



3.5 COOPERATIVES INCLUDING AGRICULTURAL CREDIT

Introduction

Cooperatives act as an effective organization intended for the welfare and economic upliftment of the people, particularly living in rural areas. The cooperatives implement several socio-economic programmes such as disbursement of agricultural credit, non-agricultural credit, supply and distribution of agricultural inputs like seeds, fertilizers, facilitating the marketing of agricultural produce, sale of essential commodities at reasonable prices to protect consumers' interest etc., and public distribution system.

In the State, to cater to the credit needs of agriculture and rural development, a State Apex Cooperative Bank (TNSACB), a State Cooperative Agriculture and Rural Development Bank (TNSCARDDB), 23 District Central Cooperative Banks (DCCB), 4534 Primary Agriculture Cooperative Credit Societies (PACCS) and 180 Primary Cooperative Agriculture and Rural Development Banks (PCARDB) are effectively functioning. Besides, to meet the credit needs of urban people, 120 Urban Cooperative Banks (UCB) and One Tamil Nadu Cooperative Urban Bank Federation (TNCUBF) are functioning in the State.

Review of the Eleventh Five Year Plan

Performance of Cooperative Credit Institutions

The primary level cooperative credit institutions at village level are functioning for effective delivery of credit. As against the Eleventh Five Year Plan target of ₹10369 crore in the short term agricultural loans, an amount of ₹10495 crore was disbursed as shown in Table 3.5.1.

Table 3.5.1: Performance of Cooperative Credit Institutions

Loan Type	Target	(₹ crore)	
		Achievement	Achievement(%)
Short term loans	10369.00	10495.00	102.00
Medium term loans	968.00	635.00	66.00
Long term loans	310.00	36.16	12.00

Source: Dept. of Cooperation, Food and Consumer Protection, GoTN

Similarly under long term loans, the target fixed for the Eleventh Five Year Plan period was ₹310 crore, the achievement was ₹36.16 crore only. The target with respect to long term loans could not be achieved mainly due to the absence of refinance from the National Bank for Agricultural and Rural Development (NABARD) and this lending segment has also reached a point of saturation. There was low offtake on investment credit due to fragmentation of lands.

Besides loans for agricultural production and for undertaking activities allied to the agriculture, the cooperatives are providing jewel loans to meet the urgent needs of the public throughout the State through the branches of TNSC Bank, DCCBs, PACCS, UCBs, Cooperative Marketing Societies and PCARDBs. Against a target of ₹64451.50 crore, an amount of ₹62397.17 crore was disbursed as jewel loans by DCCBs and PACCS. Urban Cooperatives disbursed ₹15268.65 crore against a target of ₹18066.29 crore.



Non-Farm Loans

Non-farm loans are disbursed for investment and productive purposes. In the non-farm loans, DCCBs disbursed ₹151.44 crore, PACCS disbursed ₹125.66 crore and UCBs disbursed ₹663.56 crore and all were well less than the target of ₹479.60 crore, ₹398.25 crore and ₹837.90 crore respectively.

Housing Loans

The cooperative banks provide loans for house construction and extend house mortgage loans in rural and urban areas. As against the target of ₹594.22 crore, only ₹490.10 crore was disbursed during the Eleventh Five Year Plan period through cooperative institutions for housing purpose.

Pledge Loan

The PACCS provide pledge loans to farmers in order to help them to avoid distress sales during the peak harvest seasons. During the Eleventh Five Year Plan, out of the target of ₹347.50 crore, an amount of ₹280.32 crore was disbursed under pledge loan.

Equitable Access to Credit: The programme for sanction and disbursement of loans to the members belonging to the scheduled castes/scheduled tribes during the Eleventh Five Year Plan was 15 percent as short term and 30 percent as medium term loans.

Gender orientation: Cooperative credit structure has been fulfilling the credit needs of the Self Help Groups (SHGs) and the flow of credit to SHGs is on the increase. For SHGs ₹1414.35 crore was disbursed as loans against a target of ₹2040.02 crore.

Problems and Constraints faced by Cooperatives

The problems and constraints faced by the cooperative sector are: poor recovery of loans due to persuasive policy, differential rates of interest when compared to commercial and private banks and also customer friendly technological solutions provided by nationalized and private banks,

restricted area of operation of the PACCS, high transaction costs as well as the traditional policy of undiversified lending. On the management side, there is a need for rationalization of staff and introduction of modern management techniques. To address the above issues, the borrowers have to be sensitized in such a way that loans given by cooperatives have to be repaid on time and necessary infrastructure including consumer/farmer-friendly technologies in cooperative institutions have to be adopted. In agriculture, more importance has to be given to the emerging agricultural extension and diversification activity such as horticultural development and godown construction. Lending has to be extended to horticultural, herbal crops, wasteland development programmes and micro irrigation schemes. Diversified lending for profitable avenues has to be encouraged. Common Service Centres (CSCs), Agri-clinics and Agro Service Centres are also being established in PACCS to diversify their activities.

Financial Health of Cooperatives- Short term cooperative credit structure

TNSAC bank is the oldest among the cooperative credit institutions in the State. The bank presently has 46 branches including head office at Chennai. The net profit of the bank was ₹15.12 crore during 2007-08 and it increased to ₹40.69 crore in 2010-11. Credit-Deposit Ratio (CDR) rose from 83.54 to 125.07 during the above period. The DCCBs registered a sharp increase in deposits and it rose from ₹8844.66 crore (2007-08) to ₹13274.66 crore (2010-11). Now all the DCCBs have become profit making banks. Number of profit making banks has increased from 11 to 23. Due to the initiatives taken by the department, all the 23 DCCBs have received banking license from the RBI. Similarly, the PACCS registered a sharp increase in deposit and it rose from ₹3055.81 crore in 2008-09 to ₹4245.00 crore in 2010-11. The borrowings of PACCS also increased from ₹5113.11 crore to ₹7544.80 crore during the same period.

**Table 3.5.2: Key Financial Parameters of TNCSARDB**

(₹ crore)					
S. No.	Parameters	2007-08	2008-09	2009-10	2010-11 (P)
1	Share capital	40.29	40.35	40.37	40.37
2	Reserves	432.42	591.17	587.41	612.64
3	Deposits O/S	40.00	38.74	37.96	46.28
4	Borrowings O/S	449.46	263.71	153.56	183.76
5	Loans & Adv O/S	931.92	1107.77	1182.37	1343.24
6	Investment O/S	239.26	254.46	173.25	95.44
7	Accumulated loss	- 43.62	-44.96	Nil	Nil
8	Profit/Loss	+41.02	+1.97	+49.56	+4.94

Source: Dept. of Cooperation, Food and Consumer Protection, GoTN

Long term Structures- Tamil Nadu Cooperative State Agriculture and Rural Development Bank (TNCSARDB)

The long term cooperative credit structure in Tamil Nadu is federal in character with the TNCSARDB at the State level and 180 Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) at block / taluk level. (Table 3.5.2)

In the absence of refinance from the NABARD, the performance of TNCSARDB during the last four years as reflected above was not satisfactory and its operations have been restricted to disbursement of jewel loans only. The TNCSARDB has started funding the PCARDBs from out of its own resources, enabling them to lend for minor irrigation and other agriculture related activities. The TNCSARDB is making all efforts to improve the financial parameters of its own and that of PCARDBs.

Primary Cooperative Agriculture and Rural Development Banks (PCARDBs):

There are 180 PCARDBs in the State established at block/taluk levels. The functioning of PCARDBs is not impressive during the recent past. Absence of fresh lending, declining recovery levels and raising costs are the matters of serious concern.

Measures taken to strengthen the cooperatives

Revival of Short Term Cooperative Credit Structures-

Based on the recommendations of Prof. Vaidyanathan Committee, the Government of India has initiated a scheme of 'Revival package for Short Term Cooperative Credit Structure (STCCS)'. Government of India, Government of Tamil Nadu and NABARD has signed MoU on 3.1.2008 to implement the scheme. The Government of Tamil Nadu fulfilled its obligations by taking necessary actions and carrying out amendment to Tamil Nadu Cooperative Societies Act, 1983 with reference to STCCS. As per the MoU, Government has formed State Level and District Level Implementing and Monitoring Committees to monitor the revival scheme.

As per the revival package, the accumulated losses as on 31.3.2004 amounting to ₹2129.50 crore (4540 PACCS) shall be recapitalized. Further, the Government has taken the following action as per the MoU:-

- Necessary amendments had been carried out to the Tamil Nadu Cooperative Societies Act, 1983 and as well as Rules and bylaws of societies and the same had



been published in the Government Gazette on 02.12.2008.

- Based on the Special Audit Report of the DCCBs and PACCS, the Government has provided assistance to 4540 PACCS to wipe out the accumulated losses as on 31.3.2004 as recapitalization assistance.
- The GoTN and GoI have released a sum of ₹230.82 crore and ₹1080.12 crore respectively to 4296 PACCS.

Transforming PACCS into multifunctional organizations

The accounting systems have been improved and made transparent so as to give greater confidence to all the members of cooperatives.

Extension Services to the Members and Public

Cooperatives has taken steps to provide a variety of services like extension services to the farmers through formation of Agri clinics,

Box 3.5.1: Farm Machinery for PACCS

The Government has perceived the difficulties that the farmers confront in day to day agriculture and steep escalation of input prices, especially, wages for farm labourers. Moreover, due to rapid urbanization in the State, availability of labour has become a cause of concern. In order to solve the above twin problems, the Government has taken a prudent step to extend subsidy to the tune of ₹80 crore @ ₹20 lakh/PACCS for 400 PACCS towards procurement of farm machinery. Government has given guidelines that these machinery will be custom hired for lesser cost than the prevailing market charges. This would pave way for efficient utilization of farm machinery that could assist in increasing the food production and thereby assuring food security.

Source: Dept. of Cooperation, Food and Consumer Protection, GoTN.

establishment of CSCs, commencement of Agro Service Centres, formation of Joint Liability Groups (JLGs) and Interest subsidy and subvention for the crop loans. The JLGs have been formed with a view to help marginal and small farmers and tenant farmers who are in normal circumstances unable to obtain institutional credit facilities. Under this scheme, each JLG is provided with a revolving fund of ₹10,000. The scheme also paved way for the adoption of technology and mechanization through joint agricultural operations including post harvest technology adoption.

Augmentation of Storage Capacity in Cooperatives

At present, the total storage capacity of the PACCS and Agricultural Producers Cooperative Marketing Societies is eight lakh metric tonnes (L.MT.) and part of it is used for storing PDS items and inputs like seeds and fertilizers. As a result, space available for storing the agricultural produce is only 40 percent of the installed capacity. It is proposed to construct 1141 godowns at a cost of ₹97.20 crore with Infrastructure Development Fund. In the year 2011-12, it was programmed to create additional storage capacity of 1.55 L.MT. in PACCS and Agricultural Producers Cooperative Marketing Societies by constructing 1166 godowns at a cost of ₹107.26 crore by availing financial assistance under the Rural Infrastructure Development Fund (RIDF) of the NABARD.

Major components required for strengthening of credit cooperatives:

- As of now, NABARD is providing refinance upto 45 percent. This needs patronage of the Government/Quasi Government by way of deposits
- Recruitment of adequate and competent personnel. Professionalism of the Cooperative Credit Institutions and HRD policies.
- Increase in volume of transactions.



- Since cooperatives are member driven institutions, periodical member education and development of Human Resources through IEC & CB activities is essential.



Fig. 3.5.1: Storage Godown

- Strengthening of supervisory mechanism for project appraisal, timely disbursement of credit and other inputs, etc.
- Strengthening the infrastructure in extension centres, PACCS and diversification of business activities

Twelfth Five Year Plan Objectives

- Cooperative institutions are engaged in financing the economically downtrodden people in improving their standard of living.
- Financing the SHGs by various cooperative institutions.
- Providing micro credit to men and women for undertaking petty trade economic activity to earn livelihood.
- Making the small farmers and marginal farmers to avail cooperative credit easily and if necessary under the JLGs concept to ensure timely repayment due to peer pressure.
- Horticulture, floriculture, commercial

hi-tech agriculture to be given more importance viz., establishment of banana ripening chambers, procurement of black gram at remunerative prices.

Modernisation of Cooperative Banking

Computerization of banking transactions in Credit Cooperative Institutions will improve the operational efficiency and enhance their customer service. With this in view, steps have been taken to computerise the Credit Cooperative Institutions in the State.

Price Stabilisation Fund

The Government has constituted a Price Stabilisation Fund with a corpus of ₹50.00 crore which enabled market intervention by the cooperatives to control the price of essential commodities. During the year 2011-12, 52980 kgs of tamarind and 22804 kgs of chillies for ₹53.18 lakh were purchased and sold through the wholesale stores. These measures control the price rise and will be continued during the Twelfth Five Year Plan.

Integrated Cooperative Development Project (ICDP)

The ICDP aims at integrated development of cooperative societies across various sectors within a district. This project is implemented throughout India with the financial assistance of National Cooperative Development Corporation (NCDC) and State Government. The scheme is being implemented in Salem, Erode, Madurai, Pudukkottai, Tirunelveli, Sivagangai, Dindugul, Karur, Nagapattinam and Vellore districts. The financial assistance is provided to cooperative societies through the State Government in the form of loan, share capital and subsidy under the refinance scheme of the NCDC. The NCDC has approved the implementation of ICDP in The Nilgiris, Thiruvallur, Namakkal and Kanyakumari districts. This project will be continued during the Twelfth Five Year Plan.



Interest Subsidy and Subvention for Crop Loans

Cooperatives continue to be the principal institutional agency in rural areas. With a view to keep the cost of agricultural credit at minimum and to encourage farmers to take up production, an interest subvention of 2 percent is being given on the total crop loan disbursed by the cooperatives from their own resources. Similarly, the entire interest loss accruing out of the interest free crop loan scheme is being given by the Government to the cooperatives on actual basis. (Table 3.5.3)

Table 3.5.3: Interest Subsidy and Subvention for Crop Loans

Year	Crop loans	Interest subvention		Interest incentive	Total
		@ 2%*	@ 7% **		
2012-13	3400	35	200	235	
2013-14	3900	45	225	270	
2014-15	4500	50	260	310	
2015-16	4200	60	300	360	
2016-17	6000	65	345	410	
Total	23000	255	1330	1585	

(₹ crore)

Source: Dept. of Cooperation, Food and Consumer Protection, GoTN

* interest subvention @ 2% for the involvement of owned funds of the coops to the extent of 55 %

** Interest incentive at 7% for timely repayment at 95% recovery rate for the loans disbursed during the previous years.

Equity & Gender Welfare Measures

To increase the credit drawal facility of women, differently abled, SC and ST members of cooperatives, it is proposed to increase the Share Capital Assistance to ₹2500 from ₹250 per member.

e-governance

To serve the public in an effective manner, it is proposed to introduce 'Core Banking Solutions' in 23 DCCBs. In view of the rapid urbanisation and to facilitate the better service to public, it is proposed to upgrade the 10 PACCS into Urban Cooperative Credit Societies.

Marketing Cooperatives

The Cooperative Marketing Societies (CMS) have been established with the objectives of facilitating its members with the marketing of agricultural produce at a remunerative price, distribution of farm inputs to farmers, provision of produce pledge loans, processing and value addition to the agricultural produce wherever possible.

Box 3.5.2: Pledge loans – Panacea to avoid distress sales

In agriculture, price reduction due to post-harvest glut is not uncommon. Large chunk of farmers' profit got wiped out and pledge loans serve as an effective tool to mitigate the related monetary loss. The Government has enhanced the produce pledge loan limit from ₹2.00 lakh to ₹3.00 lakh for facilitating the farmers to pledge their agricultural produce with the Cooperative Societies. In the Twelfth Five Year Plan, the marketing cooperatives will augment their storage capacity by another 62,200 MT. to improve their pledge loan operations by disbursing ₹100.00 crore annually to avoid the distress sale by farmers.

Source: Registrar of Cooperative Societies, GoTN.

The structure of cooperative marketing in Tamil Nadu is a two-tier structure with the Tamil Nadu Cooperative Marketing Federation at the apex level and 110 Primary Agricultural Producers Cooperative Marketing Societies at taluk levels. The programme under CMS is given in Table 3.5.4. Under agricultural cooperative marketing, following strategies are proposed.



- The auction yards would be strengthened and modernized to offer better services to its members.
- Distribution of fertilizers would be increased by 2 percent and seeds by 15 percent annually.
- Dissemination of market information through cooperatives would be institutionalized and strengthened.

Table 3.5.4: Programme of Cooperative Marketing Societies - Twelfth Plan

(₹ crore)

Year	Marketing of agri. produce	Distribution of pledge loans	Fertilizers	Pesticides	Seeds	Total
2012-13	930.00	57.00	645.00	4.50	29.00	1665.50
2013-14	1120.00	58.00	660.00	5.00	33.00	1876.00
2014-15	1340.00	59.00	675.00	5.50	38.00	2117.50
2015-16	1610.00	60.00	690.00	6.00	44.00	2410.00
2016-17	1930.00	61.00	700.00	6.60	50.00	2747.60
Total	6930.00	295.00	3370.00	27.60	194.00	10816.60

Source: Dept. of Cooperation, Food and Consumer Protection, GoTN

Twelfth Five Year Plan Outlay

The outlay for cooperative sector in the Twelfth Five Year Plan is provided in the Table 3.5.5.

Table 3.5.5: Twelfth Plan Outlay – Cooperative Sector

(₹ crore)

S.No.	Schemes	outlay
Ongoing Schemes		
State Schemes		
1	Price Stabilisation Fund	150.00
2	Grant for Implementation of Integrated Cooperative Development Project	169.45
3	Loans to Co-operative Institutions and Banks - controlled by the Registrar of Co-operative Societies and Share Capital Assistance to women, differently abled, SC and ST members as subsidy to increase their borrowing power	1585.00
4	Interest subsidy and subvention to Co-operative institutions towards reduced interest for crop loans to the farmers	1000.00
5	Assistance to Co-operative Institution in Tribal areas	4.50
6	Interest Free Loans to Scheduled Castes members of Cooperative Societies and Institutions - controlled by Registrar of Cooperative Societies	25.00
7	NABARD -Construction of godowns	129.00
8	Assistance to setting up modern retail outlets	2.00
9	Assistance for organisation of cooperative wholesale stores for newly formed districts	1.50
Total Ongoing		3066.45
New Schemes		---
Grand Total		3066.45



The monitorable targets in the cooperative sector is provided in the Table 3.5.6.

Table 3.5.6: Cooperative Loans Projections for Twelfth Plan

		(₹ crore)
S.No.	Loan type	Monitorable targets
1	Crop Loan	23000
2	Investment Credit	1875
3	Jewel Loan	185165
4	Loans for SHGs and JLGs	1350
5	Non-Farm Sector Loan	1840
6	Housing Loan	1840
7	Loans to differently abled persons	90

Source: Dept. of Cooperation, Food and Consumer Protection, GoTN