INTRODUCTION

The present rural credit delivery system in India is mainly based on co-operative loans. Rural credit is channelised through two wings: formal and informal or institutional and non-institutional or organised and unorganised. The formal wing consists of NABARD, Co-operatives, Commercial banks and Regional Rural Banks. Informal wing consists of money lenders, traders, relatives and friends.

The Central Co-operative Banks are the middle level institutions in a three tier co-operative credit structure. There is one central co-operative bank in one revenue district. The first Co-operative Societies Act of 1904 made no provision for starting Central Co-operative Banks. Only the 1912 act contained provision for registering Central Co-operative banks. By the seventies it was generally accepted that the weakness of the co-operative movement in a State is synonymous with the weakness of its Central Co-operative Banks.

In many states and districts some central co-operative banks were established without plan or purpose and became weak and unviable. The
committee on co-operative credit (1960) recommended reorganisation of CCBs and amalgamation of weak banks with strong ones.

AGRICULTURAL CO-OPERATIVE CREDIT SYSTEM IN INDIA

PROGRESS OF SHORT TERM CO-OPERATIVE CREDIT INSTITUTIONS

Primary Agricultural Co-operative Societies (PACS) functioning at the grass-root level constitute the major retail outlet of short term and medium term credit to the rural sector. There were 88341 societies at the end of June, 1990 with a membership of 81,239 thousand. The average membership per society increased to 920. The deposits from the individuals of the societies rose to Rs.12,835 million in 1990 and worked out to be Rs.158 per member. The loans advanced per borrower by PACS had increased to Rs.2,200 in 1990. The working capital of the societies was Rs.1,07,151 millions in 1990. The percentage of overdues to demand was 48.76 in 1989-90.

DISTRICT CENTRAL CO-OPERATIVE BANKS

The number of district central co-operative banks (DCCB) in 1990 stood at 349 with a branch network of 10,775 offices. DCCBs increased their deposits to Rs.99,700 millions and advances to societies stood at Rs.1,54,017 millions. The percentage of overdues to demand was 52.94 in 1990. ¹

STATE CO-OPERATIVE BANKS

The number of state co-operative banks (SCB) had increased from 25 in 1970 to 28 in 1990. Their branches also increased from 169 to 651 during the same period. Over a period of time, their financial position has also shown considerable improvement with an expanded resource base. Their aggregate resources amounted Rs.61934 millions in 1990. Their borrowings increased to Rs.36461 millions and advances over short term and medium term agricultural operations increased to Rs.114048 millions. At the end of June 1990 the outstanding loan and advances of the SCBs were Rs.74077 millions. The percentage of overdues to demand in 1988 was 25.71.

STRENGTHENING OF PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES

The PACS have a pivotal role to play in the development of the three tier short term co-operative credit structure. In fact, they form the very foundation stone on which super structure of the co-operative movement is built. Apart from purveying credit and other agro-inputs some of the societies are engaged in public distribution system. About 90,000 PACS are functioning in India of which about 36,000 are said to be in losses, some of them are dormant and thousands of them are without full time trained and paid secretaries. A massive programmes for business development (BDP) in PACS has been undertaken at the instance of the Government of India. The BDP programme will be implemented in a phased manner. The BDP programme will
strengthen the PACS particularly in planning of the business and implementing
the same according to the need of the members.

LONG TERM AGRICULTURAL CREDIT

Long term credit requirements are for redemption of old debts which
may or may not have been incurred for production or for effecting permanent
and costly improvements to land or for purchase of land. Loans repayable in
periods exceeding five years are treated as long term. Co-operative land
mortgage Banks (Now named as Agricultural and Rural Development Banks)
specialise in long term loans, the period of which does not extend beyond 20
years.

The long term credit structure consists ordinarily of Central
Co-operative Land Development Banks, and Primary Co-operative Land
Development Banks. In some states, in the place of primary banks, there are
branches of the Central Co-operative Land Development Banks which act as
agents of the Central Co-operative Land Development Banks.

At present, there are 20 State Co-operative Land Development Banks.
At the end of 1990-91, there were 2841 operating units i.e., branches of State
Co-operative Land Development Banks in the unitary structure and Primary
Co-operative Land Development Banks and their branches in the federal
structure, functioning in the country as credit retailing outlets.
During the year 1991-92, Co-operative Land Development Banks have lent a record sum of Rs.10070 million surpassing Rs.10000 million mark and registering a record growth rate of about 24 percent over the previous year's performance. A lending programme of Rs.78000 millions has been projected for the VIII plan period and the advances of the banks during the terminal year of the VIII plan 1996-97 are expected to double the present level of operation.

NATIONAL CO-OPERATIVE BANKS OF INDIA (PROPOSED)

One of the most significant co-operative policy issues for which the Indian Co-operative Movement has been pleading with the Government of India, since 1965, is the establishment of National Co-operative Banks of India. The Agriculture Credit Review Committee (ACRC) appointed by the Reserve Bank of India (RBI) under the chairmanship of Prof. A.M. Khusro (1989) has examined the question afresh. The committee has strongly recommended to establish such a bank to bridge the existing systemic gap in the Co-operative Credit system in India.

The setting up of National Co-operative Bank will result into the following:

(i) It will provide a national balancing centre to absorb the surplus of the state systems and the national level non-credit co-operative systems or the larger co-operative enterprises.
(ii) It will serve as the spokesman for the entire co-operative banking and credit system in the country and be their leader to provide a forum for the Central and State Governments, Reserve Bank of India and NABARD where major policy issues and programmes relating to co-operative banking and credit are discussed and decided.

(iii) The co-operative banks will gain on two counts. On the one hand, they will not lose out to commercial banks in the form of deposits of the surplus of the co-operative banking system and on the other hand the better and more profitable co-operative clients involving large business will remain in co-operative fold.

(iv) The filling up of the systemic gap at the national level will enable the co-operatives to function effectively as parts of a total cohesive national system.

The Principal advantages OF DCCBs are summarised below

**ECONOMIES OF SCALE**

Both lending and credit co-operatives have the potential to produce significant, albeit different, though these may to some extent be reallocated to the group, which has to distribute, monitor, and collect the loan. Economies of scale are most significant for lenders that are not responsible for the formation of the group. Similarly, the lender's costs of mobilising funds may be reduced
by focusing on the co-operative as a whole rather than on its individual members. In the case of credit co-operatives a significant share of the economies of scale accrue to borrowing members, who would otherwise have to travel to bank branches in urban or regional centres.

ENHANCED INFORMATION ABOUT BORROWERS

The bulk of a lender's transaction cost is related to the assessment of creditworthiness and the viability of loan recovery. Farmers who have some social and economic ties can enhance their prospective borrowers by forming a group that can provide external lenders with valuable information about its members. Social and economic links also give group or co-operative members the option of applying sanctions to pressure their peers to perform. In the case of co-operatives, close ties among members improve the incentive to repay debts, because potential delinquents feel responsible toward their neighbours whose funds are at stake. Generally, familiarity and links among group members are negatively correlated with group size. Large groups are too diluted to take advantage of the informational or kinship advantages that make such arrangements worthwhile for lenders and borrowers. From this point of view, lending groups are more advantageous than credit co-operatives. Nonetheless, co-operatives benefit from the familiarity that binds managements, staff, and potential members. Management is able to base lending decisions on more accurate information than is available to other institutional lenders.
RISK POOLING THROUGH JOINT LIABILITY

Joint liability can improve repayment in two ways. First, group or co-operative members can put pressure on potential defaulters when their own interests are at stake, second, the risk that the whole group will default diminishes with increased membership unless all of the members' activities are highly correlated. But the key issue is always the extent to which an outside lender is willing to bear the cost of loan collection. This willingness depends on the penalties that can be imposed on delinquent borrowers and on whether legal and social practice makes enforcement possible. Experience suggests that the use of legal procedures to obtain repayment is in most individual. Thus a lender's ability to deny credit to groups or co-operatives if any members default is often the most effective and the least costly way to encourage loan repayment. This may not be as simple as it seems, however, especially if lenders are dependent on external sources of funds that mandate lending to particular target groups.

IMPROVED BARGAINING

Reduced transaction costs and a lower risk of default increase the attraction of lending to groups and co-operatives. Participating members improve their access to credit and obtain better terms than they would qualify for as individuals. In many cases groups or co-operative arrangements provide financial services to individuals who would otherwise have no access to credit.
LINKAGE BETWEEN FORMAL AND INFORMAL SECTOR

In order to lower the high interest rate of money lenders and to meet the immediate credit requirements of farmers in avoiding complex bank procedure, the state banks have introduced "Prija Naya Niyamaka (P.N.N)" Scheme. Under this scheme state banks of Sri Lanka have selected 14000 local men of standing and knowledge of borrowers as agents in different areas. The banks are providing to each agent a loan of Rs 100000 @ 18% interest p.a repayable in two years. If the conduct, rate of interest and repayment of loan is satisfactory the bank is advancing him further a loan up to Rs.200000.

RECENT INNOVATION IN AGRICULTURAL CREDIT SYSTEM

In order to encourage recovery and to reward honest borrowers, state banks have introduced two schemes:

1. A farmer who has repaid his farm loan regularly in the last six crop seasons or three years will be entitled to get a credit and called 'Mahajan Govipatta'. They will get the following benefits.

   (i) Pawning jewellery advance up to Rs.5000 @ 20% interest instead of 30%
   (ii) Crop loan without guarantor.
   (iii) Consumption loan during lean season.
(iv) Loan up to Rs. 3000 to a member of his family for any agro based industry.

(v) This land will serve as identity land.

2. A Certificate is given to a farmer who has repaid his farm loan satisfactorily during the last five to ten years or ten to twenty seasons. The certificate holder will get two extra facilities in addition to the existing facilities, enjoyed by the holder of Mahajan Govipatta.

(i) He will get interest free loan for two crop seasons.

(ii) He will get farm loan at half the normal rate of interest for another two seasons that is at 6% instead of present rate of 12%.

ROLE OF TAMIL NADU STATE CO-OPERATIVE BANK

The Tamil Nadu State Apex Co-operative Bank (TNSACB) was started in November 1905 and has completed 89 years of useful service to the co-operatives in Tamil Nadu. The Bank has been playing a vital and significant role in the dispensation of agricultural credit, both short term and medium term and has contributed in a big way to the "Green Revolution" in the state. It has also contributed to a greater extent to the progress of the co-operative sugar mills and spinning mills by providing working capital refinance. The role of the apex bank in the service of the primary weavers co-operative societies and Cooptex is significant. Similarly the Apex bank has been playing a major role
by providing refinance facility by for the successful running of the public distribution system in the state.

Area of credit facility to

i. Agricultural Finance

ii. Finance for handloom weaving and marketing

iii. Block capital, working capital and bridging finance to co-operative sugar mills and co-operative spinning mills.

iv. Finance for distribution of fertilisers, essential commodities etc.

v. Finance for super markets, consumer stores, etc.

vi. Finance for jewel loan (direct and reimbursement)

vii. Loans to self employed person and salaried employees to buy consumer durables.

viii. Loans for small scale industries.

ix. Cash credit loans to state Industrial Co-operative Bank, Co-operative State Land Development Bank etc.

x. Bill purchase and cash credit to National Consumers Co-operative Federation on regional basis.

xi. Finance to state corporation.
Table 3.1

ABSTRACT OF FINANCE PARTICULARS OF TAMIL NADU STATE CO-OPERATIVE BANK LTD.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>3479</td>
<td>3988</td>
<td>5611</td>
<td>8784</td>
<td>11138</td>
<td>13030</td>
</tr>
<tr>
<td>Borrowings</td>
<td>4446</td>
<td>4605</td>
<td>8630</td>
<td>10734</td>
<td>8473</td>
<td>3530</td>
</tr>
<tr>
<td>Total</td>
<td>7378</td>
<td>8096</td>
<td>13743</td>
<td>18215</td>
<td>17743</td>
<td>14400</td>
</tr>
<tr>
<td>Advance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>9211</td>
<td>10476</td>
<td>15843</td>
<td>21516</td>
<td>21939</td>
<td>19475</td>
</tr>
<tr>
<td>N / P</td>
<td>76</td>
<td>74</td>
<td>104</td>
<td>221</td>
<td>316</td>
<td>295</td>
</tr>
<tr>
<td>No. of Branches</td>
<td>22</td>
<td>23</td>
<td>26</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Regional Officer</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Special Booklet on The Tamil Nadu State Co-operative Bank Ltd, Madras -1.

INNOVATIVE SCHEMES

Instant Credit Delivery System (Green Card)

This system has been evolved for speedy disbursement of loans and also alleviate drudgery both to the farmers and bankers.
Single limit for seasonal Agricultural operation

The NABARD has sanctioned single limit from the year 1991-92 based on several representations made by the Apex Banks in view of the multiple cropping pattern adopted in the state throughout the year.

Cash Credit System for Seasonal Agricultural operations

In order to revitalise the co-operative structure from the grass root level, the Agricultural Credit Review Committee has recommended to draw a Business Development plan (BDP) for development of PACBs in the country. The DCCBs were able to finalise the BDP only in respect of 402 PACBS.

SHARE CAPITAL AND BORROWINGS

The Authorised Share Capital of the bank is Rs.25 crores. The share capital of the bank on 30.9.94 was Rs.11.33 crores as against Rs.5.83 crores as on 30.9.93. The Government of Tamil Nadu have contributed a sum of Rs.1.26 crores towards the share capital of the bank and borrowings stood at Rs.486.71 crores as on 30.9.94. The working capital of the bank is Rs.1365.70 crores as on 30.9.94.
AGRICULTURAL AND RURAL DEBT RELIEF SCHEME 1990

The apex bank submitted a claim for Rs.211.21 crores under the scheme on behalf of the DCCBs in the state to NABARD which has released Rs.199.04 crores to the apex bank. ²

Affiliated Development Programme

The bank is providing 50% subsidy to PACBs selected under Intensive Development Programme for putting up of modern banking counters and provision of furniture and fittings. This total subsidy provided by the bank amounted to Rs.42.44 lakhs benefiting 784 PACBs up to 30.9.94.

The apex bank has supplied two vehicles to all the DCCBs to enable them to make use of the same for effective collection at a cost of Rs.41.00 lakhs.

The apex bank has supplied 150 jewel safes to 150 PACBs to enable them to diversity their activities at a cost of Rs.60 lakhs.

The apex bank has provided computers and printers, air conditioners etc., to all the DCCBs to computerise their operations at a total cost of Rs.32 lakhs.

The apex bank has supplied electronic photo copier to all CCBs at a total cost of Rs.20.07 lakhs during the year 1992-93.

The apex bank is paying the premium towards the corpus fund for the deposits mobilised by the PACBs from the year 1991-92. The total premium paid by the bank up to 30.9.94 aggregated to Rs.16.58 lakhs.

**CREATION OF PRIMARY CO-OPERATIVES DEVELOPMENT FUNDS**

In order to strengthen the Primary Co-operatives in the state, "Primary Co-operatives Development Fund" has been created at the Apex Bank level. The Apex Bank and DCCBs are to contribute 5% of their net profit from the year 1990-91. The contributions received from the Apex Bank / DCCBs up to 30.9.94 amounted to Rs.325.71 lakhs.

**Branches**

The Bank is catering to the needs of the public in Madras through its network of 41 branches situated in and around the Madras city.

**Profit**

The bank earned a net profit of Rs.8.10 crores during the year 1993-94 as of amount Rs.15.39 crores during 1992-93.
Best Performance Awards

The National Federation of State Co-operatives Banks Ltd (NAFSCOB) has instituted a scheme of performance awards to Apex Banks since 1982-83. The awards for the year 1990-91 have been finalised by the NAFSCOB and this bank has been awarded the second prize for overall performance. It may be noted that the bank has been getting an award from the NAFSCOB from 1985-86 continuously.

RECENT TRENDS IN CO-OPERATIVE CREDIT MOVEMENT

"Co-operation is a very adaptable instrument and it is one economic method that applies in all circumstances" 3 The organisational network of short term co-operative credit structure covered the entire country. However, this structural pattern is not uniform in all the states.

The co-operative credit structure in 17 states contain three tier structure consisting of PACBs at the grass root level, DCCBs at district level and SCBs at apex level. The structure is based on a two tier pattern in smaller states and union territories with apex bank at that level and PACBs at grass root level. This structure with an organic link down to the grass root level is regarded as the most suitable institutional agency for implementation of the development programmes drawn and launched by the state and central government for the

upliftment of the weaker sections during the plan period. There were presently 352 DCCBs covering 17 states in the country and remaining 11 States having two tier structure. Out of 352 DCCBs, 56 belong to Northern region, 103 belong to central region, 48 to western region and 72 DCCBs to southern region and only one DCCB belongs to North Eastern regions.  

PROGRESS OF DCCBS IN TAMIL NADU

Tamil Nadu is one of the states where the co-operative banks are playing a leading and vital role in the rural credit dispensation and mobilisation of rural deposits. Tamil Nadu is the pioneering state in India in the introduction of co-operative movement. The co-operatives are functioning for the economic welfare and well being of the people in the state. The various types of co-operatives functioning in the state are helping the people practising different types of economic activities. Co-operative movement has become an inseparable one with the people in the state and instrumental in several achievements.

Tamil Nadu Stands First.  

i. A co-operative credit society in Tirur village, Chengai MGR district was established in the year 1904.

ii. TUCS a consumer co-operative store was organised in Madras during the same year.

iii. An Urban Co-operative Bank was started in Kancheepuram 'a temple town' near Madras in October 1904.


5 Co-operatives in Tamil Nadu - At a glance - The Tamil Nadu journal of co-operation Vol.86 No.10 Jan, 1995. p.6
iv. The state level Apex co-operative Bank was organised in Madras in the year 1905.

v. The Madras District Central Co-operative Bank was established in October 1905.

vi. The first co-operators conference was conducted in Kancheepuram in the year 1909.

vii. The first co-operative press was organised in Madras in 1919.

There are 29217 co-operatives functioning effectively under the control of 14 functional Registrars in Tamil Nadu. The details of number of co-operative bank branches as on 31.12.94. are listed in Table 3.2.

Table 3.2.

LIST OF CO-OPERATIVE BANK BRANCHES AS ON 31-12-94

<table>
<thead>
<tr>
<th></th>
<th>Details</th>
<th>31-12-94</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>No. of Primary Agricultureal Co-operative Banks</td>
<td>4655</td>
</tr>
<tr>
<td>ii</td>
<td>No. of Central Co-operative Banks</td>
<td>21</td>
</tr>
<tr>
<td>iii</td>
<td>No. of DCCBs Branches</td>
<td>595</td>
</tr>
<tr>
<td>iv</td>
<td>Tamil Nadu State Apex Co-operative Bank</td>
<td>1</td>
</tr>
<tr>
<td>v</td>
<td>No. of TNSC Bank Branches</td>
<td>41</td>
</tr>
<tr>
<td>vi</td>
<td>Tamil Nadu State Land Development Bank</td>
<td>1</td>
</tr>
<tr>
<td>vii</td>
<td>No. of Primary Land Development Banks and their Branches</td>
<td>181</td>
</tr>
</tbody>
</table>
A special feature is that 20 women branches of CCBs and 1 women branch of TNSC Bank are functioning in the State. Jewel loans are being issued only by PACBs, CCBs and co-operative urban banks. Jewel loan ceiling raised from Rs.25000 to Rs.40000 by co-operative banks. The issue of loan per sovereign has been raised from Rs.2200 to Rs.2400. At present 144 primary land development banks are also involved in issuing jewel loans. The total loans issued in Tamil Nadu to agriculturists as on 31.3.94 as follows:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount (in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term loans</td>
<td>1058.92</td>
</tr>
<tr>
<td>Medium term loans</td>
<td>143.11</td>
</tr>
<tr>
<td>Long term loans</td>
<td>218.62</td>
</tr>
<tr>
<td>Jewel loans</td>
<td>3286.98</td>
</tr>
</tbody>
</table>

Farmers were provided with credit facilities through co-operative Banks for the part 3 years as short-term loans to the extent of Rs.1059 crores, medium-term loans to the tune of Rs.143 crores and jewel loans worth Rs.3287 crores. Under the instant credit delivery scheme, during the year, green cards were issued to 419623 members to the extent of Rs.225.49 crores. Loans to the extent of Rs.926 crores were made available to weaker section and short term and medium term loans were issued to adi-dravidars to the extent of Rs.175 crores. A total of 4.48 lakhs of agriculturists were benefited by the waiver of interest on loans and disbursement of loans amounted to Rs.58.75 crores. Short-term and medium term loans issued to weaker sections to the extent of Rs.572.41 crores.

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In Tamil Nadu there are 21 districts, having one DCCB in each district head quarters. They have extended their coverage through opening branches particularly in the rural areas in the concerned district. The chief object of CCBs is to meet the credit requirements of the PACBs. They finance PACBs for production purposes, marketing societies for marketing and supply operations, and industrial and other societies for working capital. They work as an intermediary to link the PACBs with the money market.

They provide certain normal banking facilities to members such as acceptance of deposits, remittance of funds, collection of cheques, hundies, dividend warrants, safe custody to valuables, advancing loans to individual members against fixed deposit receipts, government paper and agricultural produce. They act as balancing centres for the PACBs by making available the surplus funds of some PACBs to those which need credit and thus equalise the flow of capital.

They also undertake non credit activities like supply of seeds, manures, food stuffs and consumer goods. They develop, assist and co-ordinate the work of the affiliated supervising unions and secure for them financial help where necessary and arrange for the supervision of societies not affiliated to any supervising union and for the inspection of all societies and unions. They organise special types of societies in cases where this is not undertaken by the union and serve as recognised exponent of non official co-operative union in the area. They control the expenditure relating to the surplus funds of liquidated societies and convene co-operative conferences in the area served by
them. They start branches in their co-operative jurisdiction wherever necessary and appoint necessary staff and incur expenditure for the conduct of the business. They take up insurance on the life of the permanent employees of the banks and contribute towards premium payable on such policies in accordance with the regulation framed for the purpose.  

The success of the CCBs in the ultimate analysis is to be judged by the manner in which they have promoted the healthy functioning and development of the PACBs in rural areas. The criterion of a well organised central bank should be the efficiency of the working of PACBs under it and the growth of a real co-operative spirit among the members of PACBs resulting in their economic development.  

ROLE OF DCCBS IN PROVIDING AGRICULTURAL CREDIT

The DDCBs operate between TNSCCBs at the state level and PACBs at the primary level. The TNSCCB keeps liaison with the NABARD and the state govt and makes available finance to the DCC Banks so as to enable them meet the financial requirement for agricultural operations. On the otherhand the PACBs are directly concerned with the provision of agricultural credit to the farmer members. The role of the DCCBs is much more important than that of the Apex Institution for the reason that they have to closely monitor the

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working of the PACBs through inspections, visits, and meetings. Effective supervision of PACBs by the DCCBs ensures proper utilisation of the agricultural credit by the PACBs. The DCCBs estimate the financial requirements of the agricultural credit in the district and take steps for making provision of the funds to the maximum extent possible.

**TYPES OF AGRICULTURAL LOANS ADVANCED BY DCCBS**

The main function of the DCCBs generally as understood by the common man is providing credit for cultivation of crops. However, the DCCBs also provide medium term loan for agriculture for the purposes like land development, lift irrigation, pumpsets, purchase of agricultural implements and purchase of milch cattle.

In recent years the DCCBs are permitted to provide long term finance for the purchase of agricultural implements like tractors, and bulldozers and for the purpose of digging wells and lift irrigation. The farmer requires crop loan besides the loan for other activities on his farm for the development of the farm and his family.

All these activities are interrelated and it becomes absolutely essential that credit for each activity is available to the farmers. It is more convenient for the farmer if he gets the loan for all the activities through one source. Though the DCCBs have been advancing the medium and long term loan
beside short term credit, the main thrust is on the provision of short term credit viz., crop loan.

CENTRAL CO-OPERATIVE BANKS IN TAMIL NADU

Tamil Nadu has three tier structure consisting of Tamil Nadu State Apex Co-operative Bank at state level, 21 Central Co-operative Banks at District level (other than Madras CCB) and 4655 PACBs at village level. There is one central co-operative Bank for every district except Thanjavur where there are two CCBs. The central co-operative banks are the federation of Primary Agricultural Co-operative Banks in their respective areas. CCBs in Tamil Nadu have 9.53% share capital, 13.1% of reserves and 10.14% deposits among the CCBs in India. The CCBs finance the PACBs from their own resources consisting of share capital, reserves and deposits and credit from NABARD through the Tamil Nadu State Apex Coop Bank. The total share capital of all CCBs as on 31.3.93 amounted to Rs.108.41 crores including Rs.21 crores contributed by Govt. of Tamil Nadu and the deposits amounted to Rs.1411.80 crores.

With a view to promote the habit of savings among the weaker sections of the rural community and thereby tapping the deposits from them, these banks also conduct deposit mobilisation campaign to focus the attention of the public on the availability of attractive deposits schemes, with marginally higher rate of interest. than that offered by commercial banks
AGRICULTURAL CREDIT BY DCCBS

The short term and medium term loans provided by the CCBs through the PACBs district-wise during the year 1992-93 and the target fixed for the year 1993-94 are given in Table 3.3. The table reveals that the CCBs disbursed short term credit to the tune of Rs.340 crores as against the target of Rs.300 crores in the year 1992-93 in most the districts in Tamil Nadu.

DCCBs achievement exceeded the target fixed except in Ramanathapuram and Tirunelveli districts in issuing short term credit and in case of medium term credit Kancheepuram, South Arcot, Thanjavur, Trichy and Tirunelveli achieved excess of the target fixed during the year 1992-93.

JEWEL LOANS

The credit co-operatives are providing loans on the pledge of jewels throughout the state and thereby they play a significant role in bridging the credit gap. The CCBs, PACBs and Urban Coop. Banks are providing jewel loans. The annual programme for the issue of jewel loans during 92-93 through PACBs was at Rs. 295 crores and through CCBs Rs.150 crores and the achievements made were Rs.467.23 crores and Rs. 295.47 crores respectively.
<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the CCB</th>
<th>Short term credit</th>
<th>Medium Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nilgiris</td>
<td>470</td>
<td>503.41</td>
</tr>
<tr>
<td>2</td>
<td>Coimbatore</td>
<td>1240</td>
<td>1735.17</td>
</tr>
<tr>
<td>3</td>
<td>Periyar</td>
<td>1700</td>
<td>2241.81</td>
</tr>
<tr>
<td>4</td>
<td>Salem</td>
<td>2700</td>
<td>2961.92</td>
</tr>
<tr>
<td>5</td>
<td>Dharmapuri</td>
<td>500</td>
<td>549.30</td>
</tr>
<tr>
<td>6</td>
<td>Vellore</td>
<td>3500</td>
<td>3519.56</td>
</tr>
<tr>
<td>7</td>
<td>Kancheepuram</td>
<td>1760</td>
<td>1893.08</td>
</tr>
<tr>
<td>8</td>
<td>S.Arcot</td>
<td>3300</td>
<td>3561.84</td>
</tr>
<tr>
<td>9</td>
<td>Kumbakonam</td>
<td>2600</td>
<td>3035.64</td>
</tr>
<tr>
<td>10</td>
<td>Thanjavur</td>
<td>1530</td>
<td>2318.90</td>
</tr>
<tr>
<td>11</td>
<td>Tiruchy</td>
<td>2330</td>
<td>2870.10</td>
</tr>
<tr>
<td>12</td>
<td>Pudukottai</td>
<td>850</td>
<td>1303.66</td>
</tr>
<tr>
<td>13</td>
<td>Madurai</td>
<td>1700</td>
<td>1727.03</td>
</tr>
<tr>
<td>14</td>
<td>Dindigul-Anna</td>
<td>1100</td>
<td>1634.86</td>
</tr>
<tr>
<td>15</td>
<td>Ramnad</td>
<td>1700</td>
<td>1229.76</td>
</tr>
<tr>
<td>16</td>
<td>Tirunelveli</td>
<td>1620</td>
<td>1543.91</td>
</tr>
<tr>
<td>17</td>
<td>Kanyakumari</td>
<td>1400</td>
<td>1452.84</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>30000</td>
<td>34082.79</td>
</tr>
</tbody>
</table>

LOANS TO NON-AGRICULTURAL SOCIETIES

The CCBs provide credit to the primary weavers co-operative societies in the respective areas. They also provide working capital to sugar mills, spinning mills, consumer stores, marketing societies, milk supply societies and other special types of societies. During the year 1992-93 the amount of loans issued to the non-farm sector was Rs.7.94 crores against the target of Rs.11 crores.

The CCBs are providing loans to small road transport operators for the purchase of vehicles. They also extend loans facilities for the establishment of small hospitals and for the purchase of medical equipments. Recently the CCBs have been permitted to undertake housing finance with the refinance assistance from National Housing Bank.

Besides providing credit, the CCBs are implementing various schemes like integrated programme for Rice Development, Implementation of oil seeds production programme, and Integrated rural development Programme. The banks are also engaged in issue of need based loans and coverage of operational holdings.

ISSUE OF AGRICULTURAL LOANS TO WEAKER SECTION

According to the guidelines of NABARD 20% of short term loan by the co-operatives, should go to the small farmers. The PACBs are paying due attention to meet the needs of weaker sections in the state. The percentage of
achievements towards agricultural loans to weaker section was 65.2% as against the target of 68% during the year 1992-93. The following table shows the details of agricultural loans issued to weaker sections for the year 1992-93 in the state.

Table 3.4

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the CCB</th>
<th>Programme for 1992-93</th>
<th>Loans issued 1992-93</th>
<th>Of which weaker sections 1992-93</th>
<th>Percentage of col. 5 to 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nilgiris</td>
<td>638.55</td>
<td>604.14</td>
<td>603.85</td>
<td>99.9</td>
</tr>
<tr>
<td>2</td>
<td>Coimbatore</td>
<td>757.50</td>
<td>1836.82</td>
<td>725.70</td>
<td>39.5</td>
</tr>
<tr>
<td>3</td>
<td>Periyar</td>
<td>1435.00</td>
<td>2557.26</td>
<td>1744.02</td>
<td>68.2</td>
</tr>
<tr>
<td>4</td>
<td>Salem</td>
<td>2668.50</td>
<td>3637.77</td>
<td>2678.89</td>
<td>73.6</td>
</tr>
<tr>
<td>5</td>
<td>Dharmapuri</td>
<td>438.75</td>
<td>614.88</td>
<td>338.44</td>
<td>55.0</td>
</tr>
<tr>
<td>6</td>
<td>Vellore</td>
<td>2852.50</td>
<td>4019.55</td>
<td>2837.08</td>
<td>70.6</td>
</tr>
<tr>
<td>7</td>
<td>Kancheepuram</td>
<td>930.00</td>
<td>2095.24</td>
<td>1370.84</td>
<td>65.4</td>
</tr>
<tr>
<td>8</td>
<td>South Arcot</td>
<td>2324.70</td>
<td>3960.96</td>
<td>2496.22</td>
<td>63.0</td>
</tr>
<tr>
<td>9</td>
<td>Kumbakonam</td>
<td>1852.50</td>
<td>3254.24</td>
<td>2111.67</td>
<td>64.9</td>
</tr>
<tr>
<td>10</td>
<td>Thanjavur</td>
<td>969.00</td>
<td>2404.05</td>
<td>1309.97</td>
<td>54.5</td>
</tr>
<tr>
<td>11</td>
<td>Trichy</td>
<td>2028.75</td>
<td>3316.24</td>
<td>2376.10</td>
<td>71.7</td>
</tr>
<tr>
<td>12</td>
<td>Pudukottai</td>
<td>550.00</td>
<td>1397.26</td>
<td>645.75</td>
<td>46.2</td>
</tr>
<tr>
<td>13</td>
<td>Madurai</td>
<td>1631.25</td>
<td>2128.13</td>
<td>1471.18</td>
<td>69.1</td>
</tr>
<tr>
<td>14</td>
<td>Dindigul</td>
<td>1031.25</td>
<td>1830.13</td>
<td>1273.97</td>
<td>69.6</td>
</tr>
<tr>
<td>15</td>
<td>Ramanathapuram</td>
<td>1712.70</td>
<td>1509.80</td>
<td>996.61</td>
<td>66.0</td>
</tr>
<tr>
<td>16</td>
<td>Tirunelveli</td>
<td>1307.40</td>
<td>1878.00</td>
<td>1337.10</td>
<td>71.2</td>
</tr>
<tr>
<td>17</td>
<td>Kannakumari</td>
<td>1023.75</td>
<td>1570.51</td>
<td>873.95</td>
<td>55.7</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>24146.10</td>
<td>25191.34</td>
<td>25191.34</td>
<td>65.2</td>
</tr>
</tbody>
</table>

THE PERFORMANCE OF THE SALEM DISTRICT CENTRAL CO-OPERATIVE BANK LTD

Salem District has been in the forefront of co-operative movement in several spheres. The DCCB and its 58 branches put together stand first with regard to deposit mobilisation amounting to Rs.220 crores. In Salem District the activities of its marketing societies are very much known especially the Tiruchengodu Agricultural Producers Co-operative Marketing Society the best in the entire southern region of the country.  

Innovations and enterprise have always been the hallmark of the district as a whole. For instance, the Konganapuraam PACB has a surplus of Rs. 1.77 crores. It is the only PACB in Tamil Nadu, which purchased a tractor and rented it out on a nominal charge to the farmers. The members identify with this bank so much that there is hardly 5% overdue. The authorities pointed out that the loan applications are sanctioned on the spot and payment made immediately.  

The district with a tribal population of more than 1.25 lakhs (about 25% of the state tribal population) has the highest number of co-operative societies to serve them. The seven large sized multipurpose co-operative societies (LAMPS) in the district ( 18 in the entire state ) have now taken up mobile supply also. Now vans have been purchased to serve the members in Yercaud LAMPS and that in Kolli Hills, the Aranoothumalai and Powerkadu areas. As

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10 The Indian Express dated 19th Dec.1993.
11 Primary source from DCCB, Salem 1.
they are involved in public distribution system also, these vans have proved as a boon for the tribals to enable the society to reach members in the interior areas of the hills. At least 10000 families were benefited by the credit and essential goods were supplied through these vans.  

The SDCCB Ltd was registered as an urban society under the Indian Act X of 1904 on 6.1.1909. It commenced its business operation from 26.1.1909. This bank had 91 members with a share capital of Rs 0.10 lakhs. It sanctioned loans and advances for Rs 2.01 lakhs and collected deposits to the extent of 1.94 lakhs. Its operational area was within any part of the Salem District. The bank was the first Central Bank started in the then Madras Presidency. In the year 1973, its name was changed as the Salem District Central Co-operative Bank limited.

OBJECTIVES OF THE SDCCB LTD

The SDCCB Ltd functions with the following objectives.

i Collection of funds for financing co-operative societies;

ii To develop, assist and co-ordinate the work of the affiliated supervising unions and to secure them financial help wherever necessary;

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13 Bylaws of the SDCCB ltd, Bylaw No. 151. P. 1-2.
iii To serve as the recognised exponent of non official co-operative union in the area;
iv To organise special types of societies in cases where this is not undertaken by the union;
v to convene co-operative conferences in the area served by the Bank;
vi To control the expenditure relating to the surplus funds of liquidated societies;
vii To undertake such other work as will promote the cause of co-operation in general;
viii To start branches in the operative jurisdiction of the bank;
ix To take up insurance on the life of the permanent employees of the bank;
x To guarantee the loan advanced to any affiliated society by the government. The bank also carries on general business of banking not repugnant to the provisions of the Co-operative Societies Act and rules framed there under.

AREA OF OPERATION

Area of operation should not become so unwidely that it may not be able to supervise and co-ordinate the work of PACBs. Salem District is the jurisdiction of operation having 34 blocks. This bank has 10 area offices and 58 branches spread over the various taluks of the district
LENDING PROCEDURES

The SDCCB grants loans to PACBs for their lending activities in agriculture and its allied activities. Cash credit is sanctioned to the PACBs for the purpose of distributing fertilisers and pesticides to agriculturists and sanctioning jewel loans. Besides this the bank sanctions medium term loans to these PACBs for granting loans to the peasants under the Normal lending and Scheme lending.

SDCCB sanctions loans to individuals for the purchase of consumer articles such as television, fridge, scooter etc. It has decided to grant loans to doctors for the purchase of electro medical and other equipments refinanced by the IDBI for extending medical service at concessional rates to patients from low income group.  

ROLE OF SDCCB

The SDCCB links the PACBs with the TNSCB and the RBI. It plays an important role in organising and promoting the PACBs. The number of PACBs has increased from 156 in 1980-81 to 379 in 1993-94. It acts as a balancing centre of finance for the PACBs in the district. It provides short term loan to 12 months and medium term loan for a period between one and three years to affiliated societies for agricultural purposes. It supervises, inspects and guides the working of PACBs.

The branches of SDCCB helps in expediting the processing of loan applications with prompt and convenient disbursement of credit, in attracting the rural deposits. There were 58 branches during 1993-94 spread over the rural and semi urban areas of the Salem District. During the last six years there was no increase in the branches.

**LOANS AND ADVANCES ISSUED AND RECOVERED**

The major business of the bank is to finance the PACBs in the district. The bank issues short term loans, medium term loans and cash credit to the members for agriculture and its allied operations and jewel loans.

Table 3.5

**PROGRESS OF SDCCB**

**LOANS AND ADVANCES ISSUED AND RECOVERED**

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans &amp; advances issued (Rs)</th>
<th>Loans &amp; advances recovered (Rs)</th>
<th>% of change in recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td>44,676</td>
<td>43,240</td>
<td>-</td>
</tr>
<tr>
<td>1990-91</td>
<td>47,431</td>
<td>44,127</td>
<td>2.07</td>
</tr>
<tr>
<td>1991-92</td>
<td>41,477</td>
<td>29,467</td>
<td>-10.58</td>
</tr>
<tr>
<td>1992-93</td>
<td>64,215</td>
<td>62,847</td>
<td>59.24</td>
</tr>
<tr>
<td>1993-94</td>
<td>77,479</td>
<td>81,890</td>
<td>30.30</td>
</tr>
</tbody>
</table>

Source: SDCCB Ltd; Annual report

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15 SDCCB Ltd: Annual Report
The following Table indicates the loans issued to small and other farmers and the amount of recovery from them.

Table 3.6
PROGRESS OF SDCCB: CROP LOANS
Rupees in lakhs

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans issued to small farmers (Rs.)</th>
<th>Loans recovered from small farmers (Rs.)</th>
<th>Loans to other farmers (Rs.)</th>
<th>Loans recovered from other farmers (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-90</td>
<td>1,290</td>
<td>734</td>
<td>602</td>
<td>392</td>
</tr>
<tr>
<td>1990-91</td>
<td>1,371</td>
<td>989</td>
<td>599</td>
<td>471</td>
</tr>
<tr>
<td>1991-92</td>
<td>1,407</td>
<td>1,089</td>
<td>645</td>
<td>511</td>
</tr>
<tr>
<td>1992-93</td>
<td>4,099</td>
<td>3,804</td>
<td>1,694</td>
<td>1,662</td>
</tr>
<tr>
<td>1993-94</td>
<td>2,840</td>
<td>2,872</td>
<td>1,266</td>
<td>1,326</td>
</tr>
</tbody>
</table>

Source: SDCCB Ltd; Annual report

In Salem District, Indian Bank acts as a lead bank for the district. It assesses the credit requirement of the district and it fixes the target and supervision over the implementation of the scheme. The following table reveals the target and achievement of SDCCB over a period of five years.

Table 3.7
LOAN TARGET AND DISBURSEMENT
Rupees in lakhs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan target</td>
<td>3715.52</td>
<td>3788.21</td>
<td>5034.66</td>
<td>5339.30</td>
<td>5990.50</td>
</tr>
<tr>
<td>Loan disbursement</td>
<td>3851.54</td>
<td>3715.98</td>
<td>5793.15</td>
<td>6019.25</td>
<td>7128.11</td>
</tr>
</tbody>
</table>

Source: SDCCB Ltd; Annual report
The details of demand, collection and dues of SDCCB were as follows.

Table 3.8

LOAN - DEMAND - COLLECTION AND DUE DETAILS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>6341.45</td>
<td>7649.99</td>
<td>7748.90</td>
<td>9020.55</td>
<td>11252.15</td>
</tr>
<tr>
<td>Collection</td>
<td>4348.37</td>
<td>5161.32</td>
<td>5003.33</td>
<td>6152.75</td>
<td>9164.26</td>
</tr>
<tr>
<td>Due</td>
<td>1993.08</td>
<td>2488.67</td>
<td>2745.37</td>
<td>2867.80</td>
<td>2087.89</td>
</tr>
<tr>
<td>% of default</td>
<td>31.43</td>
<td>32.53</td>
<td>35.43</td>
<td>31.79</td>
<td>18.56</td>
</tr>
</tbody>
</table>

Source: SDCCB Ltd.; Annual Report

The percentage of default in collection is decreasing from 35.43% in 1991-92 to 18.56% in 1993-94 due to effective steps taken by the SDCCB administration towards collection. The overall performance by SDCCB in advancing loans as well as collection of loans is good.

EXTENT OF COLLECTION OF LOANS BY SAMPLE CCBs IN SALEM DISTRICT

The PACBs borrow from the DCCBs. They depend more on the loans from the central bank than on any other source for their lending operation. The extent of collection by CCBs from PACBs will influence more lending operations from the Apex banks. There are 58 CCB branches in the district spread over different Taluks. The researcher selected 6 branches for the study of extent of collection of loans by CCBs. They were:
1. Namakkal CCB
2. Yercaud CCB
3. Mettur Dam CCB
4. Pallipalayam CCB
5. Dadagapatty CCB
6. Edapadi CCB

The sample CCBs were providing loans for various purposes based on the needs of the people. Table 3.9 indicates the amount of loan in the beginning, disbursed, collected and balance for the 6 sample CCBs over a period of 5 years for short-term and medium-term loans.

Table 3.9

<table>
<thead>
<tr>
<th>LOAN DETAILS OF SAMPLE CCBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in lakhs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ST</strong></td>
<td>ST</td>
<td>MT</td>
<td>ST</td>
<td>MT</td>
<td>ST</td>
</tr>
<tr>
<td>Opening balance</td>
<td>7.3</td>
<td>2.1</td>
<td>5.3</td>
<td>0.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Disbursed</td>
<td>4.2</td>
<td>1.9</td>
<td>5.7</td>
<td>2.4</td>
<td>9.9</td>
</tr>
<tr>
<td>Collected</td>
<td>6.2</td>
<td>3.1</td>
<td>8.3</td>
<td>1.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Closing balance</td>
<td>5.3</td>
<td>0.9</td>
<td>2.7</td>
<td>1.4</td>
<td>2.4</td>
</tr>
</tbody>
</table>

ADVANTAGES FROM SHORT TERM CREDIT AND MEDIUM TERM CREDIT

i  Upliftment of villages
ii Improved relationship between banker and customer
iii Co-ordination of administrative activities in the bank
iv Proper development of CCBs
The sample CCBs in Salem district have implemented "Immediate Disbursement of Loan System". This scheme is also applicable for all PACBs in the District. Under this scheme loan is disbursed based on the amount of loan, period, cropping pattern and land. After the scrutiny by the secretary the loan amount is disbursed immediately

Under medium term credit Rs 61.12 lakhs have been disbursed through sample CCBs for the year ended 31.3.94. The CCBs collected the entire demand amount of loan from 303 PACBs out of 379 PACBs during the year 1993-94.

Under short term credit jewel loans are sanctioned by CCBs through 366 PACBs to the extent of Rs 9764.50 lakhs and 4 urban co-operative banks with Rs. 276.76 as loan amount. The CCBs collected the entire demand amount of loan from 303 PACBs out of 379 PACBs during the year 1993-94.

Table 3.10
CAPITAL DETAILS OF PACBS FOR THE YEAR ENDING 31-03-1994

<table>
<thead>
<tr>
<th>Capital details</th>
<th>No. of PACBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs.5 lakhs</td>
<td>27</td>
</tr>
<tr>
<td>Rs. 5 lakhs to Rs. 10 lakhs</td>
<td>95</td>
</tr>
<tr>
<td>Above Rs. 10 lakhs</td>
<td>257</td>
</tr>
<tr>
<td>Total</td>
<td>379</td>
</tr>
</tbody>
</table>
Under short-term credit jewel loans are sanctioned by CCBs through 366 PACBs with an amount of Rs.9764.50 lakhs and 4 Urban Co-operative Banks with Rs.276.76 lakhs as loan amount.

SALEM DISTRICT CO-OPERATIVES DISTINCTION

Salem District co-operative banks have earned several distinctions.  

i The PACBs here are the first in the state in mobilising deposits, lending advances and also for timely recovery.

ii The growth rate under short term loans had been consistently on the rise in the district. In 1991-92, the district recorded Rs.27 crores. Next year, it was Rs 29 crores and in 1993-94 it shot up to Rs. 41 crores

iii Similar was the growth rate of medium term loans also. From Rs.5.34 crores in 1991-92, it rose to Rs 6.79 crores the next year and in 1993-94 it further went up to Rs.8 crores

iv The 'green card' scheme for farmers to get instant credit facility in appreciation of their prompt repayment had been extended all over the district. SDCCB stood first in the state in this regard covering over 37000 farmers.

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v The total overdue position of the PACBs was just 10 percent and of the 379 PACBs, 18 had no overdues at all. This also has won the top slot in the state.

vi With regard to jewel loans the PACBs here had been fixed Rs.190 crores as target for 1993-94. Within 6 months it exceeded the annual target by more than 35 crores and stood first in the state.

vii The SDCCB acts as a bridge between the financial institutions and the PACBs and several other co-operative bodies. The SDCCB which provided Rs.48 crores for jewel loan, the second highest in the state.

Short term credit, medium term credit, long term credit, jewel loans, small scale industries loan and petty business loans are issued to farmers and needy persons through PACBs, CCBs, LDCBs, TNSACB and its branches.

By and large the extent of collection of loans by sample CCBs in Salem district is good due to the efforts taken by the CCBs administrative staff and their operational efficiency in collecting the loans.