twenty-one branches were providing safe deposit locker facilities. For the convenience of the customers, 8 branches were working on Sundays.

From the study, it was observed that among the various types of deposits offered by the Bank, fixed deposits constituted a major portion of total deposits which varied between 61.99 per cent and 81.89 per cent during the study period. Though the savings deposits increased from Rs 2790.93 lakhs to Rs. 6039.96 lakhs, their share in total deposits decreased from 30.71 per cent to 13.79 per cent. The current deposits constituted more or less the same percentage to total deposits. From the study, it was seen that three-fourths of the deposits came through fixed deposits.

The arithmetic mean values of different types of deposits were found to be Rs.17166.36 lakhs (Fixed deposits), Rs. 4126.38 lakhs (Savings deposits) and
Rs.1148.82 lakhs (Current deposits). It showed that the Bank performed better in mobilisation of deposits. The study also revealed that the fixed deposits and total deposits had more variations and less consistency, since they had greater co-efficient of variation such as 64.72 per cent and 56.90 per cent respectively. But in the case of savings and current deposits, they had more consistency and less variation since they had less co-efficient of variation, namely 29.70 per cent and 42.26 per cent respectively during the study period.

The compound growth rates of various types of deposits showed that the growth of fixed deposits was found to be high (24.52 per cent) over a period of 10 years followed by current deposits (15.48 per cent) and savings deposit (10.36 per cent). The compound growth rate for total deposits was 20.95 per cent. It was clear from the study that the Bank mobilised more fixed deposits which led to a good amount of growth on total deposits.

The proportion of time deposits in total deposits was found higher than demand deposits during the period under study. The compound growth rates were 10.01 per cent and 24.86 per cent for demand and time deposits respectively.

The study revealed that a major portion of deposits was mobilised through branch offices of the Bank ranging between 53.87 per cent and 69.62 per cent in total deposits. It is also observed that deposits collected through head office and branch offices increased steadily during the period under study. Further it is
observed that the amount deposited in head-office was relatively more stable over a period of 10 years compared to deposits in branch offices.

The study indicated that the Bank mobilised deposits from individuals and co-operative societies. The proportion of deposits of individuals to total deposits varied between 66.84 per cent and 72.17 per cent during the study period of 10 years. Further, the co-efficient of variation indicated that the deposits from individuals was relatively stable over a period of 10 years compared to the deposits from Co-operative societies.

The study also revealed that the individuals deposited their money mostly in fixed deposits and deposited only 15.58 per cent in savings deposit and 1.50 per cent in current deposits at the end of March 2008.

The study revealed that the issue of short term loans formed part of major portion of total loans and advances which varied between 91.22 per cent and 97.38 per cent during the study period. Co-efficient of variation indicated that the short-term loans were relatively stable followed by medium-term loans over the period of 10 years. The growth rates were found to be 9.574 per cent, 16.62 per cent and 25.511 per cent for short-term loan, medium-term loan and long-term loan respectively.
The analysis showed that the short term loans were issued in the form of crop loan, jewel loan, overdraft and cash credit to various co-operative institutions along with other loans. The study indicated that the share of crop loans to total short-term loans varied between 5.57 per cent and 9.36 per cent while jewel loans ranged from 5.26 per cent to 25.99 per cent during the period of 10 years. At the same time cash credit and overdraft sanctioned to various co-operative institutions formed part of a higher proportion to total short-term loans which varied between 45.14 per cent and 67.75 per cent during the study period. The co-efficient of variation indicated that the issue of crop loans and institutional loans were more stable than other components of short-term loans. The computed compound growth rates were found to be 9.123 per cent for crop loans, 27.547 per cent for jewel loans, 12.597 per cent for institutional loans and a negative growth rate of –9.084 per cent for other loans.

The study also indicated that small and marginal formers were mostly benefited from crop-loans than other farmers. Issue of crop loans showed a fluctuating trend during the study period. From the study it was found that the percentage achievement of crop loan to target varied between 49.88 per cent and 131.59 per cent during the period of 10 years. The study also showed that the bank issued jewel loans ranging from 52.06 per cent to 77.64 per cent through PACBs than through its branches. It was evident from the study that the bank
extended major portion of overdraft and cash credit to PACBs than other co-operative institutions during the study period.

From the study it was observed that the recovery of short-term loans was higher in total recovery which varied between 93.52 per cent and 97.01 per cent. The recovery of long-term loans was below one per cent. It was found that there was less fluctuation in short term loans since it had lesser co-efficient of variation followed by medium-term and long-term loans. The average recovery over a period of 10 years was Rs.34537.23 lakhs for short-term loans, Rs.1732.22 lakhs for medium-term loans and Rs.57.56 lakhs for long-term loan. The computed compound growth rates were 9.836 per cent for short-term loans, 9.670 per cent of medium term loan and 11.407 per cent for long term loan.

The study indicated that the outstanding short-term loans to total loans outstanding varied between 76.61 per cent and 88.03 per cent during the study period. The co-efficient of variation showed that outstanding medium-term loans were more stable than outstanding short-term loans and long-term loans. Higher growth rates were observed in short-term outstanding loans followed by long-term outstanding loans and medium-term outstanding loans.

From the analysis it was evident that the overdues of short-term loans to total loans overdue varied between 59.74 per cent and 84.74 per cent while overdues of long term loans to total overdue was less than one per cent during the
study period. The co-efficient of variation indicated that the overdue of medium term loans was more stable and less fluctuating than other types of loans overdue. The growth rate was 10.716 per cent for overdues of short-term loans. Negative growth rates were observed in the case of overdue of medium-term and long term loans. The percentage of overdues of loans outstanding showed a mixed trend which varied between 1.152 per cent and 4.248 per cent during the study period.

The computed correlation co-efficient between loans issued and recovery of loans revealed that there was a perfect positive correlation between them. The correlation between loans outstanding and overdues was also found to be a positive correlation. Thus it may be concluded that an increase in issue of loans led to increase in recovery and an increase in loans outstanding led to an increase in overdues during the study period.

From the study, it was found that the Bank earned –1.84 per cent to 0.98 per cent of Net profit to working capital which showed poor performance in the utilisation of working capital. The analysis indicated that the total income consisted of 85 per cent to 96 per cent of interest income during the period of 10 years. The analysis showed that only 8 per cent to 14 per cent of outside liabilities were covered by owned funds. In some years even profit was not sufficient to pay interest obligations which led to the net loss of the bank during the period under study. But at the same time the bank maintained liquidity more
than the required level to meet payment of deposit holders throughout the study period of 10 years. The study indicated that sufficient provisions were not made to cover bad and doubtful debts of the bank during the study period.

Further the study showed that a meagre amount of working capital was utilised for the purpose of fixed assets. It was evident from the study that the volume of business per employee increased from Rs.54.97 lakhs in 1998-99 to Rs.242.44 lakhs in 2007-08. Overdue of loans per employee varied between Rs.5.92 lakhs and Rs.16.78 lakhs during the period under study. It was observed from the study that only 10 per cent to 67 per cent of available credit was utilised by the bank during the study period. The study showed that out of total loans issued, 53 per cent to 84 per cent of loans remained outstanding during the 10 year period. It was found from the analysis that only 56 per cent to 68 per cent of loans were collected out of loan demand by the bank. Credit - deposit ratio showed that almost all deposits were utilised for the purpose of credit operations. The analysis revealed that the financial performance of the study unit was not highly encouraging but the position was found to be better during the period under study.

In the study, factor analysis has been used to identify significant set of ratios out of 34 identified ratios. The results revealed that the financial performance of the bank had been influenced by the earning capacity,
creditworthiness, utilisation of working capital, productivity of human resources and operational efficiency of the bank.

It was observed from the study that the employees felt that the higher rate of interest and the security of deposit were the main reasons for attracting more deposits. More credit activities were achieved due to priority sector lending by the bank. It was observed from the views of employees that the non-repayment of loan was due to natural calamities and anticipation of the loan- waiver scheme. It was evident from the views of employees that the poor financial performance of the bank was due to higher incidence of overdues during the period of 10 years. Further it was their view that the banking operations were restricted due to the lack of adequate staff and better working conditions. The employees preferred an elected board for managing the affairs of the bank.

7.3 SUGGESTIONS

In the light of the findings a few suggestions are offered to improve the functioning of Thoothukudi District Central Co-operative Bank Limited.

1. Deposits of government agencies should be kept with the Thoothukudi District Central Co-operative bank in the area of operation. Such a step would undoubtedly strengthen the resources of the bank.
2. The bank should mobilise more current deposits and savings deposits especially from the member societies and other Co-operative institutions which cost less to the bank so that profit could be enhanced.

3. In order to reduce the cost of funds, the Bank should take necessary steps to increase its own funds.

4. There should not be any party politics in the affairs of the Bank.

5. There should be only one strong and viable bank in each district.

6. The bank should take all the necessary care and precaution while investing funds.

7. The procedure of advancing loans should be simplified so that much time is not taken in advancing loans.

8. No loans should be advanced unless it is economically beneficial to the borrower.

9. In view of mounting overdues, it is very essential to deal with recovery matters on war-footing. The Bank should set up a “task force” to plan and monitor the recovery matters. It is also essential to involve all staff members in the recovery of loans.

10. The Government should pass the necessary legislative measures for taking stern action against willful defaulters.

11. The bank should recruit sufficient number of employees in order to improve the performance of the bank.
12. To have better functioning of Co-operative banks, the Government of India should take necessary steps to establish” the Co-operative Bank of India.”

7.4 CONCLUSION

The study unit, Thoothukudi District Central Co-operative Bank Limited has been functioning in Thoothukudi district. The study has analysed the functioning of the bank with regard to deposit mobilisation, issue of loans and advances, recovery of loans, financial aspects and views of employees regarding the working performance of the Bank. The data required for this study were collected through primary and secondary sources. The functioning of the study unit has been quite impressive in terms of deposit mobilisation and credit deployment. But the bank has failed to arrest the overdue position and strengthen the share capital base. The bank has not effectively utilised its working capital and controlled costs. The study has revealed that the financial viability and profitability of the bank is declining. Hence, the success of the Thoothukudi District Central Co-operative Bank in the future will depend not only upon the development of primary societies but also on the extent to which it is able to mobilise rural savings and recover the outstanding loans.

The researcher has presented the study with the hope that it would be helpful to many individuals as well as institutions, directly or indirectly connected with the co-operative banking system, especially the study unit. An earnest
appeal is made to the Thoothukudi District Central Co-operative Bank to take into account all the findings of the present study for its future plans and for improving its performance in the years to come. The issues identified in the present study would provide a sound theoretical and analytical background for the future researchers in Co-operative banking.