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Entrepreneurial Competencies of Primary Agricultural Cooperative Credit Societies – A Study in Tamil Nadu, India

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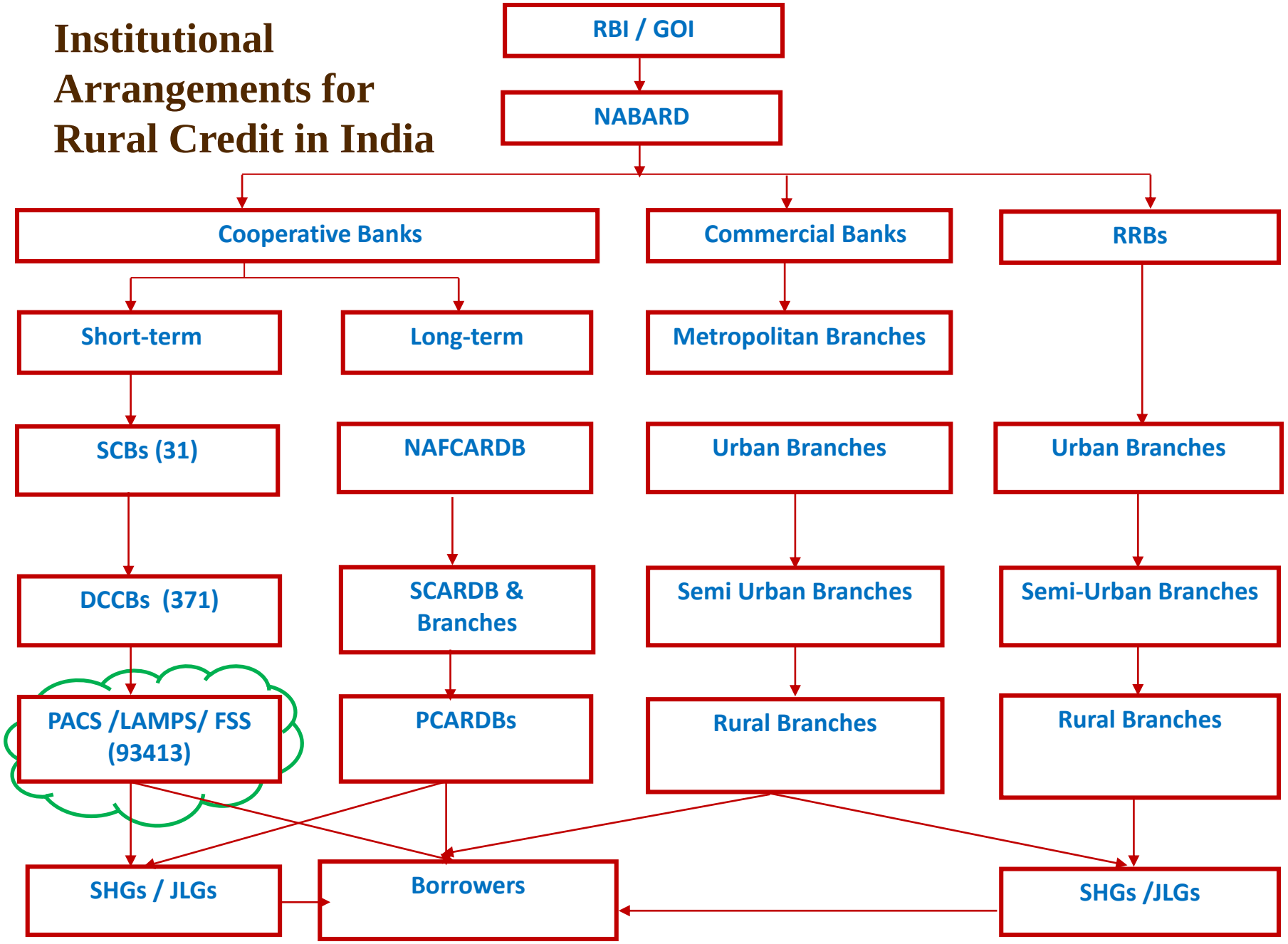
Evolution of Cooperatives in India

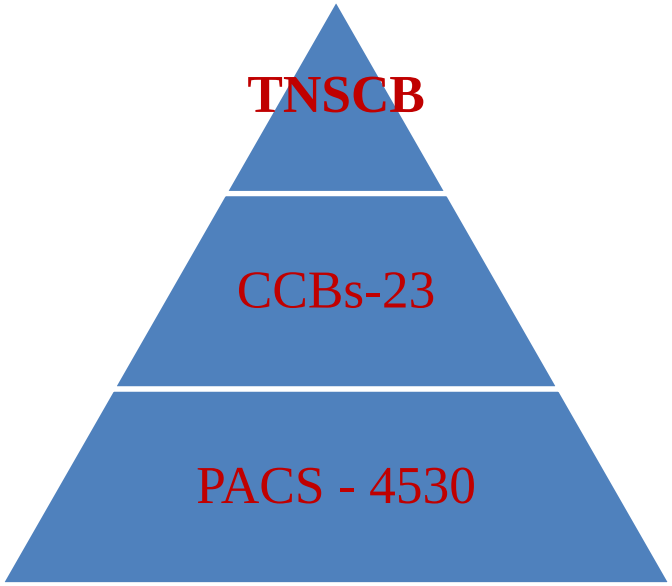
- **1904 Act, 1912 Act, 1919 Reforms**
- **All India Rural Credit Survey Committee 1954**
- **All India Rural Credit Review Committee 1969**
- **CRAFICARD**
- **Committee on Model Cooperative Societies Act 1990**
- **Task Force on STCCS – 2014**
- **97TH Constitutional Amendment**

Important milestones

Institutional Arrangements for Rural Credit in India



PACS In Tamil Nadu



All India	6 Villages
Tamil Nadu	4 Villages

Statement of the Problem

- Cooperatives are one of the important economic organizations – Employment generation, protect the interest of both producers and consumers.
- However, entrepreneurship literature rarely reveal on the relationship between entrepreneurship and cooperatives.
- In the cooperative literatures too, very little has been addressed on the synergy between entrepreneurial competencies and the degree of economic success or the failure of cooperatives.

- The changing faces of economic systems condition the cooperatives to be innovative, so as, to remain viable
- Systematic diversification is an integral part of any organization to become dynamic to the requirements of its stakeholders.
- The Task Force on Revival of STCCS 2004, also emphasized for diversification
- In this context, this study was undertaken

Objectives of the study

1) What are the areas identified by the PACS for business diversification?
2) Which diversification strategy is sustainable and why?
3) What are the entrepreneurial competencies exhibited by PACS?
4) What is the outcome of these entrepreneurial competencies?

Methodology & Sampling
(Survey method / FGD/ Both Primary and secondary sources of data / 5 PACS Representing different regions were selected purposively

Analysis and Discussion

- Alternatives for growth - market penetration, market development, product development and diversification
- Diversification strategy is quite exclusive of the first three
- Others use same technical, financial and marketing resources as are used for the original product-line
- Diversification generally requires new skills, new techniques and new facilities.
- Therefore, it almost invariably leads to physical and organizational changes in the structure of the business organization which means a distinct break with its past experiences

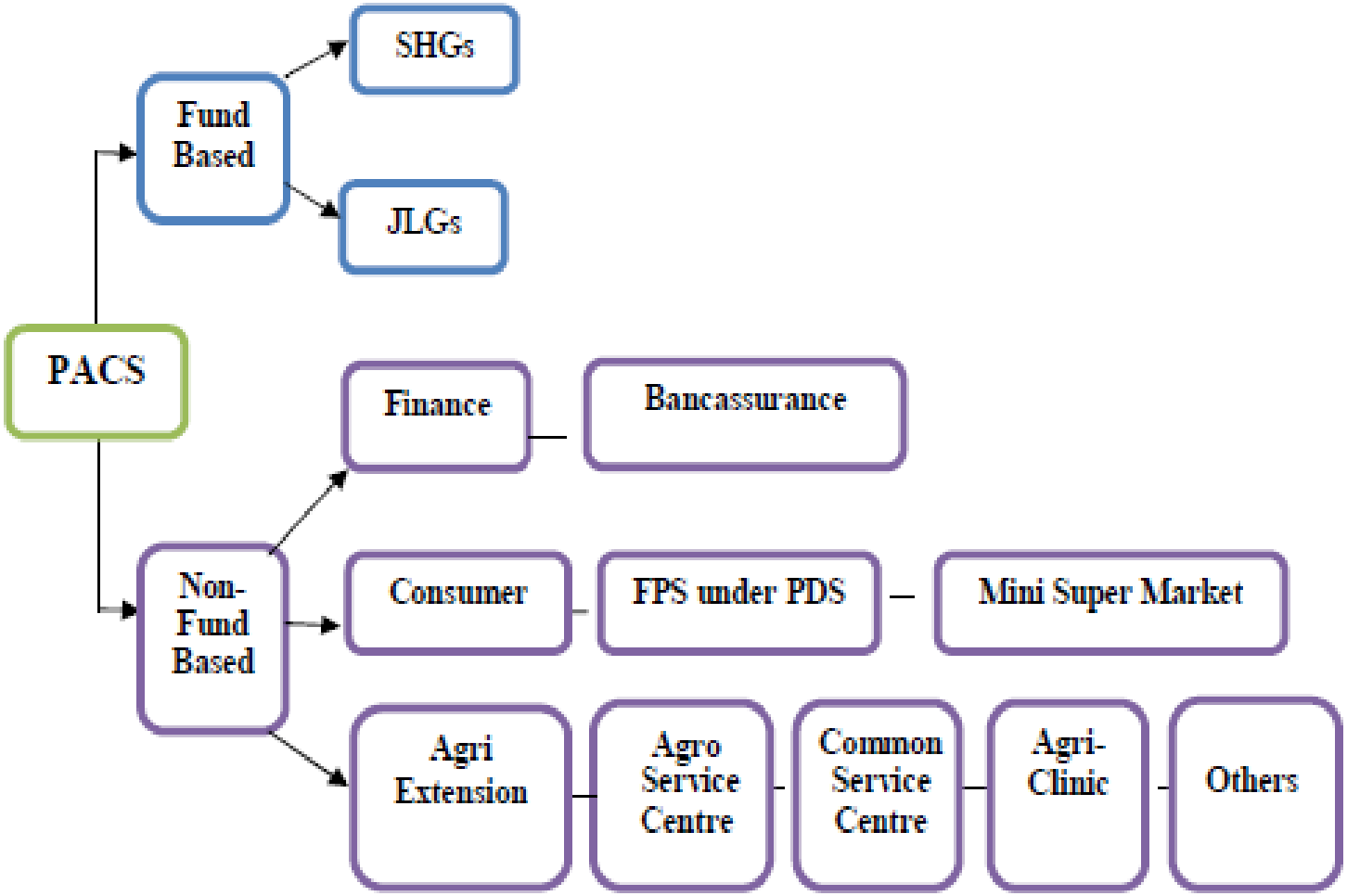
Deposit Mobilization by PACS

- In the case of sample PACS, it was found that deposits had significant stake in the working capital. The contribution of SHGs in deposit mobilization has been significant.

Loan Operations of PACS

- The share of crop loan was less than 50 per cent in all sample PACS, as nowadays PACS are interested in secured loans, like jewel mortgage loans

Areas identified for Business Diversification



Performance of PACS in fund based diversification

- SHGs and JLGs **-** The major fund based diversification strategy

- In the case of PACS – SHG linkage, there are two models exist across the State of Tamil Nadu, viz., SHG Members' Livelihood Model and PACS Business Centered Model.

- In the second model again two approaches are coming to surface. They are, (1) Target Approach and (2) Umbrella Approach.

- It was found that more than 70 percent of PACS in Tamil Nadu have given credit linkage to SHGs.

- Sample PACS showed interest in SHG linkage due to:
  - ✓ Higher level of repayment
  - ✓ Significant impact on the income of the PACS.

- In the case of JLG linkage, generally target approach was adopted by PACS in Tamil Nadu.

Non-Fund Based Diversification

- The non fund based diversification covers both financial and non financial business activities.

- The sample PACS also adopted these non – fund based diversification strategy. However, the rate of performance was uneven.

Entrepreneurial Competencies

Acts on opportunities

It was found that PACS were waiting for opportunities and acted upon it, and now group approach in lending have become sustainable. This is because:

- The yields from other non-interest based business are meager and seasonal
- Higher level of repayment ethics
- Interest spread is attractive and its contribution to total income is at increasing trend.

Risk taking

It was found that those PACS which took risk in:

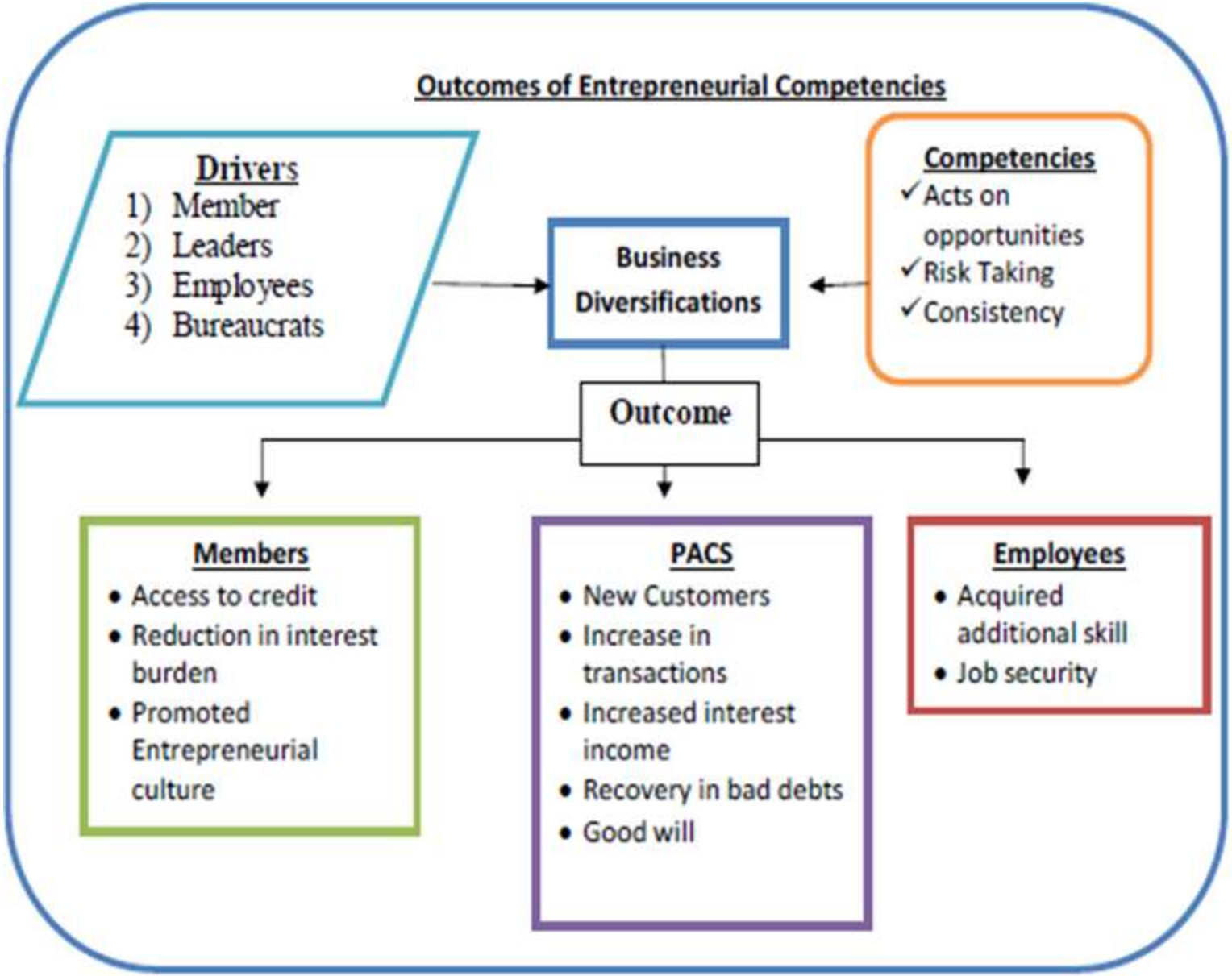
- training the employees on SHG linkage
- adhered strictly to the norms and procedures
- augmented the support of the village spokes persons

- *Could able to withstand in this business*

Consistency

It was found that those PACS which are consistent on the followings could able to get success in SHG linkage.

- Providing leadership training to the members
- Enabling the members of SHGs to acquire entrepreneurial skill to undertake activities, upgrade their standard of living, realize concern for neighborhood community
- Periodical review of the functions of SHGs
- Other location specific activities which ensure the harmonious and fair relationship


Outcomes of Entrepreneurial Competencies
Drivers
1) Member
2) Leaders
3) Employees
4) Bureaucrats
Business Diversifications
Competencies
✓Acts on opportunities
✓Risk Taking
✓Consistency
Outcome
Members
• Access to credit
• Reduction in interest burden
• Promoted Entrepreneurial culture
PACS
• New Customers
• Increase in transactions
• Increased interest income
• Recovery in bad debts
• Good will
Employees
• Acquired additional skill
• Job security

Conclusion

- It is hard to define whether these said competencies are member driven or employees driven or bureaucratic driven.
- Those PACS which exhibited certain entrepreneurial competencies was able to sustain their business through location specific business diversification strategies

Thank you