

## Chapter -5

### Summary of Findings, Conclusions and Suggestions

#### 5.1 Introduction

Theni District is predominantly an agrarian economy. The District has fairly a good network of cooperative societies. ICDP was initiated in this District in the forenoon of 22.8.2005 for the overall development of the district through cooperative societies. The Project was completed on the afternoon of 31.3.2011. The present study is undertaken to study the impact of the Project on the business profile of cooperative societies in this District. Given the short period of time the study of complete impact of the project is impossible. Also several schemes / programmes were implemented and they have too contributed for business performance of cooperative societies. These constraints were taken into account and the impact of ICDP on the business performance of cooperatives was studied. This chapter presents the salient findings of the present study conclusions and suggestion. The scope for further research is also given at the end of the chapter.

#### 5.2 Findings

From the analysis made in the previous chapters, it was found that ICDP's monetary and non monetary interventions have created both tangible and intangible impact on the business profile of cooperative societies in this District. The chapter wise salient findings of the study are presented below.

##### 5.2.1 Structure and Functioning of ICDP in Theni District

- 1) **Outlay for the Project:** It was found that as per the Detailed Project Report prepared by the Consultant, the total outlay required for the implementation of the ICDP was Rs.1284.95 lakhs. After analysis, NCDC approved the implementation of ICDP in Theni District by MDCC Bank, Project Implementing Agency, at a total Project cost of Rs.987.73 lakhs.
- 2) **Components of Outlay:** It was found that NCDC has sanctioned Rs.884.145 lakhs comprising a Loan component of Rs.780.560 lakhs and a Subsidy component of Rs.103.585 lakhs. The balance of

Rs.103.585 lakhs as Subsidy was met by the Government of Tamil Nadu as State of Tamil Nadu has been categorized as cooperatively developed State by NCDC.

- 3) **Project Implementing Team:** It was found that the members of the PIT, Theni, consist of General Manager, two Development Officers, one Manager, one Driver and one Peon. Though there was fund allocation for five Development Officers, PIT Theni appointed only two Development Officers. Hence, the PIT could be able to meet the entire salary cost of all employees employed in the PIT. As such, all the projects were implemented in conformity with Government and NCDC orders/ guidelines.
- 4) **Deviation Proposals:** It was found in this study that PIT, ICDP Theni accepted deviation proposals from societies in different sectors. Based on need, such proposals were accepted and funds were released to carry out the new projects. It was found that projects worth of Rs.81.708 lakhs was dropped from the approved budget. In that place, additional Projects included and deviation proposals approved was for Rs.57.556 lakhs.
- 5) **Sectors benefited out of Deviation Proposals.** It was found that the sectors benefiting out of this deviation were PACS, PCMS, PCARDBS and Industrial Cooperative Societies. Out of the total deviation budget of Rs.57.556 lakhs, i.e., more than 86 percent went to PACS sectors, as they are the foundation on which the entire cooperative edifice is built in the country.

### **5.2.2 Impact of ICDP on the Business Turnover of Cooperatives**

- 1) **Growth of PACS in Theni District:** It was found that in Theni District Cooperative movement started its journey by registering PACS during 1946. It was found that the first PACS registered in this District was A 737 Upparpatti PACS and the latest being MP 101 Chinnamanur BGCS. PACSs were organized during the period between 1961 and 1970. Both in Theni and Aundipatti Blocks, all

the PACS were established before 1970. Further it is to be noted that 17 PACS were established even before Independence.

- 2) **Area covered by PACS:** It was found that while the average number of villages served by PACS at all India level was 6, in Tamilnadu it was 4. In the case of Theni, for about 3 revenue village, there were 2 PACSs functioning. Such wide coverage facilitated the farming community to avail the services of PACS on time.
- 3) **Membership:** It was found that as there was a ban on admitting new members, the average number of members per PACS remained at 2661 per society at District level during the year 2011-2012. Average number of member per PACS was high in Myladumparai Block and low in Uthamapalayam Block. New members were admitted as Associate Members, without having voting rights and they were allowed to avail all the services from PACS.
- 4) **Share Capital:** Regarding the share capital position of PACS, it was found that average share capital per society was high in Cumbum Block and low in Periyakulam Block. Overall position showed that average position of share capital per society increased from Rs.8.20 lakhs to 13.10 lakhs during the period of study. As share capital contribution was linked with loan operation, the increase in share capital position was in accordance with increase in loan operation.
- 5) **ICDP Contribution to Share capital:** An amount of Rs.5,34,700 has been assisted by ICDP towards share capital contribution in PACSs. Due to this intervention of ICDP, some of the PACSs came to the comfort zone for:
  - Accepting deposits from public
  - Increasing the borrowing power and developing their business turnover.
- 6) **Borrowings:** It was found that the borrowings from MDCC Bank constituted the major source of working capital of majority of PACS. It was found that on an average the borrowing position of per PACS

was Rs.101.39 lakhs in 2004-05, which increased to Rs.160.03 lakhs in the year 2011-12. The average position of borrowings per PACS was high in Mayiladumparai Block, while it was low in Uthamapalayam Block during the year 2004-05. The scenario had not changed during 2011-12 also.

- 7) **Deposit Mobilization:** It was found that during the year 2004-05 only 9 PACSs were eligible to accept deposits. The scenario during the year 2011-12 had been changed and 34 PACSs had become eligible for accepting deposits from the members and the customers. One of the reasons for this trend was the contribution of share capital assistance from ICDP which increased the owned fund position of PACS. Further the infrastructure assistance from ICDP for improved banking facilities enhanced the ambience of the PACS and attracted more deposits.
- 8) **Loan Outstanding:** The total outstanding loan of the PACS in the District has grown from Rs.8734.03 to Rs.21089 lakhs from 2004-05 to 2010-12. On an average Rs.109.18 lakhs was the outstanding loan per PACS during the year 2004-05, which increased to Rs.264.00 lakhs during 2011-12. The region wise analysis showed that on an average the outstanding loan per PACS was high in 2004-05 in Cumbum Block and low in Uthamapalayam Block. The trend has not changed at the end of the period.
- 9) **Growth in Jewel Loan Outstanding:** The increases in the Jewel loan outstanding have been the recent phenomenon in the PACS. There are two types of Jewel loans advanced by PACS. They are viz. (a) Jewel loan issued for agricultural purposes and (b) Jewel loan issued for general consumption purposes. It was found in the study that the average outstanding jewel loan per PACS was high in Cumbum Block and low in Uthamapalayam Block. Both are neighboring Blocks. There are 7 PACS in Cumbum Block, while

there are 8 in Uthmapalayam Block. The causes for this regional variation need further analysis.

- 10) **Viability of PACS:** It was found that during the pre-project period out of 82 PACS; only 20 PACS were functioning with profit. The number had increased to 61 at the end of the Project period. Also the number of viable PACSs had increased from 16 to 54 and to 70. The assistance extended by the ICDP had significantly contributed for this performance.
- 11) **Outlay for the development of PACS:** It was found that for the development of PACS in Theni District, the DPR suggested an outlay of Rs.557.32 lakhs and the amount earmarked by G.O was Rs.446.03 lakhs. Against this outlay, the actual expenditure was Rs.477.445 lakhs.
- 12) **Infrastructure Development:** It was found that Rs.477.445 lakhs was spent for developing infrastructural facilities for the development of PACS business in Theni District. All the sub-projects suggested in the G.O. were covered by the Project. Though certain sub-projects viz., purchasing of counterfeit detecting machines, tractors with accessories, Harvester and Power Sprayers were recommended, as there was no demand, these sub-projects were not covered in the project.
- 13) **Improvement in Godown Capacity:** It was found that totally about 3800 MT capacity of Godown was brought to the use of members and for the business of the PACS. These facilities brought both interest income and non-interest income to PACS.
- 14) **Revival of Dormant PACS:** It was found that in Theni District 7 PACS were served with liquidation notices during 2003. These PACS were financially weak, due to negative net worth and accumulated losses. Now the functioning of these PACS has been revived, wherein the assistance provided by ICDP served as trigger.

It was found that, out of the total assistance provided, interest-free margin money assistance constituted more than 68 per cent.

15) **ICDP and SHGs:** It was found that in the DPR, an amount of Rs 15 lakhs had been earmarked for providing margin money assistance to PACS so to provide loan assistance to SHGs. It was found that 11 PACS had been assisted by ICDP, while the minimum amount provided was Rs.1 lakhs and the maximum amount provided was Rs.2 lakhs. It was found that Melmagalam, Mulaiyampatty and Kodangipatti PACS were dormant PACS, and they were revived after getting financial aid from ICDP as well as Revival Package, 2004.

16) **ICDP and PCARDBs:** It was found that on the part of ICDP, an amount of Rs.2.638 lakhs was expended for creating infrastructure at PCARDBs' level in the form of iron safe, computers and electronic jewel-weighing machines. This was only half of the budget earmarked in the G.O for the development of this sector in the district. ICDP's interventions coupled with Government schemes enabled these PCARDBs to increase their loan outstanding but miles to go.

17) **ICDP and MDCC Bank:** It was found that consequent on the interventions of Government schemes and ICDP, the total loans and advances outstanding of branches of MDCC Bank functioning in Theni increased from Rs.48471 lakhs to Rs.78890.17 lakhs. The position of profit increased from Rs.724.68 lakhs to Rs.1878.25 lakhs during the period between 2008-09 and 2010-11.

18) **ICDP and PCMS:** There were two PCMS functioning in Theni District. It was found that the total business turnover of Theni PCMS increased from Rs.2805.46 lakhs to Rs.4734.28 during the period. In the case of Uthamapalayam PCMS, the total business turnover increased from Rs.237.34 lakhs to Rs.269.01 lakhs during the study period. In both, the cases, the business turnover due to PDS was

significant. ICDP's intervention played a significant role in accelerating the business turnover of these societies, by providing required infrastructural facilities. An amount of Rs.127.19 lakhs was recommended by the DPR for about 11 sub-projects for the infrastructure development in PCMS. This study found that other forms of business diversification are needed for the sustenance of financial soundness. It was found that the Uthamapalayam CMS, not only came out of the clutches of private lorry operations, but also earned Rs.37620 as income. Also, it has generated employment opportunity directly to 10 persons and indirectly to 22 persons.

- 19) **ICDP and PCS:** It was found that out of 11 Primary Cooperative Consumer Stores functioning in this district, only 5 stores were covered under the ICDP. ICDP's intervention for the business promotion of these stores assumed greater importance in breaking the role of middlemen in the business of stores.
- 20) **ICDP and MPCS:** It was found that as there were several other development schemes for the dairy sector, assistance sought from ICDP was limited to Rs.12.80 lakhs against the recommended in the G.O. i.e., Rs.21.60 lakhs. Purchase of 250 Milk cans for Rs.5 lakhs was the major sub project, which was followed by construction of Office Building for Avvaipuram MPCS.
- 21) **ICDP and WCS:** It was found that there were 11 handloom and power loom weavers cooperative societies functioning in the Theni District. The total amount recommended by DPR for this sector was Rs.81.50 lakhs and the total outlay spent as approved was Rs.48 lakhs. Two societies (Jakkampatti PWCS and Jakkampatti HWCS) were having own lands but could not construct own Office Buildings due to financial crisis. They were suffering from the problem of increased rent from building owners. Now these two societies got the assistance from the ICDP and constructed Office-cum-godowns.

22) **ICDP and Weaker Section Cooperatives:** It was found that two weaker sections' cooperatives got the ICDP assistance in the form of margin money and the total amount spent was Rs.15.50 lakhs.

23) **ICDP and Fisheries Cooperatives:** It was found that though Rs.5.09 lakhs was earmarked for fisheries sector, funds were not released due to lack of proposal from this sector.

### **5.2.3 Impact of ICDP on Manpower Development in Cooperatives in Theni District**

1) **Outlay for Manpower Development:** ICDP considered Manpower Development as one of the integral component of the Project. Hence, though the DPR for the implementation of ICDP in Theni District suggested for Rs.148.02 lakhs for Manpower, Training and PIT cost etc., the amount recommended by G.O was Rs.207.17 lakhs and the amount spent was Rs.188.59 lakhs.

2) **Member Education Programme:** The main aim of the member education is to facilitate the members to understand the importance and potentiality of cooperative action, so that they are encouraged to make greater use of their cooperatives and, in turn, lend their support to their institutions. Hence, Member Education Programmes were designed and organized by ICDP in selected locations across the District. An amount of Rs.1.29 lakhs was spent for Member Education Programme and the number of members covered by the Member Education Programme was 3017.

3) **Training of PIT Personnel:** It was found that, to carry out the duties and responsibilities effectively, the General Manager, Manager and Development Officers of ICDP Theni were trained on different aspects of ICDP by the NCDC through its training centre at Gurgoen. For this purpose an amount of Rs.2.31 was spent out of the total budget allocated for manpower development. Also, this team used to accompany the employees in the Project area while they were sent to various training programmes.

- 4) **Training Centers:** Considering the importance of training a provision of Rs. 22.40 lakhs was earmarked in the outlay. The expertise available with the Institute of Cooperative Managements, Madurai and Chennai, TOPIC Training Centre, Gurgaon and Department of Cooperation, Gandhigram Rural Institute, Gandhigram were utilized by the PIT for imparting training to employees on managerial skills, strategic management, BDP, NPA, HRD, salesmanship, motivation, self development, stress management, computer literacy, Management of PDS etc.
- 5) **Types of Training:** Apart from in house training, exposure visits, seminars, workshops and conferences were also arranged by the PIT on business diversification, strategic management and manpower development. Through institutional visits employees were also exposed to real time cases on contemporary issues. All the trainings organized by PIT were in four broad streams. They were training programmes offered exclusively for (1) Department Staff (2) Secretaries / other Staff of various cooperatives (3) Salesmen in Fair Price Shop and (4) General training for all sector Staff. For preparing training materials PIT spend Rs 0.59 lakhs. The special feature of these training programmes were sector specific, tailor made and covered all the Government and institution employees in Theni District.
- 6) **ICDP and PDS:** It was found that first time all the salesmen of FPS run by Cooperatives in Theni District were given orientation on the importance of PDS through lecture, role play and case analysis. In total 1126 were covered in more than 20 one day training programme organized during weekends and for which Rs.2.01 lakhs was spent. First time in the annals of ICDP a handbook in Tamil was prepared exclusively for the benefit of salesmen of FPS explaining their duties and responsibilities, Dos & Don'ts in regular business, records to be maintained at FPS, and Information system. A training programme at higher level was given on Monitoring and Inspection

of PDS to the 48 Supervisory Staff of the office of the JR and DR of cooperative societies, for which an amount of Rs.0.52 lakh was spent. These two training programmes have contributed for the better performance of PDS in the District. Also for better ambience of Fair Price Shops and to purchase of kerosene barrels, furniture and other requirements, ICDP Theni provided sufficient funds to the needed link and lead societies.

- 7) **Performance Linked Incentives to Employees of PACS:** It was found that performance linked incentives were provided to eligible paid staff of primary cooperatives covered under the Project. It was found that out of 75 PACS covered under the project only 23 PACS submitted proposals and received the incentives. Among the PACS, Sillamarathupatti PACS received highest amount of incentive. Among the 23 PACS which availed incentives, PACS in Govindnagaram, Vadaputhupatti, Sillamarathupatti, Kamachipuram, Periyachinthalaichery, Cumbum, Kamayagoundanpatti, C.Pudupatti and Uthamapurai bagged more than 61 per cent of the total amount of incentives distributed. Because these PACS have been continuously earning profit during the project period.
- 8) **Performance Linked Incentives to Employees of PCS:** Out of 5 PCS covered under the Project, 3 stores received incentives. Among the PCS, the highest amount of incentive was availed by Bodinayakanur PCS.
- 9) **Reasons for not availing incentives:** Majority of the cooperatives, which availed assistance under ICDP, have not availed incentives during Project period, due to (1) Non completion of Annual Audit, (2) Delay in submitting the proposals by the concerned societies, and (3) Societies were having incremental turnover but suffered from current year loss.

### **5.3 Conclusion**

From the above findings it is clear that the assistance provided by ICDP, Theni for the promotion of cooperatives recognized the need for both financial

and non financial interventions for the development of cooperative sector in the Theni District. Though this package was universal in nature, it had been flexible in accommodating necessary requirements of this District. For instance, cooperative societies which were having land but could not construct either office building or godown or compound wall or for developing other infrastructural facilities due to want of funds have been assisted to develop their infrastructure. Some of these requirements were not included in the original project plan.

Further, from the analysis it was found that the construction activities have provided new facelift to the cooperative societies, and increased the value of adjoining lands. The Godown Storage capacity of the region has been increased by 4000 MT, which resulted in increase in the sale of fertilizers, pledge loan business and transactions in PDS and consequent increase in interest and non interest income to the concerned cooperatives. It was found that for construction work locally available manpower was used, which provided employment and income to the people living in the area of operations of the concerned cooperatives. When additional investments were coming to the village, the images of cooperatives were boosted among the public. In several cases cooperative societies enjoyed the support of community participation in construction activities. More importantly these developments either completely eliminated or restricted the role of middlemen in input and output marketing in farm and non farm sector in Theni District.

Majority of the employees have been trained on various contemporary issues pertaining the line of business of their cooperative society, exposed to new methodologies and strategies in similar other cooperatives through exposure visits within and outside the State. Though several schemes and programmes were implemented during project period ICDP was the only integrated package which targeted for infrastructure development, margin money assistance and manpower development in cooperative societies. Because of all these developments the functions of those PACS, CMS, Stores, and branches of CCB, which were covered by the project, have been geared through both financial and non financial interventions. Majority of these

societies have diversified their business either to earn interest income or non interest income or both. Further, as sufficient portion of assistance made available from ICDP was in the form of share capital, the interest burden for all these investments was nil. All these financial assistance was made available from ICDP by overcoming the conventional procedural bottlenecks.

The growth of the cooperative movement in the District also accommodated the needs of poor and weaker sections of the community by reviving dormant societies, promoting SHGs, providing separate line of credit for weaker sections, saving the farming community from distress sale, etc. In nutshell it is concluded that compared to Pre Project period, the Post Project period witnessed that many cooperatives have become financially viable entities. Cooperatives could retain their image among the public through enhanced service, general facelift and inclusive approach.

#### **5.4 Suggestions**

This study offers following suggestion for strengthening forthcoming projects.

- 1) **Formation of PIT:** Basically PIT should consist of an interdisciplinary team. This is one of the factors for the success of ICDP, Theni. Interdisciplinary approach helped to execute the Project most efficiently. Hence, right from the commencement of the Project, efforts must be made at Project Monitory Committee level itself to pool the interdisciplinary resource to constitute the PIT. Also, an open selection must be conducted by inviting applications from prospective candidates for various posts in the PIT. As the tenure of the Project is five years, all the pooled human resource must be employed for five years period.
- 2) **Reducing the time gap between planning the Project and its implementation:** The gap between the preparation of DPR and its implementation has been too wide for many ICDPs. The delay in implementation faces the problems like, cost escalation, the overlap among various schemes and programmes and delay in getting administrative sanctions from different Departments. Due to which

some sectors, viz., dairy could not fully utilize the allocations made. Hence, efforts must be made to implement the Project immediately after the preparation of DPR.

- 3) **Asset creation must be given priority in Project out lay for the initial years:** It has been found that budget allocations for creating permanent assets spread over to the entire Project period. Because of these the beneficiary societies face several problems. If the budget allocations for creating permanent assets are made during the first year of the Project itself, the beneficiary societies could able to repay the loan within eight years of time. Also, fifth year must be spared exclusively for monitoring the Project implementation, evaluation, reporting of success stories, preparation of PCR and make arrangements for the closure of the Project.
- 4) **Participation of the member societies:** Form this study it was found that only employees of few PACS and PCS availed incentives. Employees of other sectors have not shown interest in documenting and presenting the proposal to the ICDP for verification and release of incentives. Some employees showed interest not only in availing the benefits under the scheme but also showed interest in executing the Project. Keeping this trend in mind the future ICDP projects should employ ways and means to get the participation of member societies for all aspects of the Project.

### **5.5 Scope for Further Research**

The present study proposes the following areas for further research.

- 1) A study on the role of ICDP in protecting the farmers from Distress Sale
- 2) A study on the role of ICDP in eliminating the role of middlemen in the business of cooperatives
- 3) A study on the direct and indirect advantages enjoyed by Project Implementing Agency in ICDP
- 4) A study on the perception of members of cooperatives on ICDP

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