

**Preliminary Report on
Impact assessment of the project Flood IT**

Submitted to:

The Federation of co-operative Banks of Gujarat



Indian Institute of Management
Ahmadabad

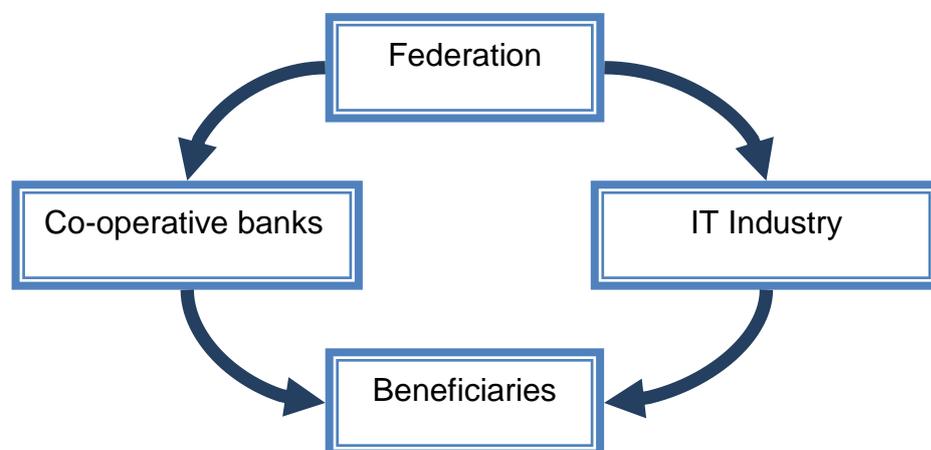
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1 OVERVIEW OF THE PROJECT

Flood IT project was introduced on 10th February 2009 by the Government of Gujarat with collaboration of Federation of Co-operative Banks of Gujarat. The mission statement of this project was ‘To create knowledge revolution in every corner of Gujarat’. Under the scheme the government was willing to provide personal computers to students under discounted price and at an interest free loan.

There were basically four pillars of the entire project which are mentioned below:



1.1 Federation

The first pillar of the flood IT scheme was federation. There have been two major revolutions done under the co-operative structure namely “Green Revolution” and “White Revolution”. The federation decided to reap the seeds of one more big revolution that was “Information technology Revolution”.

The Federation of Co-operative Banks of Gujarat had first thought of the idea of giving computers at subsidised loans to the students so that the students can enhance their knowledge with the help of personal computer. This is how the idea of Flood IT came into existence. The federation having access to the co-operative structure decided to leverage on it.

1.2 Co-operative banks

The second pillar of the Flood IT scheme was co-operative banks with more than 145 banks present across Gujarat. It was a huge network to cater to every corner of Gujarat. The major duties of the co-operative banks were to promote the Flood IT initiative by canvassing the project, carrying out promotional activities, doing demonstrations of the PCs and then finally accepting the applications and disbursing the loans to eligible customers.

1.3 IT industry

The third but one of the very important pillars of the Flood IT initiative was IT industry. Federation had invited major IT players in Gujarat to participate in the schemes and finally based on the criteria set by the federation, three big vendors agreed to participate in the scheme. Those three vendors were:

1. Hewlett-Packard (HP)
2. HCL
3. Acer

In addition to providing hardware, the federation had also negotiated with different service providers. Out of them, two agreed to provide broadband connections at subsidized rates to the customers purchasing through the scheme. They were:

1. BSNL
2. Reliance

1.4 Beneficiaries

The final but the most important pillar of the Flood IT initiative was the ultimate beneficiaries. Under the beneficiaries head, mainly three main categories were eligible to be benefited by the scheme. They were:

1. Individuals:

This category was represented by the students who were eligible to apply for the loan under the scheme mainly through their parents as applicants.

2. Educational Institutions:

In addition to the individuals some of the institutions had also participated in the scheme. Through the scheme, institutes were able to provide personal computers to their students and staff members.

3. Co-operative societies:

The third type of beneficiaries was staff co-operative societies and credit co-operative societies. The scheme was offered to the children of the members of the co-operative society.

2 RESEARCH QUESTION

After an overwhelming response of the Flood IT scheme, federation decided to carry out an impact study of the initiative. Based on the discussion with the federation about the scope of the research following broader research questions were formulated.

1. Did the program of IT flood achieve its objective of spreading **knowledge revolution**?

2. How were the stakeholders namely Co-operative banks, IT industry and **beneficiaries benefited** by the Flood IT project?
 - 2 a. What benefits did the IT industry achieve in terms of entry to newer markets, increased sales, higher penetration and leverage because of the programme?

 - 2 b. What benefits did the Co-operative banks receive in terms of their business increase, customer loyalty and social responsibility, image building exercise?

 - 2 c. What benefits were received by the Ultimate beneficiaries?

RESEARCH METHODOLOGY

The following research methodology was followed to answer the research questions.

2.1 Research Methodology

Primary data: Through questionnaire and personal interviews

Secondary data: Through various industry statistics

2.2 Research Instrument

For the purpose of the study, a primary survey was conducted. Detailed questionnaires were prepared for the purpose of interviewing following type of stakeholders:

- IT vendors
- Co-operative bank's representatives
- Beneficiaries mainly three types,
 - Individuals
 - Co-operative societies
 - Institutions

A sample of the questionnaires is attached on page 15.

2.3 Sample size

The table below gives a detail of the sample size used in each category for the survey.

Number	Category	Number of Samples
1	IT vendors	15
2	Commercial banks	35
3	Beneficiaries	
	<i>Institutions</i>	10
	<i>Co-operative societies</i>	5
	<i>Individuals</i>	50
4	Number of locations Covered	
	<i>Urban</i>	7
	<i>Semi-urban</i>	11
	<i>Rural</i>	12

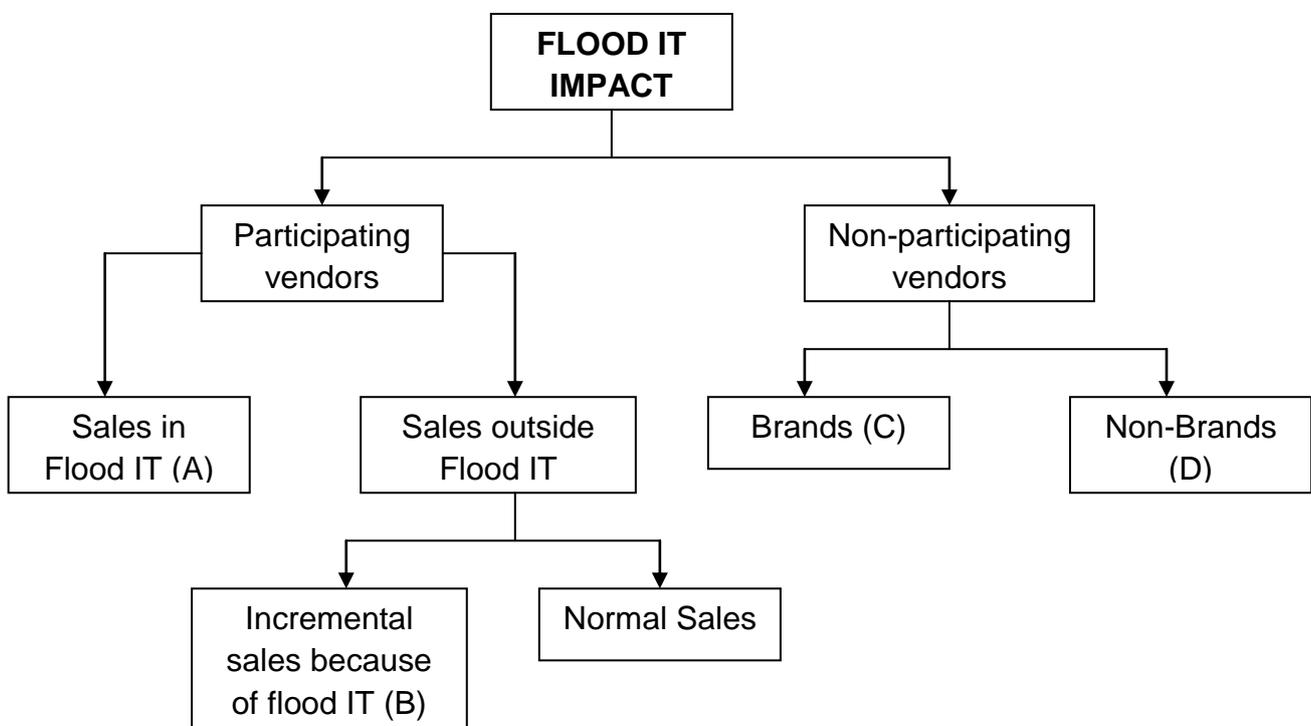
3 DATA ANALYSIS

The research conducted was analysed for the following main categories:

1. Impact on IT industry
2. Impact on Co-operative banks
3. Impact on Beneficiaries
4. Overall Impact

3.1 Impact on the IT Industry

Under the scheme of the flood IT overall 25000 personal computers were sold but In addition to that it created a huge awareness about the computers. So to access the real impact of the flood IT on the IT industry it was necessary to estimate the incremental sales numbers achieved by IT vendors. So for that purpose following process was followed to come up with



Total Flood IT impact sales equals to data found in particular categories

Sales registered under Flood IT:

Incremental sales because of Flood IT (Participating Vendors)

Incremental sales because of Flood IT (Non-participating Vendors, Brands)

Incremental sales because of Flood IT (Non-participating Vendors, non-Brands)

Total Flood IT Impact Sales: A+B+C+D

Sales registered under Flood IT

To find out the sales recorded under flood IT, federation of co-operative banks was contacted. Based on the registered sales data provided by the co-operative banks of various locations throughout Gujarat, the federation had developed a database of the loans disbursed under the scheme Flood IT. The same number was used to derive the number of sales registered under the scheme of flood IT.

Incremental sales because of flood It (Participating vendors)

The second parameter was to find out how much incremental sales was achieved by the participating vendors due to Flood IT but was not registered under the Flood IT scheme. The following process was followed.

First step was to find out the estimated growth rate for the industry in 2009-10 over 2008-09 for that MIIP report estimated growth rate was referred. According to the MAIP Report the growth rate was -7% (Negative) YOY basis.

Estimated normal sales for 2009 Q1Q2 = 14000 units (7000*2)

Incremental sales achieved because of Flood IT equals = 10000 units.

Likewise all the participating vendors data was analysed and the result were shown in the findings. While deriving the data error of estimation was assumed to be 5%. For the purpose of analysis, the data was adjusted accordingly.

After the data input following results have been derived,

Vendors number	2008 Q4 number	2009 Q1 and Q2	Sales under Flood IT	Sales outside Flood IT	2009 Q1Q2 estimated	Incremental Sales because of Flood IT
1	5500	28800	9000	19800	11000	8800
2	6500	35000	10000	25000	13000	12000
3	5000	21000	6000	15000	10000	5000
Total Incremental Sales because of Flood IT						25800
Adjusted for 5% estimation error						24510

Incremental sales because of Flood IT (Non-participating Vendors, Brands)

Third important parameter was to find out how much incremental sales was achieved by the non-participating vendors due to greater awareness created by Flood IT. For finding out the number following process was followed.

The same assumption of flat demand was followed and based on that following equation was prepared.

2009 Q1Q2 actual sales = Sales figures arrived after interviews1
2009 Q1Q2 estimated sales= 2008 Q4 actual sales*2 quarters2
Incremental sales due to Flood IT = 2009 Q1Q2 actual sales - 2009 Q1Q2 estimated sales	

For example, one of the non participant vendor's sales data was as follows,

2008 Q3 sales = 2400

2009 Q1Q2 sales = 6000

2009 Q1Q2 estimated sales = 2400*2 = 4800

Incremental sales because of Flood IT = 6000 – 4800 = 1200

For the purpose of the effect of estimation error a conservative approach is followed and all data have been adjusted by 5%

Based on all vendor data provided, inputs were entered and following results have been obtained.

Number	2008 Q4 number	2009 Q1 and Q2	Incremental sales	2009 Q1Q2 Estimated	Incremental Sales because of Flood IT
1	24500	70000	45500	49000	21000
2	6000	18000	12000	12000	6000
3	2400	6000	3600	4800	1200
4	2400	6000	3600	4800	1200
5	2400	6000	3600	4800	1200
6	3000	9000	6000	6000	3000
7	1350	10250	8900	2700	7550
Total Incremental Sales because of Flood IT					41150
Adjusted for 5% estimation error					37035

Incremental sales because of Flood IT (Non-participating Vendors, non-Brands)

The final parameter in the industry analysis was to find out incremental sales which were achieved by the non participating non brands or assemblers. For finding out the number following process was followed.

As per the feedback given by vendors interviewed, the rule of thumb is that for every one branded PC sold there is sales of 1.5x observed in assemble PC market. But as in the scheme there were branded PCs provided at discounted price there was no price differential driven demand for assembled PCs. So following a conservative approach it is assumed that for every branded PC sold there was one Assemble PC would have been sold.

So following the same rule the number of non branded PCs sold because of the Flood IT was derived incorporating error of estimation.

Based on the interviews conducted of the hardware vendors,
Estimated assembled sales = 15250

Less error of estimation by 5% = 750

Total number of assembled PCs sold= 14500

3.2 Impact on co-operative banks

To find the impact of Flood IT on the co-operative banks, primary survey was carried out using a comprehensive questionnaire. Based on the data supplied by the co-operative banks major findings which were discovered are provided in major findings under the heading of impact on co-operative banks.

3.3 Impact on the beneficiaries

To find the impact of Flood IT on the beneficiaries, primary survey was carried out using a comprehensive questionnaire. Based on the data supplied by the beneficiaries major findings which were discovered are provided in major findings under the heading of impact on beneficiaries.

4 MAJOR FINDINGS

The major findings of the project Flood IT were broadly analysed under four parameters.

1. Impact on the IT industry
2. Impact on co-operative banks
3. Impact on beneficiaries
4. Overall impact

4.1 Impact on the IT industry

A	Sales registered by banks under Flood IT	28,500 units
B	Incremental sales because of Flood IT (Participating Vendors)	24,000 units
C	Incremental sales because of Flood IT (Non-participating Vendors, Brands)	
	a. Value Brands and SI	9,000 units
	b. Indian OEM,MNC and Other Brands	28,000 units
D	Incremental sales because of Flood IT (Non-participating Vendors, Non- Brands)	14,500 Units
	Total Impact of Flood IT (A+B+C+D)	1,04,000 units

- Estimated Incremental sales impact of Flood IT is 1,04,000 units of Personal computer
- Overall 25 % growth (QOQ basis) was achieved by the IT industry Due to flood IT
- 40 % (QOQ basis) growth was observed by participating vendors Due to flood IT
- 30 % (QOQ basis) growth in sales was observed by non-participant members Due to flood IT
- Due to greater demand created by Flood IT, it was estimated that other OEMs were also able to achieve incremental sales of 28000 units out of which 40% was estimated cash sales.

- 56 % total sales under the Flood IT scheme was achieved in rural & semi-urban areas
- 30% of the beneficiaries have availed the benefit of internet through Flood IT scheme
- It was experienced by the vendors that the introduction of the schemes like Flood IT created greater awareness and because of it there was Estimated Constant additional demand Of 15 % Year on Year Basis created in education sector.
- The major focus sectors for IT industry in years to come would be government and education especially after increased awareness about information technology created by the scheme and greater willingness shown by institutions to provide computers to their students for enhancing the learning process.

4.2 Impact on the co-operative banks

- 145 banks have participated in the Flood IT initiative
- More than 1.5 lac inquires were generated by banks and Equally same by IT vendors
- This was a new market entry for co-operative banks. As per the survey for majority of the banks, the major revenue generating product was primary sector landing (37%), followed by SME landing (27%) and personal loans (20%). Consumer finance contributed very less to the portfolio. This scheme enabled the banks to successfully enter the consumer finance market. This experience can help the co-operative banks in other new ventures in the future.
- Average disbursal to application ratio was 90%
- 52 % loans given to new customers.
- The professions of people availing loans was following
 - Farmers 20%
 - Self employed 33%
 - Service 47%
- Most of the co-operative banks followed special credit appraisal process in which following major processes were followed:
 - Special approval authorities were given at branch manager level
 - Special forms were designed and special persons were appointed for the scheme

- Many of the loan applications were sanctioned on the same day.
- In some cases collateral requirement was relaxed.
- This initiative has motivated many banks to come up with new products and marketing strategies and many of the banks have expressed interest to come up with such creative schemes in future at there level.
- So far, the repayment experience is very satisfactory with 0% defaults
- Most of the banks have done special promotional activities like parents meeting- Education seminar, demonstrations at various schools and colleges, etc.
- Majority of the banks are still receiving the queries for the scheme
- Majority of the banks felt that there was increase in the brand equity of the banks through the Flood-IT initiative.
- Majority of the banks would be willing to re-introduce the scheme
- In addition to this scheme, some of the co-operative banks were able to cross sell certain products like fixed deposits, education loan, loans to institutions, etc.

4.3 Impact on beneficiaries

- 95% beneficiaries were first time PC buyer
- 88% sales to individuals and 12% sales to institutions out of total sales
- 25% sales were on cash basis and rest 75% were financed by loans
- 90% sales financed through co-operative banks and 10% sales financed by co-operative societies
- Most of the beneficiaries were satisfied with the quality of computers provided
- Most of the beneficiaries interviewed were already aware about the importance of computers, but this scheme due to its discounted rates and financing provided, has made it possible for them to buy computers
- 25% of the individuals had never availed any loan. So this scheme enabled these consumers to develop their banking habits.
- Most of the beneficiaries had compared the prices of models offered in the scheme with prices in the market and they found that the prices offered under the scheme were reasonable and satisfactory

- Most of the beneficiaries found that the scheme was very good and the loan disbursal quick and easy. Good support infrastructure was available and the financial support given by the bank made PC buying a good experience.
- This was a very new way to reward the members of co-operative structure. Earlier members of the co-operative structure were eligible for dividend income only. So through this initiative there was an effort made to reward the members.
- Co-operative societies have performed a major role in the success with an average number of 70 PCs sold to the members. In addition to that they have created a huge awareness among the semi-urban and rural areas were educating people about the computer which was otherwise quite difficult.
- 56% computers sold to rural and semi-urban areas
- 60% loans given to people earning less than 1 lac annually
- There was significant interest shown by the education institutions in terms of inquires and buying which has created a new avenue to explore for the IT vendors and co-operative banks both.
- Some of the major universities like Bhavnagar University, Ganpat University and Changa University have also associated themselves with the scheme. Some of the initiatives taken by these universities have been enlisted below:
 - Showing greater commitment to empower their students with IT
 - Creating awareness amongst students and parents about the importance of information technology
 - Purchasing computers for their students and staff members
 - Giving guarantees for the loans taken by students
- Some charitable institutes have also participated in the scheme.
 - For example, in Anand district Swaminarayan Gurukul has purchased computers and donated them to the blind students. With the help of software named JOSH, which came with a feature of converting the letters typed into sound, the blind students were facilitated to get access to information technology.

4.4 Other Observations

One of the beneficiary groups was sub-prime income group who would not have been able to purchase the PCs without this scheme. These beneficiaries did not have any income or mode of financing available.

Some examples:

- School providing grants to the children and buying the PCs
 - Loans were also provided for the categories of pensioners, house maid, auto-rickshaw driver, municipal sweeper, village tailors, etc.
-
- Among all the areas covered there were at least 500 villages where there was no virtual PC penetration. But the IT Industry able to reach there with the help of co-operative societies and co-operative banks.
 - Out of total sales there were at least 5% sales made to those locations where there was no banking facility.
 - The Federation had conducted meetings with various co-operative banks and societies, educational institutions and government officials for creating awareness of this initiative. In all, around 140 such meetings and awareness campaigns were held at various locations for promoting the scheme
 - Overall the experience of the scheme was satisfactory, and it was observed that the scheme was able to achieve its objective of creating “knowledge Revolution”

4.5 Overall Impact

○ Number of participating banks	145
○ Number of participating societies	100
○ Total customer contact points (branches)	600
○ Total number of Locations covered by Intel Van	150
○ No of Districts affected	24 out of 25
○ Number of villages Impacted	9000
○ Number of families made aware	15 lac
○ Number of families Impacted	1,04,000
○ Increase in sales of computers due to Flood IT	30%
○ Rural/ semi urban penetration ratio	56%
○ Estimated profit Generated for co-operative banks	19.65 crores
○ Estimated new members added in co-operative banks	7500
○ Estimated number of students benefited from the scheme	2.50,000
○ Estimated number of Education institutions benefited from the scheme	200
○ Estimated number of students benefited (With income below 1 lac annually)	1, 00,000



ANNEXURE: QUESTIONNAIRES

IT VENDORS

- 1 Name _____
- 2 How long in the business _____ Years
- 3 Dealerships of brands _____

- 4 Types of accessories sold _____
- 5 Average annual Turnover _____ Rs.
- 6 Prominent Sales items Desktop
 Laptops
 Accessories
- 7 Where your business is mainly located? Gujarat & outside
 Across Gujarat
 Particular territory within Gujarat
- 8 What was your estimated unit sales for last quarter of 2008 (Oct to Dec)
- | | Units | Average sales price |
|----------------|----------------------|----------------------|
| To Enterprises | _____ | _____ |
| To SMBs | _____ | _____ |
| To Consumers | _____ | _____ |
| Total | <input type="text"/> | <input type="text"/> |
- 9 What was your estimated unit sales in first two quarters of 2009 (Jan to July)
- | | Units | Average sales price |
|----------------|-------|---------------------|
| To Enterprises | _____ | _____ |
| To SMBs | _____ | _____ |



To Consumers

Total

_____	_____
<input type="text"/>	<input type="text"/>

How much was the growth in the sales Was observed for the following period?

2008 Q3 to Q4	_____	%
2008 Q4 to 2009 Q1	_____	%
2009 Q1 to Q2	_____	%

10 Where were your major sales concentrated?

Urban	_____	%
Semi-Urban	_____	%
Rural	_____	%

11 What were the prominent reasons for the growth in the sales for first two quarters of 2009?

12 What do you think about the prospect of the IT market in Gujarat?

13 What Annual growth Rate do you Estimate for the IT industry in Gujarat for the next couple of years? _____ %



CO-OPERATIVE BANKS

- 1 Name _____
- 2 Designation _____
- 3 Name of the Bank _____
- 4 No. of Branches _____ Nos.
- 5 No of Account _____ Nos.
- 6 Type of Bank Dist. Co-op. urban scheduled Other
- 7 Which product contributes the major revenue for the bank? A Primary Sector landing SME Landing Personal Loans
 Consumer Finance Others
- 8 Applications received under Flood IT scheme _____ Nos.
- 9 No. of Loans Disbursed * _____ Nos. Average Ticket Size _____ Rs. _____
- 10 How much Loan was given to Each customer type?
Existing _____ %
New _____ %
- 12 How many New Accounts were opened? Because of the Flood IT? Nos
- 13 Was there any cross product sold because of the scheme?

- 14 Profession of the persons taking loan under this initiative? Farmers Self employed Service



15 Average Annual income of the customers less than 1 to 3 lac above 3 lac

16 Did you follow any special Credit appraisal process? _____

17 How is the Repayment experience? _____

18 Did you do any special promotional activities for this project? Yes No
If yes, which one _____

19 Do you feel that there is increase in Brand equity of co-operative banks through Flood IT initiative? Yes No

20 Do you feel such more initiatives be taken by the Federation? Yes No

21 Any special cases to be discussed. _____

Suggestions _____

BENEFICIARY (Individuals)

- 1 Name _____
- 2 Age _____ Years
- 3 Sex Male Female
- 4 Occupation Service Business Agriculture
 Professional
- 5 Annual Income Less than 1 lac 1-3 lac Above 3 lac
- 6 Are you a first time buyer of the PC ? Yes No
- 7 How was the configuration finalized for your PC? Market survey Suggestion As per the scheme
- 8 Through which resources you realized the importance of computers.? Media Friends Child's school
 Neighbors Self realization Others
- 9 How many people in your family use PC? _____ Nos.
- 10 For what purpose the PC is used? Study Entertainment Office Use
- 11 Do you have internet / broadband connection? Yes No
- 12 Do you any other accessory with PC? Printer Web-cam Others (Specify)
- 13 Have you ever operated a Laptop? Yes No
- 14 How did you finance purchase of computer? Cash Loan Others
- 16 Is your internet connection a separate on or through Flood IT Scheme? Separate Through Flood IT

scheme

17 Are you aware that BSNL and Reliance are providing internet through this scheme at subsidized rates? Yes No

18 Which bank do you have an account?
Since How long.? _____ Years

19 Have you taken any loan from any bank? A Yes No
If yes, Consumer Business Educational
 Others

20 Did you open an account Especially for Flood IT scheme in this bank? Yes No

21 How did you come to know about the Flood IT initiative:
A Newspapers Events Pamphlet
 Co-operative bank representative Hoardings

22 Did you compare other Financing options? Yes No
If yes, Which? _____
A

23 Did you compare the prices before buying the PC.? Yes No

24 What documents were required for the process? Income Proof Bank Statement ID Proof
 Residence Proof

25 How did you find the loan approval process? Long & cumbersome Short & Easy

26 How much time taken by the bank to pass the loan? _____ Days

BENEFICIARIES (CO –OPERATIVE SOCIETY)

- a Name of Person _____
2 Name of Institution _____
3 No. of Members _____

4 When associated with Flood IT _____

5 PC purchased Nos. _____
6 Average Purchase price _____

7 PC Type Laptop Desktop

8 Awareness about Flood IT Newspapers Road Shows Pamphlet

Co-operative bank representative Hoardings

9 How did you finance buying the PC? cash loan Others

12 Member's feedback post purchase

13 Suggestions

BENEFICIARIES (INSTITUTIONS)

- 1 Name of Person _____
- 2 Name of Institution _____
- 3 Discipline Science Commerce Arts
 Engineering Management Others
(Specify)
- 4 No. of students _____
- 5 When associated with Flood IT _____
- 6 PC purchased Nos. _____
- 7 Average Purchase price _____
- 8 PC Type Laptop Desktop
- 9 Purpose for purchase Lab _____
Students use _____
- 10 Awareness about Flood IT Newspapers Road Shows Pamphlet
 Co-operative bank representative Hoardings
- 11 How did you finance buying the PC? Grant Student Fees Others
- 12 Student feedback post purchase _____

- 13 Suggestions _____
