CHAPTER VI
SUMMARY OF FINDINGS, CONCLUSIONS
AND SUGGESTIONS

6.1. INTRODUCTION

The Findings, Conclusions and Suggestions based on the analysis of the data collected for the research work are summarised in this chapter. It is hoped that the suggestions based on this research work will be highly useful to the policy makers, research and other academics.

6.2. FINDINGS AND CONCLUSIONS

The views of different experts in this field helped in formulating the operational definitions used in this study. Their views are related to performance of the PACBs and DCCBs.

Among the selected performance indicators of the PACBs, certain parameters showed positive trend and some others showed negative trend, after the bifurcation of the S.A.District.

The analysis showed that there was gradual improvement in the average number of members on the PACBs in both the districts with a higher rate in the former district after the bifurcation of the S.A.District. The percentage of PACB members to total population was found to be from 6.1% to 43.9% in the Viluppuram District and from 6.6% to 30.1% in the Cuddalore District.

The rate of interest received, increased after the bifurcation of the S.A.District in all the PACBs of both the districts. The minimum amount of interest received was from Rs.1.28 lakhs to Rs.2.95 lakhs in the
Viluppuram District and from Rs.1.17 lakhs to Rs.3.82 lakhs in the Cuddalore District. Also, there was uniformity in the interest received by the PACBs of Viluppuram and Cuddalore districts. However, the increase in the rate of interest received by the PACBs was more in the Cuddalore district than that in the Viluppuram District.

It is found that the reserve position increased in all the PACBs of both Viluppuram and Cuddalore districts. The high level reserve position of the PACBs after the bifurcation of the S.A.District showed a healthy trend in the performance of the PACBs in these districts.

The information on the amount of salary payment showed that it was more than doubled on an average in the PACBs of both the districts after the bifurcation of the S.A.District. Also, the average salary payment by the PACBs at Viluppuram District was higher than that at the Cuddalore District and also higher at both the districts after the bifurcation of the S.A.District. The improvement in the salary payment was relatively higher in the PACBs of the Cuddalore District again.

The percentage of salary to working capital showed that there was no increase in adopting the salary norms in both the districts after the bifurcation of the S.A.District. However, after the bifurcation of the S.A.District there was proper improvement in adopting the salary norms in the Viluppuram District but not in the Cuddalore District.

The loan outstanding showed an increase in every year in all the PACBs after the bifurcation which did not show any favourable trend in the performance of the PACBs of both the districts which could be noted from the Multiple Bar Diagram. Again, the Time Series Graph revealed that the
loan outstanding increased in both the districts after the bifurcation of the S.A.District. Also, the increase in the loan outstanding of the PACBs of both the districts made the number of dormant PACBs on the increase after the bifurcation of the S.A.District.

The recovery of loan after the bifurcation of the S.A.District increased in all the PACBs in the Viluppuram and Cuddalore districts. However, the overall loan collection rate was more in the Cuddalore District than in the Viluppuram District. The loan collection was uniformly done throughout the years in both the districts. Hence the results that bifurcation of the S.A.District helped the loan collection by the PACBs more effectively. Again, the trend of demand of the PACBs in both the districts showed that there was adverse influence in the demand trend among the PACBs of both the districts after the bifurcation. The information on the recovery rate of loan collection from the demand informed that the overall recovery rate of loan from the demand did not change (54%) in Viluppuram District before and after bifurcation. But there was marginal improvement in the Cuddalore District (58 to 60%) after bifurcation of the S.A.District showed a nominal increase in the recovery rate of loan by the PACBs in the Cuddalore District. The information on the loan recovery rate from the demand by the PACBs on an early basis showed that the recovery of loan was the highest during 1997-98 as 69% in the Viluppuram District and 80.5% in the Cuddalore District. Also, the overall recovery rate was more in Cuddalore District than in Viluppuram District.

It is found that the short-term loan issued by the PACBs was more than doubled in the Viluppuram and Cuddalore districts after the bifurcation of the S.A.District. However, the overall increase in the issue
rate was more in the Cuddalore District (170.3%) than in the Viluppuram District (139.2%). The trend on the issue of short-term loans by the PACBs of both the districts after the bifurcation of the S.A.District shown in the Multiple Bar Diagram confirmed the results. Also, there was a high level supply of short-term loan by the PACBs after the bifurcation of the S.A.District which showed a better performance of the PACBs in both the districts.

After the bifurcation of the S.A.District, the medium-term loan issued by the PACBs was more with an increase in the Viluppuram District. This was also supported by the trend shown in the Multiple Bar Diagram. Again, the Lorenz Curve analysis in this aspect revealed that there was no disparity in the amount of loan issued in both the districts in the first 5 years and thereafter with marginal change.

The average loan per member per society per year was ranging between Rs.1401 and Rs. 3980 in the Viluppuram District and between Rs.992 and Rs.5606 in the Cuddalore District. Again, the overall average loan per member per society was Rs.2261 in the Viluppuram District and Rs.3220 in the Cuddalore District. The average loan issued by the PACBs per year was regularly increasing in all the years in the Cuddalore District. Again, the average loan per year increased from Rs.1002 to Rs.3393 in the Viluppuram District and from Rs.1015 to Rs.4432 in the Cuddalore District. This showed that the average increase of loan rate was nearly 20% in the Viluppuram District and 28% in the Cuddalore District. The trend of the average loan issued increased in both the districts after the bifurcation of the S.A.District.
There was increase in the deposits made in the PACBs of both the districts, but the deposit increase was manifold after the bifurcation of the S.A.District. This was also confirmed by the Time Series Graph. The 't' test on this aspect showed that the improved position in the deposit made was more in Viluppuram District than in Cuddalore District. As per the information on the average deposit per PACB and per year was concerned the minimum average deposit per PACB in the Viluppuram District was Rs.69 but the maximum average deposit per PACB in Viluppuram District was Rs.3466 and that in Cuddalore District was Rs.3583. The trend on average deposit per year and the minimum of it in the Viluppuram District was Rs. 215 and that in Cuddalore District was Rs.133. The maximum average deposit per year was Rs. 2920 and Rs. 2757 respectively in Viluppuram and Cuddalore districts.

The favourable trend in the average deposit per PACB at the maximum level was in the Cuddalore District. But the average deposit per year was the maximum in Viluppuram District. On an average, the increase in deposit rate per year was 105% in Viluppuram District and 164% in the Cuddalore District. Though the overall average deposit was more in Viluppuram (Rs.1175) than in Cuddalore District (Rs.909) the increasing deposit rate per year was more in Cuddalore District.

Among the 21 PACBs selected in Viluppuram District, the average borrowing level decreased after the bifurcation of the S.A District in five PACBs but that was only in one PACB out of the 18 selected in the Cuddalore District. The overall increase in average borrowing rate was more in the Cuddalore District than in Viluppuram District. The average size of borrowing by the PACBs in Cuddalore District was unfavourable and in the Viluppuram District was favourable.
Interest payment on the deposits made by the people and borrowings made by the PACBs was regular and became more after the bifurcation of the S.A.District. Also the overall average increase in interest payment rate was more in Cuddalore District than in Viluppuram District. It was also found that there was no much disparity in the interest payment in different years after the bifurcation of the S.A.District.

The investment rate by the PACBs showed a favourable trend in both the districts after the bifurcation of the S.A.District. More favourable trend in this aspect was found in Viluppuram District than in Cuddalore District. The Time Series Graph confirmed this result.

The details on the working capital of the PACBs were found that the size of the working capital increased more than 2 1/2 times in both the districts after the bifurcation of the S.A.District with marginal improvement in the Cuddalore District. This was also confirmed by the information from the Multiple Bar Diagram. The ‘t’ test also proved that the working capital showed commendable improvement after the bifurcation of the S.A.District.

The overdues of the PACBs of both the districts showed that in all the PACBs of both the districts, the increased overdue rate ranged between 31.8% and 295.6% in the Viluppuram District and 14.1% and 527.5% in the Cuddalore District. Also, on an average the overdue rate increased by 130.9% in Viluppuram District and 183.5% in Cuddalore District. Again, the overdue position became adverse after the bifurcation of the S.A.District which showed an unhealthy atmosphere in the performance of the PACBs. The percentage of overdue on total loan ranged between 13.4% and 144.8%
in the Viluppuram District which was 47.9% and 115.9% in the Cuddalore District. Again, the overall overdue percentage to total loan was 79.6% in the Viluppuram District and 88.2% in the Cuddalore District. This showed an adverse trend. Again, the overdue per society per year ranged between 21.4% and 81.9% in the Viluppuram District and 77.2% and 103.5% in the Cuddalore District. Thus the performance of the PACBs in both the District is poor in this respect.

The profit/loss position of the PACBs showed adverse trend after the bifurcation of the S.A.District with more adversity in the Cuddalore District than in the Viluppuram District on an overall basis. Except in 5 PACBs at Viluppuram District and 3 PACBs in the Cuddalore District the profit was very low. The profit per year showed adverse trend in both the districts and that too was more in the Cuddalore District.

The 't' test applied in order to test the hypotheses formulated proved that except in the case of borrowings, there was marginal improvement in some parameters, satisfactory level in a few and poor level in others after the bifurcation of the S.A. District both at 1% and 5% levels.

The Correlation Co-efficients calculated for the variables selected, presented in majority of the cases there was high degree of positive and negative correlation in the Viluppuram and Cuddalore districts. Special attention must be given to these factors while planning strategies to improve the performance of the PACBs.

In order to estimate the value of a dependent variable with the help of the highly influencing independent variables, multiple regression function was used. This was used to estimate the Profit / Loss for the Viluppuram, Cuddalore and combined districts.
The P/L function for the PACBs of the Viluppuram District was found that average total deposits had more effect followed by average loans issued, average membership, average interest received and average demand on the positive side and average reserve, average investment, average overdue, average interest paid and average working capital on the negative side of the P/L of the PACBs of Viluppuram District. The co-efficient of multiple determination at 99.8% shows that the variation in the P/L of the PACBs during the study period could be explained by the variables included in the function.

In the Cuddalore District multiple regression function for the Profit and Loss of the PACBs was fitted in and its co-efficient of multiple determination was 0.9997. In this district the impact of independent variables on the profit and loss was in the order of reserve, deposit, loan issued, interest received, membership, working capital, overdue and demand with respective co-efficients at 4.7680, 0.5108, 0.3189, 0.2606, 0.2439, 0.0962, 0.0845 and 0.0313. Also the interest paid and investments had negative impact on P/L to the extent of 1.5198 and 1.3323.

The variables influencing the P/L for the combined district were interest paid, investment, membership, overdue, working capital, demand and interest received with the regression co-efficients at 3.8627, 2.1435, 0.3036, 0.2880, 0.1448, 0.1026 and 0.0974. The variables having negative impact on P/L were reserve, deposit and loan issued with the respective regression co-efficients at 3.7687, 0.6994 and 0.4055 and the co-efficient of multiple determination was 0.9983.
The number of DCCB branches increased in Cuddalore District, by 1% before bifurcation and by 2% after bifurcation of the S.A.District and there was no increase in the number of such branches in the Viluppuram District. It is concluded that there was no improvement in the performance of the DCCB of the Viluppuram District in this aspect.

The trend in the number of members was also higher after the bifurcation of the S.A.District than before bifurcation. However, the increase in membership rate was more in Viluppuram District than in Cuddalore District. The improvement in the performance of the DCCB through the increase in the share capital in both the districts is almost equal. There is an increase in deposits in the DCCB after the bifurcation of the S.A.District. The increases in the deposit rate was more in Viluppuram District than that in Cuddalore District.

The borrowing level was increased in the Cuddalore District before the bifurcation of the S.A.District but after the bifurcation it declined in both the districts with higher rate of decrease in the Cuddalore District than in Viluppuram District.

The working capital increased in the DCCB after the bifurcation of the S.A.District. But after the bifurcation, this rate decreased with a higher rate of decrease in the Cuddalore District. This showed an unfair performance of the DCCB after the bifurcation of the S.A.District.

The overdue showed a favourable trend in both the districts after the bifurcation of the S.A.District. This showed a better performance of the DCCB in both the districts.
There was loss in the DCCB of Cuddalore before and after the bifurcation of the S.A.District. But in that Viluppuram, the profit rate increased by 72.61% after the bifurcation. So it can be concluded that the bifurcation of the S.A.District resulted in the improvement in the performance as reflected in the increase in the profit of the DCCB with more favourable trend in the Viluppuram District.

The reserves of the DCCB showed an unfavourable trend in both the districts with a higher rate of decreasing trend in the Cuddalore District after the bifurcation of the S.A.District. Hence, the performance of the DCCB in terms of reserves became unfavourable after the bifurcation of the S.A.District.

The opinions of the members of the PACBs on the performance of them showed a better performance only in two cases viz. mode of recovery of loan and rate of interest for the loan in the Viluppuram District. But in the Cuddalore District, in addition to these two aspects, service of the employees is added with more satisfactory level.

6.3. SUGGESTIONS

6.3.1. From The Study

6.3.1.1. The people must be properly motivated and educated to realise the benefit of the co-operatives and make them active members in them.

6.3.1.2. The rate of interest prevailing at present 1% above the Commercial bank rate can be raised to 2% in order to mobilise more deposits in the Co-operatives. This measure would also enable the PACBs to survive in the money market.
6.3.1.3. The salary of the employees should not exceed 2% of the working capital as per the circular of the Registrar of Co-operatives mentioned earlier. But this ratio is 3.5% in the Viluppuram DCCB and 3.8% in the Cuddalore DCCB at the time of data collection. Now the Registrar has increased this rate from 2% to 4%.

6.3.1.4. Imposition of penal interest on overdue amount, banning of the existing lenient procedure in collecting interest and stringent actions against the defaulters impartially can reduce the overdues.

6.3.1.5. In order to improve the performance of the Co-operatives either the demand level is to be fixed at lower level or the recovery rate should be increased more than the existing one.

6.3.1.6. In order to avoid the misuse of the loan, the granting of loans by the Co-operatives should not be one time payment but within a minimum of three instalments based on the requirements of the farm operations then and there. A part of the loan may be distributed in kind like fertilisers, pesticides and high yielding varieties of seeds.

6.3.1.7. The borrowing level of the co-operatives should be kept at the minimum possible level in order to ensure profitability.

6.3.1.8. The rate of interest on deposits made to the co-operatives must be more than the interest rate on borrowings for their healthy performance.

6.3.1.9. The system of portfolio management must be adopted under the guidance of financial and investment experts inorder to reap the higher profits from investments.
6.3.1.10. To improve efficiency in the co-operatives further working capital must be increased through the increase in own funds.

6.3.2. Other Suggestions

6.3.2.1. To District Central Co-operative Banks

6.3.2.1.1. In order to supervise the PACBs efficiently, annual audit should be done by DCCB instead of co-operative audit.

6.3.2.1.2. DCCBs can perform better with necessary technical and financial assistance if they are allowed to be managed democratically by their own elected board of directors.

6.3.2.1.3. The Government should increase more share capital assistance in order to increase the momentum of operations of the DCCB.

6.3.2.1.4. In order to improve the deposit of the DCCBs, the performing PACBs are to be encouraged by increasing the refinance to to crop and other loans.

6.3.2.1.5. For the healthy operation, the DCCBs have to keep the borrowing level at as minimum a rate as possible.

6.3.2.1.6. The existing size of working capital of the DCCBs must necessarily be increased in order to increase their performance.

6.3.2.1.7. In order to decrease the amount of overdue, the member defauluters of loan should be strictly warned initially and necessary action can be taken thereafter.

6.3.2.1.8. In order to increase the Reserve Fund, the profits of the DCCBs must be improved by cutting down the establishment expenses to a certain extent and strict adherence to the collection of the loan.
6.3.2.2. **To The PACBs**

6.3.2.2.1. The PACBs can achieve better economy if the assessors of Jewels in the case of Jewellery loans, are paid on the basis of number and value of loans sanctioned instead of monthly salary existing at present.

6.3.2.2.2. In order to repay the loan, the PACBs should not make use of the cash credit facility to save it from payment of higher interest to DCCBs.

6.3.2.2.3. The introduction of the proportionate salary system in response to deposit mobilisation will help to improve deposit mobilisation.

6.3.2.2.4. Timely disposal of old and damaged stocks, instruments and containers can minimise the loss and improve the reserve position of the PACBs.

6.3.2.2.5. Release of each instalment of the loan should be made after ensuring the proper utilisation of the earlier instalment is useful to avoid misuse of loan.

6.3.2.2.6. There should be strict vigilance for prevention of the diversion of loans towards unproductive purposes.

6.3.2.2.7. For the economic viability of the retail outlets under the PACBs, there should be at least 800 credit card holders in each unit.

6.3.3. **General Recommendations**

6.3.3.1. Introduction of certain percentage of rebate on interest paid for the prompt repayment of loan can reduce the overdue position.
6.3.3.2. Adoption of a policy of strict prohibition of future loan to the defaulters, attachment of the properties of the defaulters of the loan, eviction from membership and debarring from contesting election should be strictly followed in order to reduce the loan outstanding.

6.3.3.3. There must be regular auditing of accounts of the co-operatives and stubborn penal actions against the defaulters should be undertaken in order to improve the performance of the co-operatives.

6.3.3.4. A Committee consisting of Field Staff of the bank, Crop-Consultant and Field Officer from the Insurance Company may be entrusted with the responsibility to have proper watch on the use of loan for the purpose for which the loan was issued.

6.3.3.5. In order to augment more deposits, the introduction of the “Tax Saving Deposit Scheme” may have its effect.

6.3.3.6. The defects and the recommendations given in the Audit Report of the previous year are to be kept in mind for the present year operation of the co-operatives in order to improve the performance of them.

6.3.3.7. Pilferages grown in the supply of loan and distribution of items by the co-operatives should be removed totally.

6.3.3.8. The practice of offer of waiving of loans and interest due to the co-operatives assured in the Election Manifestos of the Political Parties must be avoided.

6.3.3.9. An endeavour to create, among the borrowers, the awareness that co-operation stands to gain by promoting them, can help to reduce overdues.
6.3.3.10. A guarantee of remunerative prices for the agricultural produce and efficient protection of crops from natural calamities would improve the loan repayment capacity of the borrowers.

6.3.3.11. Loan allotment under various schemes as per the RBI guidelines would serve the purpose better if it is need based and flexible.

6.3.3.12. In order to initiate the small borrowers and the members of the weaker sections into the Co-operative movement and to improve their interest in it a "Grievance Day" may be held periodically.

6.3.3.13. The size of overdues could be reduced by avoiding over financing, loans given for the clearance of old debts, leniency shown in loan collection, automatic renewals and fictitious repayments.

6.3.3.14. In order to ensure better performance there should be improved management. The Bank and its branches are to be equipped with sufficient trained man-power assuring capacity for effective mobilisation, sound financing, effective supervision of loan and better utilisation of working capital.

6.3.3.15. The existing norms in the supply of loans by the Co-operatives should be simplified ensuring proximity, timely supply and loan adequacy in order to save the members from the clutches of money lenders.

6.3.3.16. The Co-operative system should ensure a single window approach integrated with finance, technology, organisational support, entrepreneurship, marketing and development of allied rural industries.
The existing practice of investments made by the PACBs and DCCBs on the other Co-operatives without proper portfolio management makes the society to abstain from getting dividend and thereby results in losses.

It has been practically experienced that the co-operatives in the form of PACBs at the bottom level and DCCBs at the middle level were playing their own role in meeting the credit needs of the rural masses. However, there were many adverse factors playing in their functioning which resulted in the increase in the number of dormant PACBs and a decrease in the number of performing PACBs. The major adverse factor is the dominant character of the President of the PACB who is mostly a member of a political party and who tries to implement his own party policy which may be a self-defeating one in executing the objectives of the Co-operatives. Another adverse factor in the functioning of the Co-operatives is political instability which reduced the pace of the real growth of the co-operatives.

Hence, unless the co-operatives are placed above politics and vested interest, and kept the service minded persons at the helm, the adverse trend in the functioning of the co-operatives cannot be reversed and the rural credit demand cannot be effectively met.

It this work, it is fully understood that the performance of the PACBs and DCCBs improved significantly in majority of the factors involved. It can be better followed to bifurcate as and when a new Revenue District is created. If necessary, the DCCB in a district can be bifurcated reasonably inorder to improve the performance of the PACB mainly to meet the growing demand for rural credit.
SUMMARY

The findings in any research work is useful for making meaningful suggestions as guidance for future policy frame work.

The various findings in this work on the performance of the PACBs after the bifurcation of the S.A.District into Viluppuram and Cuddalore districts revealed favourable scenario under certain performance indicators and unfavourable position under certain indicators. Various statistical tools such as Ratios and Percentages, Multiple Bar Diagram, Time Series Graph, Lorenz Curve, Correlation Co-efficient and Multiple Regression function were used to arrive at these results.

In this chapter various suggestions for improving the performance of the PACBs and the DCCBs are given, which are expected to be immensely useful to policy framers of the Co-operative sector.