Chapter VII

Findings, Conclusions and Suggestions
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The principal objective of the present study is to assess the impact of Business Plans on the performance of PACS. As PACS perform multifarious functions relating to agriculture as well as economic and social development, it is a difficult task to judge their performance. Even then, an attempt has been made to develop a set of comprehensive indicators both financial and non-financial for evaluating the performance PACS.

The important findings and conclusions drawn from the analysis made under different chapters are summarised below.

The number of PACS in India has been progressing significantly over the period but it has come down owing to reorganisation and revitalisation process in recent years. But unprecedented progress has been made in membership and working capital. Besides, PACS in India have been facing several structural changes. Various committees, commissions, working groups, study teams etc., have been appointed now and then to study the working of agricultural credit system in general and PACS in particular. By and large PACS are facing the problems like growing overdue and declining viability.

Looking at the resource position, there had been a remarkable improvement in the working capital, particularly in respect of share capital and reserves during the period II comparing the earlier period. There was also a notable change in the composition of working capital as a result of greater growth of deposits and decline in borrowings.

Among the selected three blocks, the PACS in Karamadai Block was comparatively better both in period I and II in respect of most of the variables. Similarly between the growth performance of the two periods, Period I was comparatively better in this aspect. However, the working capital as well as every source of finance has shown significant improvement in period II in absolute terms comparing period I. (Table 4.1)

A drastic fall in the growth rate of total loan disbursement was observed in period II. The decline was much greater in respect of agricultural loan than in non-
agricultural loan. It was also found that Kodumudi Block during the period I and Karamadai Block during the period II have witnessed higher growth rate in loan disbursement. (Table 4.2)

PACS in Kodumudi Block during the period I and Karamadai Block during the period II have witnessed higher growth rate in respect of loan recovery. In general, period I exhibited higher growth rate when compared to the period II in respect of loan recovery.

It was found that Kodumudi Block during the period I and Karamadai Block during the period II have witnessed higher growth rate in respect of disbursement of agricultural and non-agricultural loan. On the whole, period I witnessed higher growth rate in respect of disbursement of agricultural loan as well as total loan comparing period II. (Table 4.3)

It may be concluded that Karamadai and Kothagiri Blocks have performed equally well during the period I in most of the variables like income, expenses, net profit and assets and liabilities. Whereas during the period II, Karamadai and Kodumudi Blocks have performed well in this respect. On an average, the performance of PACS in terms of growth rate was better in the period I than in the period II in select variables. It was evident that the pace of growth has slowed down in the period II in spite of the implementation of Business Plans. (Table 4.4)

It was found that Kodumudi Block in period I and Karamadai Block in period II have witnessed higher growth rate in respect of grants and subsidy, total investment and sales. In general period I was better than period II in this regard. (Table 4.5)

It was found that Karmadai block during the period I and Kodumudi Block during the period II have achieved higher growth rate in membership coverage. Whereas Kothagiri Block has touched higher growth rate during the periods I and II in respect of coverage of families and keeping more borrowing members. In general, the coverage of membership was increasing at a faster rate in period I than period II; while in absolute terms, the period I witnessed significantly better performance than period II. (Table 4.6)

During the periods I and II, negative growth rate was reported in respect of number of employees. Karamadai Block in period I and Kothagiri Block in period II have witnessed higher growth rate in respect of attendance in general body.
Regarding voting in election, the record of voting was much better in period I, than in period II as election was not held for several years. The growth rate also reflects this negative trend. (Table 4.7)

There had been notable improvement in social aspects such as: PDS sales, number of members belonging to SC/ST category and women members during period II. But the growth rate in the above indicators has slowed down.

Karamadai Block during the period I and Kodumudi Block during the period II have achieved higher growth rates in PDS sales, coverage of SC/ST members and women members. It was inferred that the social efficiency has significantly improved in period II when compared period I, though the rate of growth in this respect had declined. (Table 4.8)

**Impact of Business Plan : Blockwise**

The core issue of the research is the impact of Business Plan on the efficiency of PACS. It was inferred from the analysis that the implementation of Business Plans has not made any significant impact of the organisational / structural aspect of selected PACS. However there existed significant difference among the PACS of different geographical regions in this aspect which of course might be due to the extraneous environmental factors, rather than the impact of business plans. (Table 5.9)

In the overall analysis, when all the societies are taken together, no significant difference between the periods in the average performance of functional indicator was found out. But there was significant difference among the blocks in respect of both the periods I and II. Likewise, it was concluded that owing to the implementation of Business Plans, no significant change has taken place in functional indicator over the period. On the other hand among different geographical regions there existed significant difference both prior to and after the implementation of Business Plans, which showed that differences existed among regions; Independent, perhaps, of the implementation of Business Plans. (Table 5.10)

In the overall analysis, there was no significant difference between the periods I and II in the overall performance of self-reliance indicator. But blockwise analysis showed significant difference between the two periods both in Karamadai
and Kodumudi Blocks. Though the overall performance has not shown any improvement between the two periods, in respect of self-reliance indicator there was significant improvement in the mean scores of PACS in Kodumudi Block between the two periods, PACS in Kodumudi Block have gained significant improvement in the self reliance aspect of performance, which may be attributed to Business Plans. (Table 5.11)

In the overall analysis, no significant difference was found between the periods in the performance of the profitability indicator. But the implementation of Business Plans has contributed for the significant improvement in profitability only in Kodumudi Block, which is an agriculturally well endowed block than the other two. (Table 5.12)

In the overall analysis, for all societies taken together, no significant change was found in the average performance of cost indicator between the period I and II. Taking into account the performance among blocks, Kodumudi Block has shown significant reduction in cost, after the implementation of BDP. (Table 5.13)

When all societies were taken together, there was significant difference between the periods I and II in the overall performance of the democratic participation indicator. The mean scores indicated a sign of deterioration in democratic participation indicator. It was also found that there was significant difference among the blocks in both the periods. The mean performance of Kodumudi Block was relatively better than the other two blocks in period I and the same had declined in period II. Hence it may be concluded that the democratic fabric has weakened over the years. (Table 5.14)

In the overall analysis, when all the societies were taken together there was no significant difference between the periods I and II in the average performance of social efficiency indicator. Likewise there was no significant difference considering each block between the above two periods. There was no marked difference in the social efficiency either between the periods or among the regions (Table 5.15).

No significant difference existed between the periods I and II for all the indicators except the democratic participation indicator which exhibited deterioration rather than improvement in democratic practice over the years. Significant difference was observed among the blocks in the average performance
of all the indicators in the period I and II. The social efficiency indicator did not vary significantly among the blocks in period II. This suggested that there existed a high degree of variation among societies of different regions in most of the indicators. Hence HO3, that “considering the uniformity of the administrative setup and period of implementation there is no likelihood of significant variation in performance among the PACS of the different geographical regions” was rejected.

Impact of Business Plans : Category wise

There was no significant difference in the performance of all societies between the periods I and II in the organisational indicator. The mean performance of poor societies has deteriorated. Significant difference was found among the categories of societies for both the periods I and II. Therefore it was concluded that no perceptible change had taken place in the level of performance over the period in respect of organisational / structural indicator (Table 5.17).

Business Plans has enhanced the functional performance of good societies: the moderate PACS have not improved their performance, while the poor PACS has deteriorated. It was found that there was significant difference among the three categories of societies namely good, average and poor societies between the periods I and II (Table 5.18).

In the overall analysis, when all the societies were taken together there was no significant difference between the periods in the average performance of self-reliance indicator. There was significant difference among the categories of societies for the period I. But significant difference was not observed for the period II. Hence it was inferred that in the self-reliance aspect, the poor category societies showed a marked improvement in period II, while moderate and good category societies maintained status quo, reducing the difference among different categories. (Table 5.19)

When all societies were taken together, there was no significant difference in profitability indicator between the period I and II. But there was significant difference among societies for both the periods. Taking category-wise classification, good category PACS further improved their profitability in period II, obviously owing to the Business Planning. Therefore it was inferred that no
significant shift took place in profitability indicator among the three categories of PACS between the two periods. (Table 5.20)

PACS with good performance did not show variation in the cost indicator between these two periods. In respect of the poor and moderate categories, there was significant difference between the periods; while among poor category of societies—it had come down and in the moderate category it had gone up. (Table 5.21)

In overall analysis, there was significant difference between the periods I and II in the average performance of democratic participation indicator. The category wise classification showed that the performance of the good societies had deteriorated. But significant difference among the societies was found for both the periods. Hence it may be concluded that no significant improvement has taken place between the two periods in respect of democratic participation of members. The performance level of good societies had become worse in this respect. (Table 5.22)

No significant difference was found between the periods I and II in the average performance of social efficiency indicator for all societies put together. It was also found that there was significant difference among the societies in the average performance of social efficiency indicator for both the periods. The performance in respect of social indicators has not changed over the years; whereas there was significant difference among different regions. (Table 5.23)

In the overall analysis, no significant shift was observed among the poor performing PACS as they remained the same. Deterioration among good performing PACS was marked during the period II i.e., two good performing PACS have turned to moderate PACS. So it was concluded that Business Plans have made no impact on the performance of PACS among the selected blocks. (Table 5.27). Hence HO₁ that “There is significant improvement in the performance of PACS as a result of the implementation of Business Planning” was rejected.

The contribution of each of the performance indicators, however, varied between the period I and II i.e., before Business Plan implementation and after. It was found that in the period I profitability and cost indicators had greater contribution than the other, while in the period II, Functional and Organisational indicators had greater contribution in the overall efficiency. (Table 5.47). Hence
that, "The economic and financial indicators contribute in a greater measure than social indicators to overall performance of PACS" was accepted.

Majority of the respondents were middle-aged male. Majority of them were illiterate and had medium-size families. (Table 6.1)

The mean level of satisfaction of the respondents in PACS of Kodumudi Block was higher than those in the other two blocks. But there was no significant difference in the level of satisfaction of respondents among the blocks (Table 6.2).

The level of satisfaction of the middle age respondents was relatively higher than that of young and old age groups. Much significant difference was not seen in the overall satisfaction among the respondents of different age groups (Table 6.3).

It was found that the level of satisfaction of the female respondents was higher than the male respondents. But there was no significant difference between genders in respect of overall satisfaction of the respondents (Table 6.4).

No much difference was not discerned in the level of satisfaction among the respondents having different levels of education. The overall satisfaction was high among the respondents having education upto higher secondary school level (Table 6.5).

The overall satisfaction was relatively higher in the high-income group than the groups with low and medium level of income. However, there was no significant difference among the income group in overall satisfaction (Table 6.6).

It was found that the respondents from small families got a higher level of satisfaction from the PACS. The level of satisfaction increased when the size of the family decreased. There was significant difference in overall satisfaction among the respondents with different family sizes (Table 6.7).

It was found that the overall satisfaction of the respondents was higher in the PACS with poor and moderate performance than those with good performance. It might be due to the greater influence of non-financial indicators. (Table 6.8).

The blockwise aggregate satisfaction score of respondents for the specific services revealed that high level of satisfaction was found for loan and input in Kodumudi, for deposits in Karamadai and for inputs in Kodumudi (Table 6.9).

At the aggregate level, the satisfaction level of a large majority of respondents was medium (Table 6.10).
Blockwise aggregate analysis showed that the average level of satisfaction was higher in respect of the services like loan and inputs in Kodumudi, deposits in Karamadai. These three factors are the important sources of satisfaction in each block also (Table 6.11).

In the aggregate, irrespective of blocks, the services like loan get high level of satisfaction score, followed by deposits and inputs (Table 6.12).

In the final analysis, most of the respondents from poor, moderate and good PACS had expressed moderate level of satisfaction about the services of PACS. Likewise, most of the respondents from the three categories of PACS individually and in the aggregate had revealed high level of satisfaction in respect of the services like loan, deposits, and inputs. It was revealed that the aggregate score on overall performance was higher in PACS with poor and moderate performance than those with good performance, indicating the poor and moderate category had scored higher level of satisfaction among the members. Hence HO that "The business performance at the institutional level and service orientation at member level are compatible objectives" was rejected.

Conclusion

The Government of India and State Governments have taken various policy initiatives and intervention strategies for the development of cooperatives. Governments and Reserve Bank of India have appointed various committees and commissions to go deep into the working of cooperatives and give recommendations for enhancing high viability. Agricultural Credit Review Committee was one among those committees which recommended a national programme namely Business Development Planning for promoting viability of cooperatives. NABARD also has initiated similar programme called Development Action Plan for the same purpose.

In India, number of PACS has come down as a result of reorganising and revitalising weak/unviable PACS. But the membership and financial sources have increased manifold. Inspite of this growth, they have been facing some grave problems like mounting overdues, frequent loan waiving, political interference, non-existence of elected board and so on.
An analysis of working performance of selected PACS in three regions during the period I indicated that Karamadai and Kodumudi Blocks have witnessed higher growth rate in social efficiency and financial indicators respectively than other indicators. But during the period II, PACS in the selected three blocks have achieved more or less equal growth rate in all the selected variables. On the whole, period I has witnessed higher growth than period II in most of the variables considered for the present study. In the final analysis the impact of Business Plans on the performance of PACS was not evident among the blocks and category of PACS between the two periods. Among the three blocks, Kodumudi Block PACS individually has gained marginal impact. There was no much difference in the level of satisfaction of respondents spread over in different blocks. The overall satisfaction of respondents for the services like loan, deposits and inputs was high. Large percentage of respondents were having high level of satisfaction in respect of loan in Kothagiri Block, followed by deposits in Karamadai, and input sale in Kodumudi Block. Most of the respondents, irrespective of varying degree of performance, revealed that their level of satisfaction about the services of PACS to which they belong was moderate. Hence it is concluded that Business Plans have made no impact on the performance of selected PACS. Nevertheless, there are several internal and external factors, which might have influenced the performance of PACS, but have not been included in the study, as the study is confined only to Business Plan and its impact.
Suggestions for Improvement

In the light of the above findings, the following suggestions are made in order to ensuring viability of PACS.

1. The Business Development Plans, however detailed and thorough exercises they may be lack the involvement of the functionaries at grassroots level. Proper mechanisms have not been created for participatory planning, implementation and control of this vital exercise. When the entire process is directed from above through the hierarchy of the cooperative department, it tends to become a futile exercise and loses its effectiveness and purpose.

2. The growth rate of working capital of the sample PACS have decreased over the period of time mainly owing to the restrictions on acceptance of deposits by PACS imposed by the Registrar of Cooperatives (vide his RC.No.184617/2000 CBPI dated 22.11.2001) which stipulated that PACS with owned funds of Rs.25 lakhs should alone be permitted to mobilise deposits from members to safeguard the interests of the depositors. Likewise, the Reserve Bank of India has stipulated that a non-banking finance company, to collect deposits from public, should have a minimum of Rs.25 lakhs of net owned funds. These restrictions have resulted in stoppage of cash flow to PACBs in the from of deposits. Hence it is suggested that PACS be treated as Banks under Banking Regulation Act and deposits of the PACS be covered under the Deposit Insurance Scheme.

3. The growth rate of total loan disbursement of the sample PACS during the study period has fallen. So the PACS management should go for business diversification, thereby disbursing more amount of loan, for varied purposes. The growth rate in non-agricultural lending indicates the potential for further growth in this sector. New and emerging economic activities should be funded by PACS in terms of more flexible lending policy.

4. The growth rate of loan recovery by the sample PACS had decreased during the period under study, which would cause financial constraints to the sample PACS. Hence, the State Government should not resort to loan waiver frequently as several committees on cooperative credit were critical
about this unhealthy practice. It was further suggested that sample PACS might be allowed to proceed loan recovery process freely without any Government pressure / interference.

5. The profitability of the sample PACS had been critically eroded. This was due to mounting overdue primarily, and low margin available in other services like PDS secondarily. Hence PACS should come forward boldly to undertake business diversification as recommended by most of the recent committees and enhance profitability. PACS should be brought under NPA regulations as in the case of higher level federations.

6. The growth of membership of weaker sections like SC/ST and women during the study period had decreased. Hence it is suggested to take necessary steps by the PACS concerned to increase the enrolment of these categories of members through special efforts.

7. Poor and moderate PACS had high member satisfaction than good PACS. It might be due to much concentration on non-financial services. So it is suggested that all sample PACS should concentrate equally on financial and non-financial services. Most of the respondents had medium level of satisfaction on the overall services. Therefore it is suggested that sample PACS should take necessary steps to provide all services in such a way that the members derive full satisfaction.

8. The overall satisfaction score of respondents for services like loan, deposits and inputs was higher than other services. Therefore sample PACS should focus on other services like sale of ration and household items, marketing, godown facilities, etc., so as to enlist the support and satisfaction of the members.

9. It is suggested that the State Government should come forward to conduct election to the Board of Management regularly and in a fair manner without any political interference. Election to cooperative bodies should be made mandatory by suitable constitutional amendments and by creating a separable election commission independent of the Registrar of cooperative, or the Department of Cooperation.