CHAPTER VIII

SUMMARY OF FINDINGS AND SUGGESTIONS

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8.1 INTRODUCTION

Housing has become a priority sector involving national level planning ever since independence. Though public sector, private and co-operative sectors are involved in the industry, co-operative sector has a more responsible role to play in the context of nation building. A scientific analysis of the various dimensions of the performance of the co-operative sector shall be of much applied utility and value to the planners and policy makers at the national level in the field of housing. For this purpose, a large number of micro-studies at the regional level are essential. The present study has been carried out with such an overall objective and scope.

Co-operative housing society has been chosen as the study unit in the state of Tamilnadu, operating on a large scale for the past 47 years. The co-operative housing societies in Tirunelveli district has been chosen as a sample of the study unit, as it is the eighth largest district among 29 districts in the state.

For the purpose of the study on performance evaluation of co-operative housing societies in Tirunelveli District, data were collected both from primary and secondary sources. Primary data were collected through field survey from officials and borrowers of co-operative housing societies functioning in Tirunelveli District. Secondary data on financial assistance by societies were collected from the books of accounts and audit reports of co-operative housing societies in the study area. The data thus collected and all other relevant information from different sources have been analyzed and interpreted. The results of the analysis in the form of research findings are summarized. Based on these findings, certain conclusions have been derived and suggestions have been made.
8.2 SUMMARY OF FINDINGS

The performance efficiency of the 25 Co-operative Housing Societies functioning in Tirunelveli District is examined by considering the following dimensions.

The growth rates of membership of co-operative housing societies in Tirunelveli District have registered a fluctuating trend and registered the highest growth rate 12.74 per cent in 1994-95 and the lowest -6.42 per cent in 1998-99.

The compound annual growth rates of the members in Taluk Societies, Urban Societies and Overall are found to be 1.11 per cent, 0.14 per cent and 0.76 per cent respectively.

The growth rates of share capital of co-operative housing societies in the study area have shown an upward trend up to 1996-97, from 15.71 per cent to 49.43 per cent, and after that it does not follow any specific trend during the study period.

The compound annual growth rates of share capital in Taluk Societies were 13.55 per cent, in Urban Societies 11.15 per cent and overall 11.81 per cent in the study area.

The growth rates of working capital of co-operative housing societies in Tiruneveli District have registered a mixed trend during the eleven year study period

The compound annual growth rates of working capital were 13.22 per cent in Urban societies, 12.38 per cent in Taluk societies and 12.91 per cent overall during the study period in Tirunelveli District.

The total number of houses assisted during the study period from 1993-94 to 2003-04 by co-operative housing societies in Tirunelveli District had increased from 95.96 per cent in 1994-95 to -34.89 in 2001-02 showing a fluctuating trend.
The compound annual growth rates of the financial assistance to the houses by Urban Societies are 5.64 per cent and by Taluk Societies -12.73 per cent. The overall growth rate was – 6.38 per cent during the study period.

The growth rates of loan sanctioned by the Urban Co-operative Housing Societies (UCHS) had registered a downward trend from 42.97 per cent in 1995-96 to -38.02 per cent in 2001-02 with compound annual growth rate amounting to 3.8 per cent over the study period.

The growth rates of loan sanctioned by the Taluk Co-operative Housing Societies (TCHS) had a fluctuating trend over the eleven year period under study. The highest growth rate was 142.26 per cent in 1994-95 and the lowest was - 32.92 per cent in 2001-02, with compound annual growth rate amounted to 6.2 per cent.

The growth rates of total loan sanctioned by co-operative housing societies in Tirunelveli District had also shown a mixed trend from 38.68 per cent to – 36.66 per cent, while compound annual growth Rate was 4.62 per cent during the period under study.

The total actual loan sanctioned was much higher than the expected trend value in four years from 1997-98 to 2000-01.

In the year 2008-09, there would be Rs.1,220 lakhs of loan sanctioned by Co-operative housing societies in Tirunelveli District, as calculated from the prevailing trends.

The growth rate of loan disbursed by UCHS has varied between – 41.46 per cent and 43.36 per cent with the compound annual growth rate of 6.53 per cent during the study period.
The growth rate of loan disbursed by TCHS has fluctuated between -38.62 per cent and 165.78 per cent, with the compound annual growth rate of 6.57 per cent over the study period.

The growth rate of total loan disbursed by co-operative housing societies in Tirunelveli District has ranged between – 37.27 per cent and 53.16 per cent, while the compound annual growth rate was 6.39 per cent during the study period.

The percentage of collection of loan on demand of co-operative housing societies in Tirunelveli district has shown a fluctuating trend in between 42.91 per cent and 59.14 per cent with average collection being 50.45 per cent during the period under study.

The percentage of collection done by UCHS has varied between 55.02 per cent and 68.69 per cent on demand on loans, with average collection being 62.43 per cent during the eleven year study period.

In TCHS collection percentage on loan recovery on demand, ranged between 24.81 and 49.50 and it averaged 34.30 per cent over the study period.

The total overdue of loans in co-operative housing societies in Tirunelveli District has registered a negative trend of seven-fold increase during the study period under study.

The growth rate of overdue of loans in UCHS had a fluctuating trend between 70.30 per cent and – 0.82 per cent, with a compound annual growth rate of 21.08 per cent during the period under consideration.

The growth rate of overdue of loans in TCHS has ranged between 41.75 per cent and 14.31 per cent, with the compound annual growth rate of 27.01 per cent over the study period.
The growth rate of total overdue of loans of co-operative housing societies in Tirunelveli district has varied between 42 per cent and 9.31 per cent, with compound annual growth rate of 24.40 per cent during the study period.

The repayment performance of co-operative housing societies in Tamilnadu registered the highest 71.40 per cent and the lowest 46.28 per cent, with average repayment being 59.61 per cent made on demand by TNCHF.

The repayment of loans of co-operative housing societies functioning in Tirunelveli district to TNCHF showed a fluctuating trend ranging from 80.16 per cent to 49.51 per cent, which averaged to 62.75 per cent during the eleven year study period.

It was found that repayment performance of PCHS in Tirunelveli District was better than that of all other PCHS in Tamilnadu.

The operation of co-operative housing societies in Tirunelveli District incurred a loss of Rs.69.68 lakhs in 1993-94 which rose to 521.67 lakhs in 2003-04.

The null hypothesis framed that there was no significant difference between Urban Co-operative housing societies and Taluk Co-operative housing societies with reference to the Growth rates of Membership, Share Capital, Loan Sanctioned, Loan Disbursement and Overdue of Loans Co-operative Housing Societies in Tirunelveli District have been tested by Mann–Whitney U–Test. The null hypothesis framed for this study has been accepted.

There is no significant difference between PCHS in Tirunelveli District and PCHS in Tamilnadu in repayment of loan made to TNCHF, as per Mann–Whitney U–Test applied for testing the null hypothesis. The null hypothesis framed is accepted. This is due to better repayment performance of PCHS in Tirunelveli District.
Four-fifths of the respondents (officials) opinion on the number of co-employees working in Co-operative housing societies in Tirunelveli District was that it was sufficient.

More than two-fourths of the officials felt satisfied with their co-employees' activities in their concerned societies functioning in Tirunelveli District.

A vast majority of 92 per cent of the officials preferred special officers' control in management, mainly for co-operation in the administration process.

More than two-fourths of the respondents suggested modernizations of the administration enabling to speed up the work in co-operative housing societies in the study area.

More than three-fourths of the officials opted for press media advertisement in co-operative housing societies in Tirunelveli District.

More than two-thirds of respondents of officials of co-operative housing societies felt that non-disbursal of sanctioned loan to borrowers in appropriate time was due to dearth of finance and bottlenecks of administration.

A vast majority of 96 per cent of the respondents felt that regulation of member-admissions in co-operative housing societies was proper.

More than three-fourths of the respondents felt that procedures for getting loan by borrowers and that for disbursement of sanctioned loan to borrowers were proper.

More than three-fourths of the officials felt the action taken against defaulting borrowers who failed to pay Equated Monthly Instalments was fair.

Three-fourths of the respondents accepted the repayment period fixed to borrowers.
Regarding rate of interest, 44 per cent of the officials considered it as high.

Three-fourths of the officials felt majority of borrowers did not realize their responsibility to repay the loan amount promptly.

Officials stated that all income groups of borrowers failed to repay the loan instalments.

More than one-third of the officials suggested a thorough check-up of the income certificate before sanctioning housing loan, so as to ensure good recovery of loans.

Nearly two-thirds of the respondents of co-operative housing societies in Tirunelveli District had studied only up to higher secondary level of education.

Nearly two-fifths of the respondents' occupation was agriculture.

Two-thirds of the respondents had a monthly income of less than Rs.5,000/- only.

Nearly three-fifths of the sample respondents of co-operative housing societies had the ideal family size.

Nearly three-fifths of the respondents had a monthly savings of less than Rs.1,000/- per month, and thus they belonged to Economically Weaker Section (EWS) and Low Income Group (LIG) category.

More than two-fourths of the respondents were aware of the information on the co-operative housing loan through other beneficiaries of societies in the study area.

Nearly two-thirds of the respondents from co-operative housing societies in Tirunelveli District felt that the standard of society's advertisement was quite ordinary.
Garrett’s Ranking method was adopted to know the sample respondents’ preference in availing loans from CHS. Based on Garrett’s Ranking procedure, it was clear that ‘easy availability’ was given the first rank, ‘easy approach’ to the society the second rank and ‘easy instalment’ was given the third rank.

Two – fourths of the respondents approached personally the co-operative housing societies for housing loans.

Cent per cent of the sample respondents were not displeased with the procedure for admission as members in societies.

Two–fourths of the respondents received membership number within a period of 15 days and the rest received it after more than 15 days from the date of submission of membership application.

Two–thirds of the respondents were satisfied with the procedure for applying for housing loan in co-operative housing societies.

More than two–fourths of the respondents felt collecting and producing the relevant documents with the loan application form were the main causes for delay in the submission of loan application.

Nearly three–fourths of the respondents applied for housing loan for construction of new house.

More than two–fourths of the respondents got estimated cost of housing loan that was less than Rs.1,00,000 only, under the category of EWS and LIG.

More than three–fourths of the respondents felt that loan sanctioned by the society was equal to the loan applied for and the remaining one–fourth of them stated that it was
not equal, and they were among the displeased respondents. But 78.57 per cent had got their loan sanctioned upto 90 per cent of estimated cost.

More than two-fifths of the sample respondents got the sanction letter within a period of two months and the remaining three-fifths had to wait a longer period of more than two months from the date of submission of loan application.

More than 90 per cent of the respondents were aware of the formalities to be fulfilled for the disbursement of the sanctioned loan.

More than two-fifths of the sample respondents reported that inspection method at the site of house construction should be rigid.

More than one-third of the respondents got disbursements of sanctioned loan within a month and the remaining two-thirds of the respondents had to wait for more than one month after the inspection to receive disbursement of the sanctioned loan.

Three-fourths of the respondents did not get subsidy from Government through the co-operative housing society for house construction.

More than one-third of the respondents' got repayment period up to 10 years and the remaining two-thirds of them enjoyed credit period ranging from 10 to 18 years.

One-third of the respondents felt that repayment period fixed by the society was insufficient.

About three-fifths of the respondents made regular payments of their monthly instalments and the remaining two-fifths were irregular in payments. Among the irregular borrowers, two-thirds failed to pay up EMI as they were not earning any fixed income.
Of the borrowers who failed to pay EMI, two-thirds had made subsequent payment.

A vast majority of 90.80 per cent of respondents knew well about the nature of society’s penal procedures against defaulting EMI.

Three-fifths of the respondents who knew well the society’s action-taken procedure against defaulting members viewed the penal rate of interest was quite high.

The levels of attitude of borrowers towards various stages of society activity such as filing application, Sanction of loan, Repayment of Loan and General opinion were measured on 13 positive statements using a five-point scale tested at five per cent and the one per cent level of significance.

There was significant correlation between the age of the respondents and their opinion on the co-operative housing societies.

There was no significant correlation between the educational qualification of the respondents and their opinion on the co-operative housing societies.

There was significant correlation between the occupation of the respondents and their opinion on the co-operative housing societies.

There was no significant correlation between the monthly income of the respondents and their opinion on the co-operative housing societies.

There was no significant correlation between the family size of the respondents and their opinion on the co-operative housing societies.

There was significant correlation between the monthly savings of respondents’ family and their opinion on the co-operative housing societies at five per cent level, but
there is no significant correlation between the opinion levels of the respondents at one per cent level.

Only 10.80 per cent of the members complained of poor services rendered by the employees of co-operative housing societies in the study area.

Two-thirds of the sample respondents recommended to others housing loans from co-operative housing societies and 47.22 per cent respondents felt that easy approach to society was the prime reason to recommend housing loan to others.

It is known from the survey, around one-third of the sample respondents didn’t recommend co-operative housing loan to others. Among them 51.28 per cent complained of higher rate of interest charged by the society as the prime reason for not recommending co-operative housing loan to others.

Among the suggestions for strengthening the co-operative housing societies in Tirunelveli District ‘creating own funds’ ranked first, followed by ‘Innovative public relations’ and ‘modernization of administration’.
8.3 SUGGESTIONS

The following suggestions are made to improve the Performance of Co-operative Housing Societies in Tirunelveli District.

1. New members should be enrolled by introducing attractive and innovative housing loan schemes according to the requirements of different income categories.

2. The Share Capital of the societies should be increased by appealing to the co-operative spirit among people to make them contribute more capital to this institution in order to make it competitive with other financial institutions.

3. Housing loan credit has been continuously increasing since a long time. But co-operatives have problems like outdated and inappropriate institutional framework. Institutional reforms are needed immediately. The Government, politicians, intellectuals and householders all should accept that housing loans are expensive at present and that the cost should be lowered. The answer to the credit needs of EWS and LIG in India is to provide loans at low interest rates.

4. Loan sanctioning procedures should be simplified. The housing co-operatives should abolish the present rule in respect of registration of house site @ 1% on loan amount and releasing house site after the repayment of their loan, so as to reduce the unnecessary expenses presently incurred by the loanee and make the procedure less cumbersome.
5. Sanctioned loans should be disbursed in time. This will enable the borrowers to complete their houses within a stipulated period. So, the society should evolve transparency in dealing with the housing loan application. There is need for a monitoring mechanism for ensuring timely sanction and disbursement of loans.

6. The Central and State governments have to extend appropriate support for improving the financial viability and resource mobilization of the societies. The State Government should contribute towards the share capital and also guarantee the repayment of loans taken by Housing Co-operatives from various financial institutions, to enhance their working capital.

7. The important criterion for the success of the co-operative housing societies is the recovery of loans advanced to the borrowers. Poor recovery of loans hinders effective recycling of funds by society and consequently their momentum of lending to the poor decreases. This situation can be remedied to some extent by proper assessment of repayment capacities of borrowers before sanctioning the loans. Moreover, effective supervision and follow up by adequate and separate filed staff should be provided to ensure proper and speedy recovery of loans.

8. The basic problem of co-operatives is the mounting overdues. It affects their smooth functioning. It was found that overdues of taluk societies were much higher than those of urban societies. The overdue problem of co-operative societies is due to
(i) Lack of discipline among borrowers in repayment of loans;

(ii) Defective lending policies

(iii) Delay in taking action by the management against defaulting borrowers and

(iv) The attitude of the State Government.

The following steps may be taken for elimination of overdues of the societies:

- Borrowers may be educated in "Proper use of Credit and Prompt Repayment of Loan."

- Society has to sanction housing loan only to credit-worthy applicants. Local leaders/board members should not be allowed to pressurize the society officials into sanctioning loans to unworthy borrowers.

- Stringent supervision and timely legal actions may be taken against wilful defaulters as a warning to other borrowers, at any rate no concessions should be made to the defaulters.

- The State Government often orders the waiver of penal interest and interest on housing loans. Such waivers create an impression among the defaulters of co-operatives that their loan also need not be repaid. The State Government may find other ways to offer relief to the poor loanees, without interfering with the process of loan-recovery.

9. The repayment performance of housing co-operatives averaged around 60 per cent on demand made by Federation (TNCHF). Obviously, it is difficult for Federation to recycle funds and avoid sluggish business with the present rate
of loan-recovery. It is harmful for both the lenders and borrowers. Similarly inherent weaknesses in the co-operative financial structures make the Federation ineligible to avail refinance from the National Housing Bank (NHB) and other financial institutions. Therefore, TNCHF and societies should take steps to enforce the schedules of loan-recovery, so as to gain eligibility for refinancing.

10. The housing co-operatives have not earned profit for the past ten years because of frequent write-off of interest on loans without refinancing by State Government, because of moratorium of loan recovery and political interference in the sanction of loans. It creates an unfavourable climate for loan recovery and the lack of proper attitude amongst borrowers about the repayment of loans. Moreover societies earn income more than 95 per cent by way of interest on housing loans. So they should take necessary steps to increase the non-interest income by way of value- added- service like housing plans, legal and technical assistance, loan counseling and any other service that may be required by the borrower during the life of the loan. Society should control the establishment expenses to one per cent of the working capital. These steps will help societies earn larger profits.

11. For improving operational efficiency, co-operatives should transform themselves into a modern institution with a new outlook, using computerized accounting system in all primaries to meet the increasing demand of the business and the volume of the work to be executed. This would ensure
error-free entries and prompt communication to customers, thus reducing unproductive cost of operation.

12. Non-availability of adequate funds hinders societies from disbursing sanctioned loans to borrowers in appropriate time. Therefore, societies may raise their own funds by way of accepting public deposits, issue of floating debentures, and bonds. This will help to ease the financial crisis and make it possible to offer competitive rate of interest on housing loans.

13. The advertisements given by CHS regarding housing Loans are neither comprehensive in their coverage nor impressive in their appeal. It is suggested that Apex Federation may use the services of specialized advertising agencies in designing and executing the process of advertisement. Media and other publicity related aspects are to be fully utilized. Regular press meetings may be arranged and the press people may be fed with the latest developments and trends so as to educate the public. It may also develop a good public relationship.

By personal enquiry the researcher gathered the following suggestions from the respondents:

14. The sanctioning of loan takes a long time after registering the application. Majority of applicants wait for more than two months from the date of submission of loan application, whereas it takes less than one month with other agencies. This is mainly due to the multi-point processing of documents both at primary society level as well as at apex society level. So, TNCHF
should give authority to Regional office (i.e Maduri, Coimbatore and Trichy) and sub-registrar office (i.e Cluster district) for the sanction of housing loan up to a certain limit. This will ensure sanction of loan within the prescribed time of 15 days.

15. Taking into account the poor income and repaying capacity of the EWS and LIG beneficiaries, the society should extend their repayment period from 10 to 25 years. This will lessen the burden of monthly instalments and increase the possibility of prompt repayment.

16. To lessen repeated defaults, the society may be less harsh on the penal rate of interest. Concessions may be given to the prompt repayers of the loans during the final settlement. Subsidies can be allowed to the prompt repayers in the EWS category borrowers. Defaulters shall not be allowed to enjoy subsidy. They should be made to forfeit the subsidy. Cooperative bye-Laws may be changed accordingly.

17. Housing co-operatives charge flat rate of interest on housing loans without considering the term of the loan. There is need for a discriminatory policy like the earlier slab rates of interest based on housing loan terms of repayment period. So, it is quite desirable to create a flexible interest rate structure with multiple slabs and corresponding multiple rates of interest, favouring the poor amongst the different income groups.

18. The practice of compulsory Investment of 7 per cent of the loan sanctioned (4% in case of EWS) as the share capital may be reduced to 1 per cent as it is
19. Societies delay releasing the pledged documents after the settlement of loan account. This is due to the indifferent accounting system maintained by the societies and the Federation. The societies maintain “Individual Loan a/c” but TNCHF maintain ‘Group Loan a/c”. It is, therefore, suggested that both the institutions should maintain “Individual Loan Accounts’ enabling timely release of pledged documents, as is done in other housing finance institutions.

20. Financial inclusion would require launching of new housing loan schemes, customer-friendly initiatives and in-house training of staff to make them more competitive in the housing field. The schemes offered by the housing cooperatives are mainly meant for the people belonging to the lower strata and EWS of the society. Efforts should be made to restructure the schemes so as to attract more customers from the upper middle class and high-income groups.

21. The Federation should consolidate the nearby co-operative housing societies functioning in the same area, and thus reduce the administrative and operational costs.

22. Housing co-operatives should be given refinance facilities at subsidized interest rates by lending financial institutions like banks and National Housing Bank, for improving repayment performance.

23. Housing Society should be converted into a multi-purpose society like self-centred employment centre by creating own infrastructure such as
housing, home based economic activities, health care and social services, rental housing, library, child care, care for elders and distribution of building materials. These activities will create confidence among people and will motivate them to join these societies.

24. If the public are to get the desired result of housing loan credit, there should be complementary support from the State Government like creation of infrastructure, provision of house sites etc., enabling the housing societies to serve community in a better way.

25. The co-operatives in a competitive situation must give competitive dividends and for this they have to focus on efficiency and reasonable profit making.

26. In the global scenario cooperatives have to face challenges and they shall strive to overcome them. Total Quality Management (TQM) in every wing of the cooperatives should be strengthened and subjected to fine-tuning and orderliness. Economy in establishment expenditure has to be ensured all along. The Internal checks, Controls and Management information system (MIS) are to be strengthened so that supervision over the housing societies can be more effective.

27. In order to face the emerging situations in the new millennium, co-operatives including housing co-operatives will have to make all efforts to adopt themselves to the changing environment and to prove to be effective instruments of socio-economic changed development.
28. The 'Group Insurance Scheme' may be extended to the borrowers suffering from total disability. At present the scheme covers only the death of the borrower. Such step will give great relief to the affected beneficiaries and their family members.

29. The repayment of instalment amount may be on monthly/quarterly/half-yearly basis. This choice will enable occasional earners (Marginal farmers and Agricultural labourers and village artisans) to pay instalments promptly.

30. The success of co-operative movement mainly depends on the members. So societies may organize non-formal education programmes to educate the members in the value and utility of co-operatives and in decent living with proper housing.

8.3 TOPICS FOR FUTURE RESEARCH

The following topics are suggested for further research:

1. Comparative Analysis of Performance of CHS and Housing Financial Institutions in India.

2. The Role of Co-operative Housing Society in Promoting Housing Development in India.


4. Similar studies can be undertaken with reference to other districts or other states.