



A Project by World Bank and Jharkhand State Livelihood Promotion Society

CASE STUDY

Create to Comply: Developing Knowledge Management and Compliance Mechanism for an FPC in Jharkhand

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ABOUT JOHAR FPO ENHANCEMENT PROJECT

JOHAR (Jharkhand Opportunities for Harnessing Rural Growth) is a project implemented in 68 blocks across 17 districts of Jharkhand, India. The development objective of the project is to enhance and diversify household income in select farm and non-farm sectors for targeted beneficiaries in rural areas. Ananya is engaged as one of the Technical Support Agencies for enhancing creditworthiness of the Producer Groups (PGs) and Producer Companies (PCs) by way of imparting trainings, streamlining book keeping, helping adherence to regulatory compliance & supporting financial reporting & analysis.



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The case study has been developed as a response to create knowledge around JOHAR project. Hence, the case study can be used as a learning tool for other FPCs and agencies. No part of the publication can be reproduced or republished without the permission of proper authority.

BACKGROUND

Rajrappa Kisan Producer Company Limited (RKPCL) was incorporated in February 2019, in the Ramgarh district of Jharkhand. The FPC is promoted by Jharkhand State Livelihood Promotional Society (JSLPS), under JOHAR Project funded by World Bank. The FPC covers villages in three blocks – Gola, Patratu and Mandu. The FPC has a member base of more than 4,000 women, associated with their respective Producer Groups (PG) organized along the economic activities carried out in the selected villages. The FPC has been involved in High-Value Agriculture (HVA) Crop production & marketing, fishery, livestock farming and Non-Timber Forest Produce (NTFP).

THE CHALLENGE

The FPC had full-time staff comprising accountants and marketing managers since its inception. Also, the FPC maintained its bookkeeping since its inception. Since the concept of FPC was not very old to the members and the staff of RKPCL, it was a little difficult for them to carry out all the compliances related to the organization. The FPC incurred unwanted fines and penalties due to poor and lagging compliance. The root problem for the same was little awareness regarding necessary compliance and allied mechanisms to perform the same. Moreover, the FPC lacked proper management knowledge and structure to develop a mechanism around the same.

A dual challenge was identified at the FPC. The first challenge was a lack of knowledge regarding compliances and then the auxiliary challenge was fulfilling the compliance requirement. It was observed that lack of knowledge and medium to access the right information drew a cascading effect on the organization. The challenge for Ananya was to devise a methodology that can be adopted by the RKPCL to solve the problem of cascading effect.

INTERVENTION

As a technical support agency in JOHAR with a purpose to support FPCs in financial-related activities, the Ananya team devised a BRIDGE method to solve the crisis created by cascading effect. The team started with a knowledge need analysis and competency assessment followed by designing programs and practices for the FPC. It was further followed by enacting the practice and policies through training and mentoring concluded with monitoring and improvisation.

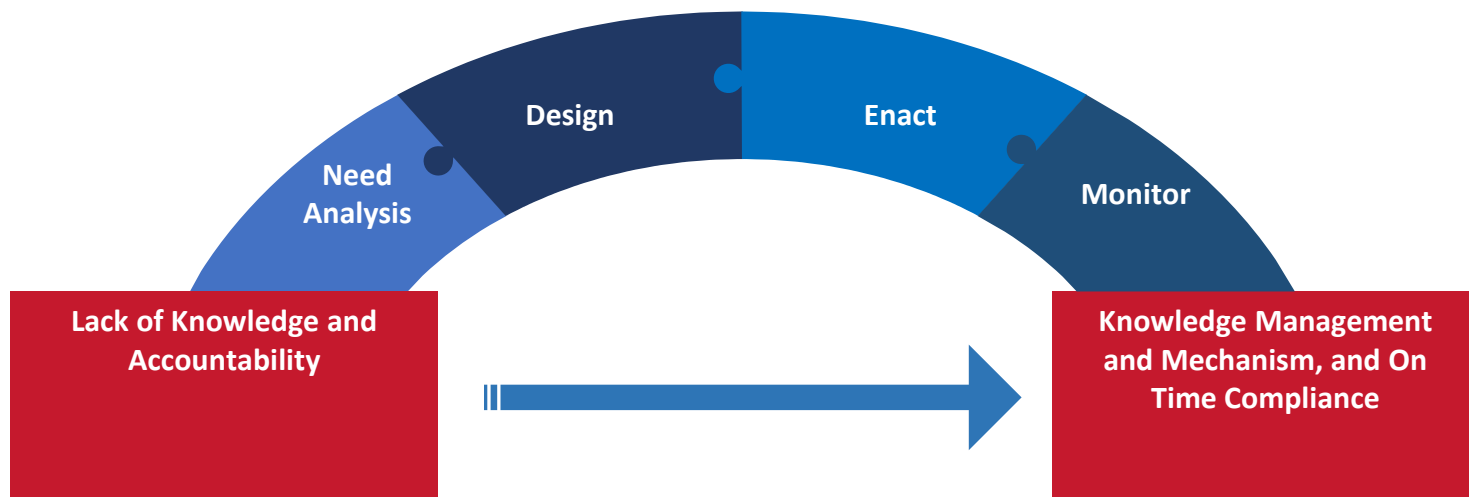
In the **first phase of need analysis**, Ananya discussed problems in terms of accessing and interpreting information concerning compliances with the accountants and senior members of the FPC. The team realized that the problem was with the lack of a single credible source of information. With the information available in abundance from multiple sources, it was difficult for the staff to decide what to follow and how to analyze the same.

In the **second phase of design**, the team worked on two important documents. The first document was an Accounts Manual for Farmer Producer Companies and the second document prepared in consultation with the accounts of the FPC was a detailed on-time compliance calendar (Annexure 1). In the accounts manual, with the help of the experts from Ananya, a series of activities and accounting requirements along with actionable strategies



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ANANYA'S BRIDGE STRATEGY FOR RKPC

were enlisted. The accounts manual also encompassed accounting-related topics like the importance of accounting, the need for manual, charts of accounting, principles of accounting, TDS & GST related topics, some indicative financial policies etc.

In the **third phase of enactment**, the Ananya team prepared a detailed Chart of Accounts and shared it with the FPC. Ananya also introduced Tally, an accounting software, for maintaining accounts. The credit team members and the Company Secretary of Ananya conducted online sessions with the staff of FPC on human resource development, knowledge management and the importance of on-time compliance. Moreover, they introduced the Accounts Manual to the FPC.

The FPC was also lagging in some necessary compliance related to the RoC and Tax. The compliance calendar developed by the Ananya team enlisted all the necessary tax compliance and the RoC compliance with the due dates mentioned (Annexure 1). Ananya also started to collect monthly compliance records from the FPC, to develop a habit of maintaining compliance updates and avoid unwanted fines.

OUTCOME

In the **fourth and final phase of Monitoring**, the team from Ananya mentored and monitored the on-time compliance and knowledge creation mechanism for the FPC. It was observed that the FPC struck the on-time compliance equilibrium in less than 10 months. The results were promising as there were no due compliances and all the records were well kept in the proper account heads as per the standard chart of accounts.



The BRIDGE strategy prepared for RKPCL ensured a systematic approach to solve the cascading effect by empowering better knowledge services and enabling the FPC to enact on the actionable strategies for better on-time compliance.



SUMMARY SHEET													
Monthly Compliances													
Sl No.	Activities	April	May	June	July	August	September	October	November	December	January	February	March
1	Deposit of TDS for Previous Month	Done with Delay	Done- On Time	Pending	Done- On Time	Pending	Done- On Time	Done- On Time	Done with Delay	Done- On Time	Done- On Time	Done- On Time	Done- On Time
2	Filing of GSTR 1 of Previous Month (Turnover over Rs 5 Cr)	Done with Delay	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time
3	Advance Tax Deposit			Done with Delay			NA			Done- On Time			NA
4	Filing of GSTR 3B of Previous Month (Turnover over Rs 5 Cr)	Done with Delay	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time
5	GST Deposit of Previous Month (Turnover over Rs 5 Cr)	Done with Delay	Done- On Time	Done- On Time	Done- On Time		Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time	Done- On Time
6	Filing of ITR (Income Tax Returns)						Done- On Time						
7	Annual General Meeting						Pending						
8	Filing of TDS Returns		Done- On Time		Done- On Time						NA		
9	Filing of Annual GST Returns for Previous Year									Done- On Time			
10	Filing of Form MSME 1 (If dues to Micro & Small Enterprises are	Pending						NA					

On-Time Compliance for the FPC achieved in less than 10 months

CONCLUSION AND LEARNING

FPCs though have a strong organizational structure, might lack updated/relevant competency to adhere to compliance. Hence, it is important to do competency assessment for the FPC before introducing any new activity. The compliance mechanism brings more transparency and establishes a resilient knowledge-driven governance system among an FPC. Hence, any development agency needs to conduct competency assessment, mapping and development of these organizations.

ANNEXURE 1

MASTER SHEET														
Monthly Compliance														
Sl No.	Activities	April	May	June	July	August	September	October	November	December	January	February	March	
1	Deposit of TDS for Previous Month	30th	7th	7th	7th	7th	7th	7th	7th	7th	7th	7th	7th	
2	Filing of GSTR 1 of Previous Month (Turnover over Rs 5 Cr)	11th	11th	11th	11th	11th	11th	11th	11th	11th	11th	11th	11th	
3	Advance Tax Deposit			15th			15th			15th			15th	
4	Filing of GSTR 3B of Previous Month (Turnover over Rs 5 Cr)	20th	20th	20th	20th	20th	20th	20th	20th	20th	20th	20th	20th	
5	GST Deposit of Previous Month (Turnover over Rs 5 Cr)	20th	20th	20th	20th	20th	20th	20th	20th	20th	20th	20th	20th	
6	Filing of ITR (Income Tax Returns)						30th							
7	Annual General Meeting						30th							
8	Filing of TDS Returns		31st		31st			31st			31st			
9	Filing of Annual GST Returns for Previous Year									31st				
10	Filing of Form MSME 1 (If dues to Micro & Small Enterprises are over 45 days)	30th						31st						
11	Declaration by Directors in Form DIR-8 and Form MBP-1 (1st board meeting in every FY)	(1st board meeting in every FY)												

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GLOSSARY AND ABBREVIATIONS

1. **BoD:** Board of Directors
2. **RKPCL:** Rajrappa Kisan Producer Company Limited
3. **JOHAR:** Jharkhand Opportunities for Harnessing Rural Growth
4. **ROC:** Registrar of Companies
5. **FPC:** Farmer Producer Company



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