CHAPTER VII

CONCLUSIONS

AND

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CHAPTER - VII

CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction:

This chapter is devoted to conclusions, recommendations and testing of hypotheses. The researchers major conclusion is that the employees co-operative credit societies have made a noteworthy contribution to the fulfillment of the needs of employees. It is hoped that the study will open new avenues of research. A detailed bibliography is appended.

The conclusions arrived out of the study on “Financial analysis of employee’s Co-operative credit societies in Nanded City” are presented in this chapter. The study consists of main four chapters devoted to analysis of various aspects of the Co-operative movement in general and ECC societies in particular. In order to facilitate the easy understanding of results of the study, conclusions have been classified under different heads and presented hereunder.

7.2 General Conclusions:

The general conclusions regarding co-operation are as follows

1. Self-help and mutual help are the principles of Co-operation. Its motto is, “each for all and all for each.” Co-operative may be formed practically in every walk of life.
2. The Co-operative movement stands out as a protest against exploitation and urges the elimination of unnecessary middlemen. It provides an opportunity to the economically weak to raise their standard of living through their Co-operative efforts.

3. The need of the hour is Co-operation. The two world wars have clearly proved the urgent need for Co-operation, in the absences of which the whole world would destroy.

4. The birth of modern Co-operative can be forced after industrial revolution in England.

5. Weak Capital base and illiterate people were the common features of Co-operative movement.

7.3 Conclusions Regarding Co-operative Movement:

The researcher has reviewed the trends and progress of co-operative movement worldwide in general and with reference to India and Maharashtra in particular. The conclusions derived from this discussion are summarized here:

The important policy decisions for improving the Co-operative societies during plan periods include substantial Capital contribution by the state Government. The continuous strategic and planned efforts for healthy growth of Co-operative societies in Maharashtra State have resulted in spectacular progress of the Co-operative movement. The social workers and political leaders have made great contribution to the
development of Co-operative movement of national level, State level and as well as local level.

1. Initially Co-operative societies were confined mainly in the field of agricultural credit. Later it rapidly spread to other fields like agro-processing, agro marketing, rural industries, consumers stores, non-agriculture societies, social services etc.

2. There has been substantial progress in terms of number of societies, share capital, owned funds and loan advances in the working of Co-operative societies in Maharashtra State after 1960.

3. There has been an increase of near about five times in the share capital and four times in the deposits of employees Co-operative credit societies in Maharashtra during the period from 1991 to 2001.

4. The total loan advances increased by about six times during the period 1991 to 2001. Borrowings and deposits constituted always-higher share compared to owned funds.

5. Most of the employee's Co-operative credit societies i.e. 67 percent around under audit class 'A' in Nanded city as on 31st march 2003.
7.4 Conclusions Regarding Co-operative Credit Structure and Employees Co-operative Credits Societies:

The researcher has made an analytic study of the co-operative credit structure with reference to employees co-operative credit societies in general with particular reference to the societies in Nanded city and the conclusions of the same can be presented as follows:

1. Co-operative societies have achieved a remarkable success in many fields. 99.5 percent of the villages are covered by rural network of Co-operative societies. As well as in urban area near about all permanent employees are the members of salary earners Co-operative credit societies.

2. Employee’s Co-operative credit society is a form of organization wherein employees and workers voluntarily associate together as human being on the basis of equality for the promotion of the economic interests of themselves.

3. Today the workers and employee’s concentrated in towns and cities due to rapid industrialization and job opportunities. The cost of living in urban areas is very high. Most of the workers dependent on monthly salary, which is inadequate. Therefore they are always in need of money and unfortunately borrowed from selfish creditors. Such workers and employees should be saved from the clutches of
unprincipled creditors. There can be no better alternative source than a Co-operative credit society offering credit at the lowest possible cost.

4. Actually Co-operative administration states from the level of the Registrar, Co-operative societies, who is supreme head of the department of Co-operation at state level.

5. The free market economy accepted by India in 1991. It has posed a great challenge to the existence of the Co-operative societies. Now it was obligatory on the Government to free Co-operative societies from the clutches of beaurocracy and political interference. To overcome the massive challenges before the country, the Co-operative movement will have to play a positive and dynamic role in the 21st century.

6. In real sense the origins of globalization is depends upon the principles of Co-operation. Indian cannot remain free from the global changes. We have no other choice but to be internally competitive in our production. It is now recognized that the Co-operative system in India has the capacity and potentiality to neutralize the adverse effects emerging from the process of globalization and liberalization.

7. The fact is clear from the research study as Co-operative credit society is concerned that owned funds are always better than borrowed funds.
7.5 Conclusions Regarding Controlling Authorities and Regulation of Employees Co-operative Credit Societies:

The employees co-operative credit societies are a part and parcel of the three-tier co-operative credit structure prevailing in the state and as result these societies are subject to regulation and control from the district central co-operative banks (DCCBs) which are in turn controlled by the state co-operative banks (MSCB in case of Maharashtra) The researcher has analyzed the dimensions of this regulation and control. The conclusions are presented here under.

The evaluation of the performance of MSCB and DCCB in terms of financial activities and their role in respect of ECC societies has been covered in this chapter. The summery along with conclusions are presented hereunder.

1. The MSCB provides various services to the member banks and indirectly to ECC societies by rendering clean cash credit facility. It implements and finances various programmers and schemes of state Government, for small-scale industries, village artisans and people below poverty line.

2. On 31st March, 2003 MSCB earned profit of Rs. 27 cores where as it was in loss from previous two years, indicating a positive change and which is really a sign of considerable good progress.
3. DCCB’s in Maharashtra play a crucial role by arranging a regular & flow of credit to the primary societies. They also supervise the working of credit societies and ensure a satisfactory implementation of recognized credit policies.

4. There are number of 30 DCCB’s in Maharashtra State. Out of which 22 DCCB’s earned profit regularly where as remaining 8 DCCB’s were in loss, from last ten years It is the sign of poor financial performance of DCCB’s in Maharashtra State.

5. The clean cash credit loan sanctioned by NDCC Bank to ECC societies in Nanded district decreased by 10 % during the period under study. The rate of interest charged on such loan was 16.5% p.a. It was to much high as compare to the commercial banks.

6. The financial performance of NDCC Bank was very poor, indicating loss during the period under study. The amount of loss increased from Rs. 2103.20 Lac in 1998-99 to Rs. 14083.42 Lac in the year 2002-03.

7.6 Conclusions Regarding Financial Structure and Operational Performance of Employee’s Co-operative Credit Societies:

The researcher has made an in-depth analysis and evaluated financial structure and operational performance of ECC societies in terms of capital, advancement of loan, recovery disciplines and profitability with the
help of management accounting techniques. The conclusions are presented here.

1. The Electricity workers (MSEB) Co-operative credit society is one of the largest society and Akashwani and Doordarshan ECC society is one of the smallest society in Nanded city in accordance with number of share holders, capital investment and total turnover.

2. The membership of some surveyed ECC societies in Nanded city showed a remarkable decrease during the period under study. Whereas, the share capital of all ECC societies in Nanded city has shown an increase of about two-fold during the period 1998-99 to 2002-03 and their average growth rate of share capital was 23.73%. It can be concluded that majority of the employees co-operative credit societies in Nanded city are having less than 500 members. Thus the percentage of small societies is higher than that of the big societies.

3. The borrowed capital of ECC societies increased 1.75 times and its average growth rate was 15.26% per year during the period under study.

4. Deposits are always better than borrowing loan. There has been an increase of about three-fold in the amount of deposits from the year 1998-99 to 2002-03.

5. There was hardly 25% selected ECC societies in Nanded city have no need of clean cash credit loan from NDCC Bank. They have their
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5. There was hardly 25% selected ECC societies in Nanded city have no need of clean cash credit loan from NDCC Bank. They have their
sufficient owned capital. While even now 75% surveyed societies avail the facility of clean cash credit loan by NDCC Bank.

6. There has been an increase of about 56% in advancement of loan by ECC societies in Nanded city during the period under study. And their annual average growth rate of such loan was 15.96%. It was also observed that the loans are sanctioned by board of the directors of ECC society in their monthly or periodical meeting without any complications and further delay.

7. The present loan limit of the member is different from society to society. As usual range of long term loan is Rs. 40,000/- to Rs. 2,00,000/- and the range of short-term loan is Rs. 2000/- to Rs. 5000/- in surveyed ECC societies at Nanded city. The NMC ECC society charged lowest rate of interest i.e. 10% p.a. where as Mechanical division ECC society as well as Agriculture Market committee ECC society charged highest rate of interest i.e. 18.5% p.a. on advancement of loan among all surveyed ECC societies as on 31st March 2003.

Some other major conclusions regarding financial aspects of the employees co-cooperative credit societies under study are as follows:

1. Number of Shareholders: It can be concluded that the average number of shareholders of the employees co-operative credit societies in Nanded city were 659.35 in the year 1999 and the same increased to
730.85 in the year 2003. The number of shareholders has recorded a growth of 5.94% maximum in the year 2000 & 0.79% minimum in the year 2003. The average number of shareholders throughout the period under study remained 712.37 and overall average growth of 2.65% was recorded.

2. **Share Capital:** It can be concluded that the average share capital of the employees co-operative credit societies in Nanded city were Rs.40.79 lac in the year 1999 and the same increased to Rs.75.66 lac in the year 2003. The share capital has recorded a growth of 41.52% maximum in the year 2000 & 14.60% minimum in the year 2003. The average share capital throughout the period under study remained Rs. 58.33 lac and overall average growth of 23.75% was recorded.

3. **Reserve and Surplus:** It can be concluded that the average reserve and surplus of the employees co-operative credit societies in Nanded city were Rs.10.79 lac in the year 1999 and the same increased to Rs.24.91 lac in the year 2003. The reserve and surplus has recorded a growth of 47.67% maximum in the year 2000 as well as 2003 & 38.44% minimum in the year 2001. The average reserve and surplus throughout the period under study remained Rs. 17.04 lac and overall average growth of 45.74% was recorded.

4. **Internal Equities:** It can be concluded that the average internal equities of the employees co-operative credit societies in Nanded city
were Rs.51.57 lac in the year 1999 and the same increased to
Rs.100.57 lac in the year 2003. The internal equities have recorded a
growth of 41.77% maximum in the year 2000 & 16.94% minimum in
the year 2003. The average internal equities through out the period
under study remained Rs. 75.36 lac and overall average growth of
25.73% was recorded.

5. Deposits: It can be concluded that the average deposits with the
employees co-operative credit societies in Nanded city were Rs.56.82
lac in the year 1999 and the same increased to Rs.164.34 lac in the year
2003. The deposits have recorded a growth of 98.31% maximum in
the year 2000 & 25.70% minimum in the year 2003. The average
deposits throughout the period under study remained Rs. 110.31 lac
and overall average growth of 64.28% was recorded.

6. Total Borrowings: It can be concluded that the average borrowing by
the employees co-operative credit societies in Nanded city were
Rs.260.81 lac in the year 1999 and the same increased to Rs.27.77 lac
in the year 2001. The borrowing from DCCBs have recorded a growth
of 98.31% maximum in the year 2000 & -18.47% minimum in the year
2003. The average borrowing from DCCBs throughout the period
under study remained Rs. 108.7 lac and overall average growth of
4.55% was recorded.
7. **Borrowed Capital From DCCB**: It can be concluded that the average total borrowed capital from DCCBs by the employees co-operative credit societies in Nanded city were Rs. 122.03 lac in the year 1999 and the same increased to Rs. 226.11 lac in the year 2001. The total borrowed capital from DCCBs have recorded a growth of 79.40% maximum in the year 2000 & 4.94% minimum in the year 2003. The average total borrowed capital from DCCBs throughout the period under study remained Rs. 180.70 lac and overall average growth of 46.36% was recorded.

8. **Total Loan Outstanding**: It can be concluded that the average total loan outstanding of the employees co-operative credit societies in Nanded city were Rs. 169.73 lac in the year 1999 and the same increased to Rs. 318.09 lac in the year 2003. The total loan outstanding has recorded a growth of 38.71% maximum in the year 2001 & 5.46% minimum in the year 2003. The average total loan outstanding throughout the period under study remained Rs. 248.61 lac and overall average growth of 19.14% was recorded.

9. **Total Income**: It can be concluded that the average total income of the employees co-operative credit societies in Nanded city were Rs. 26.04 lac in the year 1999 and the same increased to Rs. 46.03 lac in the year 2003. The total income have recorded a growth of 671.9% maximum in the year 2001 & 10.07% minimum in the year 2003. The average
total income throughout the period under study remained Rs. 36.7 lac and overall average growth of 183.2% was recorded.

10. Total Expenditure: It can be concluded that the average total expenses of the employees co-operative credit societies in Nanded city were Rs. 20.83 lac in the year 1999 and the same increased to Rs. 36.14 lac in the year 2003. The total expenses have recorded a growth of 105.28% maximum in the year 2001 & 9.73% minimum in the year 2003. The average total expenses throughout the period under study remained Rs. 28.89 lac and overall average growth of 47.22% was recorded.

11. Net Earnings: It can be concluded that the average total net earnings of the employees co-operative credit societies in Nanded city were Rs. 6.09 lac in the year 1999 and the same increased to Rs. 10.91 lac in the year 2003. The total net earnings have recorded a growth of 98.77% maximum in the year 2001 & 15.27% minimum in the year 2002. The average total net earnings throughout the period under study remained Rs. 8.47 lac and overall average growth of 41.82% was recorded.

12. Dividends: It can be concluded that the average dividend declared of the employees co-operative credit societies in Nanded city were Rs. 99.95 lac in the year 1999 and the same increased to Rs. 100.15 lac in the year 2003. Average growth is recorded nil.
13. **Lending Rate:** The lending rate varied within the range of 10% per annum to 18.5% per annum during the period under study.

14. **Number of borrowers:** It can be concluded that the average number of borrowers of the employees co-operative credit societies has been 731 out of which 19 on an average representing 5.66% are irregular payers, an average of 12 representing 2.46% are partial defaulters whereas an average of 16 representing 2.87% are complete defaulters.

7.7 **Recommendations:**

The major recommendations and suggestions that the researcher would like to make in the light of his research findings are as follows:

1. It is recommended that the face value of the shares of the employees co-operative credit societies should be fixed & controlled.

2. It is recommended that the number of shares purchased by a member should be related with the salary of the member.

3. It is recommended that the rate of interest at which the employee's co-operative credit societies should lend be in variety related with the borrowing rate i.e. under no conditions should the societies to lend at a rate lower than the borrowing rate.

4. It is recommended that the expenses audit should be conducted & streamlined. There should be standards and limits for expenses in relation to the size of societies.
5. It is recommended that the employees co-operative credit societies should make a require provision for doubtful debts and thus create a reserve for the same.

6. It is recommended that steps should be taken to control & eliminate the overdues and percentage of defaulters.

7. It is recommended that the employees co-operative societies should be allowed to keep accounts with nationalized bank.

8. It is recommended that the records of the employee's co-operative credit societies should be kept in standardized forms.

9. It is recommended that the procedure for sanctioning loans to members should be streamlined.

10. It is recommended that special considerations for sanctioning loans should be avoided.

11. It is recommended that the documentation for loans should be standardized.

12. It is recommended that the ratio of share capital to total loans advanced should be fixed and adhered to.

13. It is recommended that the ratio of share capital to Reserve and Surplus should be standardized & adhered.

14. It is recommended that the ratio of net-worth of the employee's co-operative credit societies to the total loans advanced should be fixed and adhered to.
15. It is recommended that the amount of borrowings by the employee's co-operative credit - societies should be related with the net-worth and the ratio should be adhered to.

16. It is recommended that the fixed reserve in relation to shares, deposits and loans be kept with the bank.

17. Employee's co-operative credit societies are semi-banking institutions and therefore some kind of credit - deposits ratio should be fixed & adhered to.

18. It is recommended that the standards of current ratio should be determined & observed.

19. It is recommended that the standards of debt equity ratio should be determined & observed.

20. It is recommended that the capital adequacy norms should be created for the employees co-operative credit societies.

21. It is recommended that the ratio of deposits & loans advanced should be determined & observed.

22. It is recommended that the standards of dividend should be fixed & observed.

23. It is recommended that efforts should be made to create and understanding between the employees trade unions and employees co-operative credit societies so that amiable relations are established.
24. It is recommended that the auditors and supervisions should be suitably trained so that control measures can be exercised with greater accuracy.

25. It is recommended that the office bearers & the staff of the employees co-operative credit societies should be properly trained.

26. It is recommended that a study group / committee should be established for in - depth study of the problems faced by the employees co-operative credit societies & its members & the probable solutions by the RBI.

27. It is recommended that the employees co-operative credit societies should be computerized.

28. It is recommended that the efforts should make to avoid political or group domination for the sake of Justice.

29. It is recommended that accounting standards for employees co-operative credit societies should be fixed & followed.

30. It is recommended that efforts should be made to improve cooperation spirit among the members and the workers in letter & spirit.

7.8 Testing of Hypothesis:

The researcher has at the outset provided an introductory profile of the area under study and of the sample societies selected for the study. The researcher has also reviewed the growth of co-operative movement and co-operative credit structure it relevance with the employees co-operative credit societies.
The discussions presented in Chapter IV viz. Financial Structure and Operational Performance of the Employees Co-operative Credit Societies have been supported by quantitative data collected with the help of primary survey.

The researcher has used management accounting techniques particularly the ratio analysis in Chapter V. The conclusions have been drawn on the basis of these discussions. This lead to the conclusions that the hypothesis listed in the introductory chapter have been tested and proved.

1. It has been tested and proved that "Employees Co-operative Credit Societies in Nanded city have made a noteworthy contribution by catering the needs of member employees.

2. It has been tested and proved that the financial structure of employees co-operative credit societies in Nanded city is sound.

3. It has been tested and proved that The financial performance of employees co-operative credit societies in Nanded city is satisfactory.

Thus the hypothesis accepted for the study have been positively proved on the basis of testing based upon logical discussions, statistical analysis and conclusions.

7.9 Fulfillment of Objectives of the Study:

The objectives of present research work have been fulfilled as follows:
1. The researcher has presented an overall review of the co-operative movement in India & Maharashtra in general and Nanded district in particular.

2. The researcher has presented an introductory profile of Nanded city in the light of working community under various categories.

3. The researcher has presented an in-depth analysis of the development of Employees Co-operative Credit Societies in Nanded city on the background of impact of co-operative movement in the state as a whole.

4. The researcher has presented an analytic study of the organizational structure of Employees Co-operative Credit Societies in Nanded city.

5. The researcher has presented a microscopic study of the working systems of Employees Co-operative Credit Societies in Nanded city.

6. The researcher has studied in depth the sources of funds available at the disposal of Employees Co-operative Credit Societies in Nanded city.

7. The researcher has studied in depth the ways in which the available funds are deployed by the Employees Co-operative Credit Societies in Nanded city.

8. The researcher has studied in detail the recovery position of the Employees Co-operative Credit Societies in Nanded city, and the measures adopted by them for minimization of over dues.
9. The researcher has presented an analytic study of the position of capital structure & capital adequacy of the Employees Co-operative Credit Societies in Nanded city.

10. The researcher has presented an analytic study of financial strengths and weaknesses of the Employees Co-operative Credit Societies in Nanded city, on the basis of analytic tools such as ratio analysis and others.

11. The researcher has presented an analytic study of the movement of funds of the Employees Co-operative Credit Societies in Nanded city, on the basis of funds flow/cash flow statements.

12. The researcher has studied in detail the revenue and expenditure patterns of the Employees Co-operative Credit Societies in Nanded city, in the light of their annual income statements.

13. The researcher has presented an in-depth study of the extent to which the Employees Co-operative Credit Societies in Nanded city, have observed the norms established by various controlling bodies.

14. The researcher has given suggestions & recommendations with a view to improve the financial strengths and working systems of the Employees Co-operative Credit Societies in general with particular reference to Nanded city.

15. The hypothesis of study have been tested and proved.
Employee’s co-operative credit societies are working at the grass-root level. The members of these societies are generally middle class salary earners who are trying to raise up their standard of livings with the help of loans sanctioned by the societies.

The loans are also useful in solving their day-to-day needs of finance. Therefore there is an urgent need of strengthening the foundations of employees co-operative credit societies.

The new Economic policy of globalization, privatization & liberation adopted by the nation after 1990 in the light of GATT Uruguay Round & WTO has brought new challenges to co-operative movement. Retail lending by banks and financial institutions has increased and this has become a challenge for the salary earners co-operative societies. This challenge should be accepted in the right – sprit by making positive efforts for strengthening the co-operative spirit.