



A STUDY OF SAVING AND INVESTMENT WITH SPECIAL REFERENCE TO THANE DISTRICT CENTRAL CO-OPERATIVE BANK LTD.

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Abstract

Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre. At present there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system.. The study of the bank's performance along with the lending practices provided to the customers is herewith undertaken. The customer has taken more than one type of loan from the banks. Moreover they suggested that the bank should adopt the latest technology of the banking like saving, investment / online banking, credit cards etc. so as to bring the bank at par with the private sector banks.

KEY WORDS: Cooperative Banks, Bank's Performance, Lending Practices, Saving, Investment, Online Banking, Credit Cards, Private Sector Banks.

INTRODUCTION

Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centered on communities, localities and work place groups and they essentially lend to small borrowers and businesses. The term The Thane Dist. Central Cooperative Bank Ltd., though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas. These banks, until 1996, could only lend for non-agricultural purposes. As at end-April 2014, there were 372 Dist. Central Cooperative Banks (DCCBs) operating in the country, of which majority were non-scheduled DCCBs. Moreover, while majority of the DCCBs were operating within a single State, there were 50 DCCBs having operations in more than one State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agricultural based activities including farming, cattle, milk,



hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of people for self-employment, industries, small scale units and home finance. These banks provide most services such as savings and current accounts, safe deposit lockers, loan or mortgages to private and business customers. For middle class users, for whom a bank is where they can save their money, facilities like Internet banking or phone banking is not very important. Although they are not better than private banks in terms of facilities provided, their interest rates are definitely competitive. However, unlike private banks, the documentation process is lengthy if not stringent and getting a loan approved quickly is rather difficult. The criteria for getting a loan from DCCBs are less stringent than for a loan from a commercial bank.

The Thane District Central Co-operative Bank Ltd. was established in the year 1958. At present, 102 branches as well as extension are operating in the entire district. In the year 2011-12, the total working capital of the bank was Rs. 4082.69 crores. There was Rs. 346457.35 lakhs amount of deposits with the bank in the year 2011-12. During the same year, there was Rs. 2100161.42 lakhs investment with the bank alongside a profit of Rs. 29.10 crore. In a nutshell, the bank is gradually making progress not only in savings but also on investment sector.

OBJECTIVES OF THE STUDY

In the light of some of problems of Co-operative Banks and also of their poor financial performance, the present study keeps the following as objectives.

- To assess the saving and investment of Thane District Central Co-operative Bank Ltd.
- To find out the problems faced by Thane District Central Co-operative Bank Ltd.
- To suggest some measures for policy implication.

SCOPE OF THE STUDY

The study intends to analyze the financial performance of selected The Thane Dist. Central Co-operative Bank Ltd. in Maharashtra. For this purpose, it is planned to select the Thane Dist. Central Co-operative Bank Ltd. Giving representation to geographical area, size of the Banks, Financial Performance (selecting some Banks which are earning profit and which are incurring loss), etc. Further, the study will be based on the financial performance of the Thane Dist. Central Co-operative Bank Ltd. during the last ten years (2001-02 to 2011-12) which enables to identify the trends in their performance

REVIEW OF THE LITERATURE

Various studies conducted and numerous suggestions were sought to bring effectiveness in the working and operations of financial institutions. Experts suggested various tools and techniques for effective analysis and interpretation of the financial and operational aspects of the financial institutions specifically banks. These have focus on the analysis of financial viability and credit worthiness of money lending institutions with a view to predict corporate failures and incipient incidence of bankruptcy among these institutions. **Bhaskaran and Josh (2000)** concluded that the recovery performance of co-operative credit

institutions continues to unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. **Jain (2001)** has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra. **Singh and Singh (2006)** in his study noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets. **Mavaluri, Boppana and Nagarjuna (2006)** suggested that performance of banking in terms of profitability, productivity, asset quality and financial management has become important to stable the economy. They found that public sector banks have been more efficient than other banks operating in India. **Dutta and Basak (2008)** suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

RESEARCH METHODOLOGY

Type of Research - Descriptive research is used in this study in order to identify the lending practices of bank and determining the level of saving. The method used was questionnaire and interview of the experienced officers of The Thane Dist. Central Co-operative Bank Ltd. of Thane. Interview Method and Structured Questionnaire method has been used for collection of primary data. 200 Respondents responds in this respect. **Secondary Data has been collected from** Annual reports of the banks, Manual of instructions on saving and Investment, Books related to research topic, Articles and Research Papers and some information from internet.

ANALYSIS AND INTERPRETATION

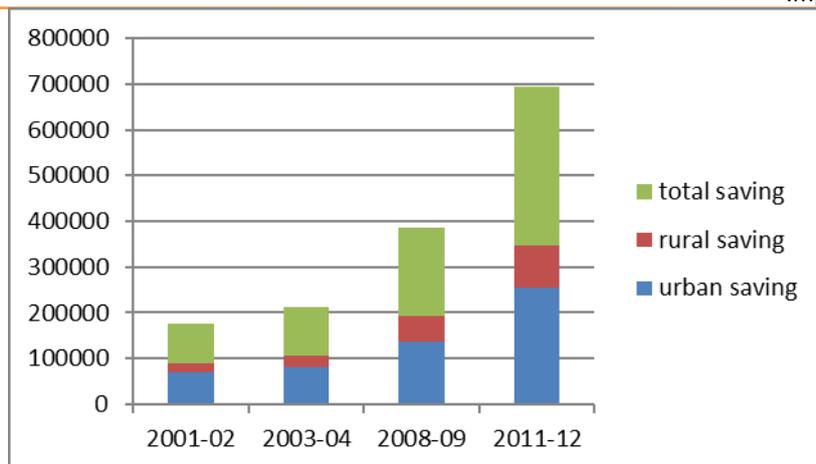
A) SAVINGS :

In the year 2001-02, the total savings of bank was Rs. 88480.55 lakhs of which there was Rs. 70107.53 lakhs of urban areas and Rs. 18373.02 lakhs that of rural areas whereas in the year 2011-12, the total savings of the bank was Rs. 346457.53 lakhs, of which there was Rs. 255674.32 lakhs in urban areas and Rs. 90783.03 lakhs in rural areas which is shown with the help of the following Table No.1 & its relevant diagram.

Table 1
Preferences of the customers for the saving. (Figures are in lakhs)

| year | Urban saving | Rural saving | Total saving |
|---------|--------------|--------------|--------------|
| 2001-02 | 70107.53 | 18373.02 | 88480.55 |
| 2003-04 | 80887.22 | 25185.96 | 106072.18 |
| 2008-09 | 137871.62 | 55257.2 | 193128.82 |
| 2011-12 | 255674.32 | 90783.03 | 346457.35 |

Source:- Annual report of Thane District co-operative banks 2001-02,2003-04,2008-09,2011-12 page no-62&64.



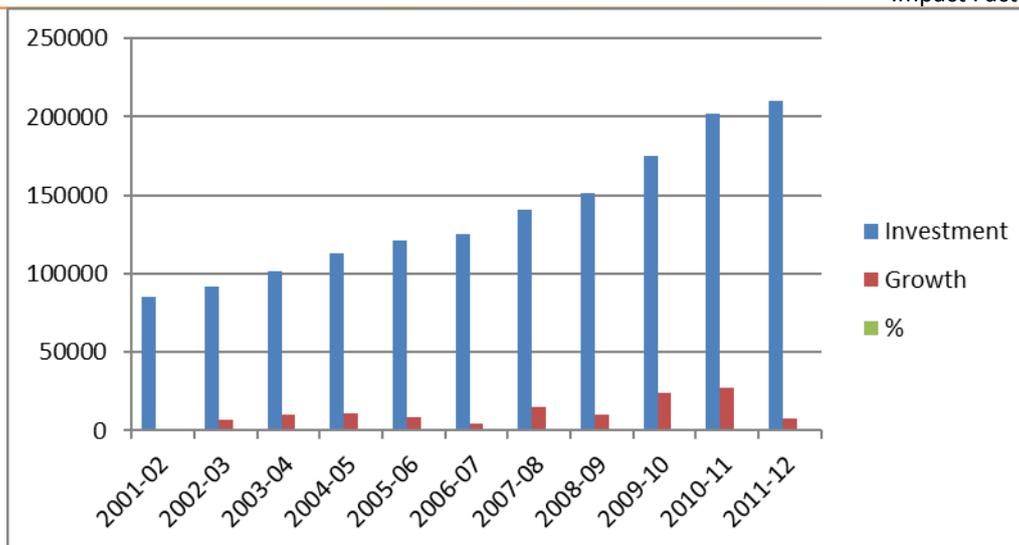
B) INVESTMENT :

In the year 2001-02, the total investment was Rs. 84950.07 lakhs and in the year 2002-03, there was total investment of Rs. 91679.47 lakhs, i.e., there was 7.92 percent growth in the bank’s investment. In the year 2011-12, the total investment was Rs. 210161.42 lakhs, i.e., there was 03.87 percent growth in bank’s investment, which is shown with the help of the following Table No.2 & its relevant diagram.

Table 2
Showing level of investment (Figures are in lakhs)

| Year | Investment | Growth | % |
|---------|------------|----------|-------|
| 2001-02 | 84950.07 | - | - |
| 2002-03 | 91679.47 | 6729.40 | 07.92 |
| 2003-04 | 101677.13 | 9997.66 | 10.90 |
| 2004-05 | 112797.73 | 11120.60 | 10.93 |
| 2005-06 | 121528.73 | 8731.00 | 07.74 |
| 2006-07 | 125611.95 | 4083.22 | 03.35 |
| 2007-08 | 140956.84 | 15344.89 | 12.21 |
| 2008-09 | 151013.40 | 10056.56 | 07.13 |
| 2009-10 | 174777.25 | 23763.85 | 15.73 |
| 2010-11 | 202326.77 | 27549.52 | 15.76 |
| 2011-12 | 210161.42 | 7834.65 | 03.87 |

Source:- Annual report of Thane District co-operative banks 2001-02,2003-04,2008-09,2011-12 page no-15,16,18&19.



FINDINGS OF THE STUDY

The financial performances of Thane Dist. Cooperative Banks (DCCBs) improved in 2011-12 though there are some concerns with regard to some of the DCCBs reporting positive CRAR. The financial performance of long term cooperatives was found to be even weaker than their short term counterparts. Also, it was observed that the branch network of cooperatives, though widespread across the country, continued to be concentrated in certain regions. Moreover, the network of cooperatives was not broad based in the north-eastern region of the country. This suggests that efforts need to be taken to improve banking penetration in the north-eastern part of the country along with improving the financial health of the ground level cooperative institutions. Following important points shows the findings after analyzing the data used for the study.

1. Majority (32% as per the study) of the respondent were having housing loan from this bank.
2. Most (64% as per the study) of the people prefer to take long term saving which is more than 3 years.
3. There is a very simple procedure followed by bank for saving and Investment.
4. Easy repayment and less formalities are the main factors determining customer's selection of saving and Investment.
5. Quality of services provided by the staff is satisfactory because bank is catering to a small segment only and the customers are properly dealt with.
6. Customers are satisfied with the mode of repayment of installments.
7. Average time for the processing of saving and Investment is good.

PROBLEMS FACED BY THANE DIST. CENTRAL COOPERATIVE BANK LTD.

The Thane District Central Cooperative Bank is facing several problems which have restricted their ability to ensure smooth flow of working.

- i. Limited ability to mobilize resources.
- ii. Low Level of recovery.
- iii. High transaction of cost.
- iv. Administered rate of interest structure for a long time.



SUGGESTIONS

The following points have been suggested for policy implication

1. The banks should adopt the modern methods of banking like internet banking, credit cards, etc.
2. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
3. The banks should plan for expansion of branches.
4. The banks should improve the customer services of the bank to a better extent.

REFERENCES

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