CHAPTER IV
CHAPTER IV
ROLE OF GOVERNMENT IN PROMOTING
COOPERATIVES INCLUDING ECS

Introduction

The cooperative rural credit institutions have been envisaged as an alternative to the ubiquitous moneylender lending at usurious rates to farmers. It was in 1904 A.D. the first Rural credit cooperative was registered by the First Registrar of Cooperative Societies. The cooperatives have been started primarily in the field of credit as a defensive mechanism. During the post-Independence period, India followed a policy of planned economic development in order to establish an integrated and just society so as to provide equality of opportunity and a basic economic minimum for all. The cooperatives have an ideological base, economic objective and social approach. The cooperatives encouraged the people's participation in the process of planning and in the implementation of programmes of economic development. The First Five Year Plan came up during 1951-56, which gave impetus to economic activities with social justice.

4.1 Cooperation during the Five Year Plans

In order to make the best use of its scarce resources, the country decided to build up its economic base in a planned way. The services of Five Year Plans have been launched with the object of building up by democratic means a rapidly expanding economy and a social order based on justice and equality for all. The plans aim at building up what has been called a Mixed
Economy in which the private as well as the public sectors play an equally important role.

**Cooperation during the First Five Year Plan (1951-56)**

In the First Plan special targets for the promotion and development of cooperative movement were fixed and efforts were put in to achieve them. It was launched in 1950-51, which described the cooperative movement as an indispensable instrument of planned action in the country. The First Plan started, “the principle of mutual aid, which is the basis of cooperative organization, and practice of thrift and self-help which sustain it, generate a steady feeling of self-reliance which is of basic importance in a democratic way of life. By pooling their experience and knowledge and by helping one another, members of cooperative societies can not only find the solutions of individual problems but also become better citizens”.

**All India Rural Credit Survey Committed in 1954**

The Government of India appointed the committee of director of All India Rural Credit Survey in 1954 under the chairmanship of Sri A.D. Gowala, to define the approach to cooperative development specifically in agricultural sector. The committee observed that Cooperation has failed in India, but it must succeed and recommended a well-defined institutional framework for cooperative organization particularly for meeting the needs of rural India.

**Second Five Year Plan (1956-61)**

According to the rural credit survey committee report, economic development on cooperative lines offers a vast field
for the application of cooperation in its infinitely carrying forms. Our socialistic pattern of society implies the creation of a large number of decentralized units, both in agriculture and industry. The fields when marked out as being specially appropriate for the cooperative method of organization are agricultural credit, marketing and processing, all aspects of production in rural areas, consumer and consumer cooperative stores, cooperatives of artisans and labourers and construction cooperatives. Thus the second plan provided ample opportunities to cooperatives to prove their worth, and the building up of cooperative sector became one of the important aims of our National policy. An allocation of Rs.57/- crores was made for the development of cooperatives during the plan period.

**Third Five Year Plan (1961-66)**

The Third Plan observed that in a planned economy pledged to the values of socialism and democracy, cooperation should become progressively the principal basis of organization in many branches of economic life, notably in agriculture and minor irrigation, small scale industry and processing, marketing the provision of essential amenities for local communities, distribution, supplies, rural electrification, housing and construction. Accordingly the entire rural economy is to be recognized on a cooperative basis.

**Fourth Five Year Plan (1970-75)**

The Government on its part will endeavour to assist the cooperatives to equip themselves for the task in important aspects, such as finances, organization and training of
personnel. The main objective of the fourth plan being “Growth with stability” major stress in the cooperative sector was one developing agricultural and industrial cooperatives for increasing production and consumer cooperatives for increasing production and consumer cooperatives for stabilizing prices. In pursuance of these objectives, the plan envisaged the development of cooperative credit structure so as to meet a substantial position of agricultural credit needs.

Fifth Five Year Plan (1975-80)

The Objective of the Fifth Five Year Plan was to consolidate and strengthen the cooperative as democratic and viable units responsive to the needs of the peasants, the artisans, the workers and the consumers. The cooperative movement was recognized to serve as an important instrument for implementing national policies of “growth with social justice” while developing the cooperative movement special attention was paid to meet the needs of the small and marginal farmers and other weaker sections and also of tribal people. The main objective was to ensure stable prices at a reasonable level for the basic were also to be encouraged to feed, assist and serve the cooperative movement at the primary level in a more positive and meaningful manner.

Sixth Five Year Plan (1980-85)

The main objectives of cooperative development in the Sixth Five Year Plan were as follows

a) A clearly concerned action programme to be drawn up for the strengthening of primary village societies so
that they are able to effectively act as multipurpose units catering to diverse needs of their members.

b) Re-examination of the existing cooperative policies and procedures with a view to ensure that the efforts of the cooperatives are more systematically directed towards ameliorating the economic conditions of the rural poor.

c) Reorientation and consolidation of the role of the cooperative federal organizations so that through their constituent organization. They are able to effectively support a rapidly diversifying and expanding agricultural sector.

d) Development of professional manpower and appropriate professional cadres to managerial positions.

**Seventh Five Year Plan (1985-90)**

Faster agricultural growth is an important objective in Seventh Plan. It seeks to emphasize policies and programmes, which will accelerate the growth in grain production, increased employment opportunities and noise productivity. The strategy for cooperative development under the Seventh Plan envisages:

(a) Comprehensive development of primary agricultural credit societies to function as multipurpose viable units.

(b) Realignment of the policies and procedures of cooperatives to expand the flow of credit and ensure supply of inputs and services particularly to the weaker sections.
(c) Taking up all special cooperative programmes for implementations in the underdeveloped states, especially in the northeastern region.

(d) Strengthening the consumer cooperative movement in the urban as well as in the rural areas so that it can play a pivotal role in the public distribution system.

(e) Promoting promotional management and strengthening of effective training facilities for improving the operational efficiency.

**Role of Cooperatives in Eighth Five Year Plan**

With the concurrence of the Government of India, the Agricultural Minister has assured to include cooperative as a sector.

1) The model state cooperative societies act prepared by the expert committee, appointed by the Planning Commission of India ensures sufficient autonomy to federations for development of their cooperative constituents at different levels.

2) With a view to make village level primary agricultural cooperative societies (PACS) viable as a multi-purpose institutional programme of business development, planning has been introduced all over the country.

3) It assures regular conduct of elections to the board of management, timely and annual audit of accounts will be the responsibility of next higher tier.

4) Training programme would be suitably oriented based on the survey of the national council training.
5) The national centre for cooperative education of NCUI organized a number of outstation programmes so as to orient the elected non-official to build up professional and executive skill. There has been a suggestion to launch a national cooperative bank of India to bridge the systematic gap within the credit sector.

6) Advancement of loan by cooperative agricultural and rural development banks for non-farm sector activities has been started with a view to enable the land development banks to undertake the lending programme with a greater flexibility.

7) The Reserve Bank of India has constituted a committee under the Chairmanship of S.S. Marathe, to review the licensing policy for organization for new banks and other related issues.

8) Two-tier structure of tribal cooperatives has been set up in several states in the country aiming at purchase of minor forest produce and other items procured by tribal at reasonable rates.
   a) Supply of essential commodities and agricultural inputs.
   b) Providing short term agricultural and consumption loans.

9) In order to identify the manufacturing of items of daily use in the cooperative sector, the consumer cooperatives are equated with private trade in so far as financing is concerned.
10) Various schemes for promotion and development of handloom sector have been introduced by the central government. Through these schemes, assistance is being provided to the handloom weavers both within and outside the cooperative fold. As a result, a sound infrastructure for both qualitative and quantitative improvement in production is available in the country. One of them is assistance for modernization/ renovation/ purchase of looms. Assistance is provided to the state government in the form of 2/3rd loan and 1/3rd subsidy with the funding pattern of 50:50 matching basis between state and central governments. It was liberalized for hilly areas by revising the elements of subsidy upto 50% of the total assistance. The Central Government has taken efforts to ensure the regular supply of yarn to the handloom sector at reasonable prices through hank yarn obligation scheme.

11) In order to improve the managerial skill a national institute of fishery cooperative management is established to impart training and managerial skills to the paid staff of fishery cooperatives. Special efforts were made for organizing fisher-woman-cooperatives.

12) The National Housing Bank, in the light of feedback received from the National Cooperative Housing Federation of India and other lending institutions, liberalized some of its provisions in March and September 1990, to enable the lending institutions
which include state cooperative housing federations, to take maximum benefit out of the scheme.

13) The cooperative movement has possibly made greater strides than any other sector in efforts to integrate woman into cooperative sector.

14) A proposal to supplant for woman cooperative development with a special scheme of financial assistance Rs.10 crores was submitted to the Government of India for inclusion in Eighth Plan proposal.

15) With a view to make cooperative education programmes need based and effective, the national cooperative education plan was drawn.

16) The workshop of human resources development in cooperatives in India recommended that the training needs be determined and on the basis of man power survey, it has been classified into three categories namely, Foundation training Programmes (Long-term), Management training Programme (Short duration) and Job related training programmes to develop specific skills.

**Ninth Five Year Plan (1997-2002)**

The 9th Plan document did not allocate a separate chapter on cooperation. The portion relating to cooperative development was included under the head “Agricultural Sector”. Following were the important features of the cooperative sector in the Ninth Plan.
1) Agricultural cooperative credit system and refinancing institutions are the two major channels for providing agricultural credit. Short term advances by credit cooperatives accounted for advances of about 59% of the total disbursement, while commercial banks and Regional Rural Banks accounted for about 35% and around 6% respectively in 1995-96. In investment credit, cooperatives accounted for about 35% and commercial banks and Regional Rural Bank for about 58% and 7% respectively.

2) The total credit flow to the agriculture was to increase from Rs.33375 crores to Rs.60842 crores between the first year and the terminal year of the Ninth Plan.

3) The non-credit activities of the cooperatives include procurement, storage, processing, marketing and export of produce in the agricultural sector and sericulture in the allied sector. The model organization for promoting these cooperatives and for financing these activities on all India basis in the National Cooperative Development Corporation (NCDC)

4) Measures were initiated in the following areas for strengthening the cooperative movement:
   a) The Multi State Cooperative Societies Act was to be amended to facilitate autonomy, democratization and the professionalisation of the cooperative credit structure.
   b) Formulation of a National Policy on cooperatives.
c) A Cooperative Bank of India was to be set up.
d) Clearing of Balance Sheets of the Cooperative Institutions was to be attempted.
e) Strengthening of a resources base of institutions was to be undertaken.
f) Cooperatives were to be strengthened to facilitate availability of inputs at farmer’s doorsteps.
g) Progressively increasing the quantum of refinance to cooperatives and RRBs was stressed.

5) To strengthen the cooperatives, NABARD has set up a Cooperative Development Fund with corpus fund of Rs.10 crores. The fund provides assistance to cooperatives for Human Resource Development, Management Information Systems and mobilization efforts. The scope of the fund is to be widened further.

The above measures incorporated in the Draft National Cooperative Policy and in the Draft Ninth Five Year Plan have been viewed as steps towards preparing the cooperatives for the twenty first century.

**Tenth Five Year Plan (2002-07)**

All the Five Year Plan including the Tenth Plan, the government is trying its level best to achieve the exact objectives of cooperatives, which should reach a common man in order to make the people volunteer themselves to the cooperative fold. The central sector scheme of assistance for
cooperative development was proposed to be reorganized during the tenth Five Year Plan with the assistance for cooperative marketing, etc., share capital participation, integrated cooperative development assistance to national Cooperative federation, assistance for development of women cooperative etc.

4.2 State aid and assistance to cooperatives

The chapter vi comprising Sections (52) to (65) of the TamilNadu Cooperative Societies Act, 1983 provide information relating to the State Aid extended to registered Societies.

Financial Assistance

The state assistance includes the loan, share capital and subsidy provided under various plan and non plan schemes. Assistance is also provided under centrally sponsored schemes and other schemes financed by autonomous bodies like NCDC.

Usually the state provides assistance for the implementation of National Agricultural Insurance Schemes; Subscription to debentures, share capital, conversion ST into M.T.C Loans; Integrated Cooperative Development Project; interest free loan to SC/ST members, women members and physically handicapped women members; waiver of interest and penal interest to farmers; loan and subsidy in cooperative marketing societies, LAMPS and wholesale stores; loan and subsidy to fair price shops; construction of godowns; subsidy for construction of kerosene bunks; rebate and interest subsidy to weaver societies; contribution to agricultural credit stabilization funds and risk funds; rehabilitation of weak
Managerial Assistance

The cooperative Societies Act of various states empowers the government to nominate on board of management of cooperatives a certain number of directors. Some of the states have assumed larger powers in the appointment of Chairman and Managing Director. The government nominated Director is authorized to refer any decision of the board to government, whose decision is final. If some of the resolutions are prejudicial to the interest of the government, they are overridden by suitable direction.

Under Section 33(7) of the Tamilnadu State Cooperatives Societies Act, 1983 government can appoint a Managing Director to every Apex Society, every scheduled Cooperative Society, and such other societies as may be notified by the government. The qualifications, powers and functions of a Managing Director are provided under rule 145 and 146 of the Tamil Nadu State cooperative Societies Rule of 1988. The Managing Director shall act as chief executive of the society. He shall carry on the business in accordance with the byelaws, TNCS ACT and Rules. The State can depute government officers to work as Managers/Secretaries/Special Officers of the cooperatives and to manage the affairs of the Society. Government grants the managerial subsidy for 3 years on a tapering basis of 100% first year, 75% second year and 50% third year for selected cooperatives. Thus the state has ensured the efficient management of the cooperatives.
Developmental Assistance

Government through Registrar have issued guidelines, framed model regulations and approved special byelaws, amended Act and Rules so as to develop the business activities of PACBs and DCCBs. They are empowered to grant mortgage loans, house repair loans, education loans, S.R.T.O loans, Professional loans, non-farm sector loans, gas connection loans, rainwater harvesting loans, women entrepreneur loans, working women loan, maternity loan, savings linked micro credit loan, jewel loan, produce pledge loan, salary loan, computer loan, handicapped persons loan, ex-servicemen loan, THADCO loan, IRDP loan, backward class loan, etc. Thus the enlarged loaning portfolios have resulted in the development of business of cooperatives.

Promotional Activities

Government initiated various steps to promote the interest of cooperatives and its members. Some of the promotional activities undertaken are prescribing a minimum percentage of loans to SC/ST members, establishing Women Development Cell in DCCBs, introducing Kissan Credit Card Scheme, one time settlement of loans, linking of credit with marketing, increasing storage facilities, sale of Khadi, Cooptex and INCOERVE Tea in fair price shop sale of India made foreign liquor, stamp duty exemption, providing guarantees, implementation of common cadre to cooperative bank employees, implementation of development action plan, deposit insurance scheme, failed wells compensation, and cooperative education and training and so on.
It is obvious from the above that the State aid/assistance has resulted in the growth of the membership, share capital, deposits, staff strength, opening of retail outlets and branches, diversification in lending, increased business turnover, increased profit/loss, extension of service, customer care, development of infrastructure, etc.

4.3 Credit Institutions
The institutional rural credit system for agriculture comprises of the following:-
1. Short Term and Long Term Cooperative Credit Institutions
2. Commercial Banks
3. Regional Rural Banks
4. National Bank for Agriculture and Rural Development and
5. Reserve Bank of India.

The institutional Credit Delivery System for Urban areas comprises of the following
1. Commercial Banks
2. Urban Cooperative Banks
3. Urban Cooperative credit Societies and
4. Employees Cooperative Credit Societies.

The cooperative credit structure consists of two wings namely Short term and Long term.

Short term cooperative credit structure:
- Deals with medium term credit structure for agricultural purposes.
- It is based on a three-tier pattern.
- State Cooperative Banks (SCBS) at the Apex level
District Central Cooperative Banks (DCCBs) at the intermediary level and
The Primary agricultural cooperative Banks at the village level.

Chart 4.1 explains the structure of Credit Institutions showing the different tier system that prevailed in Tamil Nadu. Chart 4.2 explains the structure of Credit institutions showing the tier system in general.

4.4 Non-agricultural credit cooperatives in Tamil Nadu

The main objectives of the cooperatives are as follows:
- to provide loans at a reasonable rate of interest to their members.
- to generate resources by mobilizing savings.
- transparent and publicly displayed credit policy.
- almost total elimination of corruption and other forms of favouritism in lending.
- display of list of borrowers eligible for loans.
- arresting diversion of funds and remittance to respective accounts.
- committee for the appointment of Special Officers.
- bottom up planning and realistic target fixing.
- regulations of affairs of DCCBs UCBs/ PACB/ PCARDBs i.e., the entire credit structure.

4.5 Organization of employees' societies

Employees' societies are registered under the respective State Cooperative Societies Act as well as under Multi-unit Cooperative societies Act. With regard to the organization of
Chart 3.1
Co-Operative Credit Structure

Agricultural credit

- Short term & medium
  - State Co-operative Bank
    - Central Co-operative Banks
      - Primary agricultural credit societies
        - Grain Bank

Non-agricultural credit

- Long term
  - State Co-operative Bank
  - Central Industrial Co-operative Banks
    - Central Industrial Banks
  - State Industrial Co-operative Banks
    - Primary Non-Agricultural Credit societies
      - Of Which
        - Employees Co-operative credit societies
        - Urban Co-operative Banks
CHART 4.1

Cooperative credit Structure in Tamil Nadu

Cooperative credit Structure in Tamil Nadu

<table>
<thead>
<tr>
<th>Short term credit</th>
<th>Long term credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apex bank TNSACB</td>
<td>State Level</td>
</tr>
<tr>
<td></td>
<td>Apex bank TNARDB</td>
</tr>
<tr>
<td>SDCCB (23)</td>
<td>Regional level</td>
</tr>
<tr>
<td>PACB (4595)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PCARDB (181)</td>
</tr>
<tr>
<td></td>
<td>UCCB (125)</td>
</tr>
</tbody>
</table>

Cooperative credit Structure and its performance
employees' societies the study team of non-agricultural credit societies recommended the following points.

1. A review of all organizations may be carried out with the objective of covering all institutions having more than 200 to 300 employees in the initial stages. By the end of fourth plan every organization with more than 50 employees and every mill or factory should have an employees cooperative credit society.

2. Normally each institution should have a separate society. Institutions having more than one large department or branch or having the jurisdiction extending beyond one town may find it necessary to organize separate societies for branches or departments. The ECS have registered a steady growth over the years both at all India and Tamil Nadu state levels.

Cooperatives play an important role in the socio-economic development of the people of our country. The cooperative movement in India, particularly in Tamil Nadu, has taken deep roots in various sectors and is making a significant contribution towards economic development and social progress of the people. Tamil Nadu occupies an important place in the history of cooperatives since the first cooperative societies for agricultural loan and consumer stores were established here. The cooperative societies play a vital role not only in agricultural development and consumer service, but also in sectors such as housing, textiles, dairy and fisheries, which thereby contribute significantly to the economic development of the state.
The importance that this Government attaches to the cooperatives is evident from the fact that two out of the three sterling schemes of the government for which orders were issued by the Honourable Chief Minister in the presence of public on the very same day of assuming office on 13.05.2006. This relates to the cooperation department. The order of the government waiving all cooperative farm loans and interest thereupon outstanding as on 31.3.2006 amounting to Rs.6866 crores to provide debt relief to a large number of farmers who have suffered on account of successive natural calamities is an unprecedented step that no other government has done so far to the farmers. Similarly the scheme of distributing rice at Rs.2 per kg has been implemented through 26,429 fair price shops run by the cooperatives. The Government has entrusted the major responsibility of the successful implementation of these two schemes to the cooperatives and this reflects the faith that the government has on the role played by the cooperatives in the developmental process.

The cooperation department is mainly concerned with agricultural credit, market agricultural produce, distribution of fertilizers and essential commodities and with the legal framework which governs the functioning of all cooperatives in the state of Tamil Nadu. The objective of the department is, therefore, to enable all the cooperatives that come within its fold to deliver services to the satisfaction of their members and public, to facilitate the functioning and the growth of all co-
operatives. The programme for the disbursement of loans by the cooperative societies for the year 2006-07 is given below:

<table>
<thead>
<tr>
<th>Loans</th>
<th>Rs. in Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Short term loans</td>
<td>1235.00</td>
</tr>
<tr>
<td>2 Medium term loans</td>
<td>70.00</td>
</tr>
<tr>
<td>3 Long term agricultural loans</td>
<td>200.00</td>
</tr>
<tr>
<td>4 Jewel loans</td>
<td>6000.00</td>
</tr>
<tr>
<td>5 Non-farm sector loans and other loans</td>
<td>532.00</td>
</tr>
</tbody>
</table>

The activities of the cooperative societies in these schemes are furnished in detail in the following lines.

4.6 Cooperative Credit Structure and its Performance

Cooperative credit institutions were evolved mainly to check the usurious practices of the moneylenders and to provide loans to various sections of the population. The short-term rural credit structure consists of three tiers with Tamil Nadu State Apex Cooperative Bank at the state level, District Central Cooperative Banks at the district level and Primary Agricultural Cooperative Banks at the village level. The long-term credit structure consists of Tamil Nadu Cooperative State Agriculture and Rural Development Bank at the state level and primary cooperative agriculture and rural development banks at the Taluk / Block level. The cooperative urban banks provide banking services to the people in the towns and cities.
4.7 Short Term Credit Structure

The role of cooperatives is significant in providing short term and medium term loans to the farming sector. The details of short term, medium term loans and non-farm sector loans issued during the Tenth Five Year Plan period are as follows:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Short term Cultivation Loans</th>
<th>Medium term Horticultural loans for horticultural occupations</th>
<th>Non-Farm Sector Loans issued Rs. in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Schemes</td>
<td>Achievement</td>
<td>Schemes</td>
</tr>
<tr>
<td>2002-03</td>
<td>1360.00</td>
<td>963.69</td>
<td>106.00</td>
</tr>
<tr>
<td>2003-04</td>
<td>1251.45</td>
<td>616.59</td>
<td>194.88</td>
</tr>
<tr>
<td>2004-05</td>
<td>1037.69</td>
<td>1080.58</td>
<td>94.37</td>
</tr>
<tr>
<td>2005-06</td>
<td>1097.50</td>
<td>1132.18</td>
<td>59.80</td>
</tr>
</tbody>
</table>

During 2006-07 it has been planned to provide short-term loans to the tune of Rs.1235 crores. The performance of the Apex Bank, the District Central Cooperative Banks and Primary Agricultural Cooperative Banks are detailed in the sequel.
4.8 Tamil Nadu State Apex Co-operative Bank (TNSACB)

The Tamil Nadu State Apex Co-operative Bank, established in the year 1905, played a major role in formulating the credit schemes as well as the credit policy for the cooperative institutions in Tamil Nadu. It provides financial assistance to the District Central Cooperative Banks for issue of both short term and medium term agricultural loans to the farmers. The bank also provides non-agricultural credit for the upliftment of the farmers and the rural population through the district central co-operative banks. The apex bank takes a leading role in the successful running of the public distribution system in the state by providing refinance facilities to the cooperative wholesale stores through the district central cooperative banks.

The Tamil Nadu State Apex Cooperative Bank provides financial assistance to spinning mills / sugar mills and direct financial assistance to other apex co-operative institutions in the state. The bank, through its network of 43 branches situated in and around the city, caters to the banking needs of the public at Chennai.

The share capital of Tamil Nadu State Apex Cooperative Bank is Rs.53.48 crores, which includes the Government share of Rs.0.26 crores. The banks’ reserves as on 31.3.2006 were Rs.356.14 crores and the deposits outstanding on that date was Rs.3126.00 crores.

"The Primary Co-operative Development Fund", constituted from out of contributions received from its affiliates is
maintained by the apex bank to strengthen the infrastructure facilities of the primaries in the state. The primary agriculture cooperative societies have been provided with assistance to the tune of Rs 21.81 crores, for developing their infrastructure.

4.9 District Central Cooperative Banks (DCCBS) Operations

The business operations of District Central Cooperative Banks (DCCBS) witnessed a moderate growth during 2004-05. On the liabilities side, while deposit growth slowed down, borrowing increased sharply. However, net owned funds increased significantly. On the assets side, loans and advances registered a healthy growth, while investment portfolio expanded at a very low rate.

Financial Performance

The financial performance of the DCCBs improved significantly due to increase in income on the one hand, and reduction in the expenditure on the other. However, the decline in expenditure was entirely due to decline in provisions and contingencies. As a result of increased profit, the accumulated losses declined to Rs 4,723 crore during 2004-05 from 5,126 crore during 2003-04.

At present there are 23 district central co-operative banks functioning in the state. Their branches are mostly located in rural areas to serve their affiliates and the rural public. All the district central co-operative banks are financing the primary agricultural cooperative banks from their own resources and also by availing credit from the National Bank for Agriculture
and Rural Development (NABARD) through the apex bank for agricultural purposes and for activities allied to agriculture. They also extend credit facilities to primary handloom weavers' cooperative societies, cooperative sugar mills, cooperative spinning mills and other cooperative institutions at the district level by availing credit from the National Bank for Agriculture and Rural Development through the apex bank.

These banks also sanction loans for non-agricultural purposes. Purchase of lorries and buses, bulldozers, earthmovers, construction purpose, establishment of clinics / service centers by doctors / engineers, and educational loans for pursuing professional courses, etc. The Chennai district central cooperative bank caters to the need of the urban population by providing jewel loans, petty trade and salary loans apart from providing financial assistance to employees' cooperative credit societies in its area of operation. As on 31.03.2006, the district central cooperative banks had a total share capital of Rs.526.50 crores, reserves of Rs.1114.49 crores, deposits to the tune of Rs.6979.34 crores and the working capital of the order of Rs.11061.17 crores.

4.10 Primary Agricultural Cooperative Banks (PACB)

The primary agricultural co-operative banks play a vital role in providing crop loans to the rural farming community, especially to the small and marginal farmers. The short-term loans issued for agricultural purposes are repayable in maximum of 15 months depending on the crop cultivated.
Medium term loans are repayable within 3 to 5 years and they are provided to the members for taking up subsidiary occupations allied to agriculture such as dairying, sheep rearing, poultry farming, etc. Crop loans up to Rs. 1.00 lakh are provided against the standing crops on personal surety. The farmers can obtain crop loans above Rs. 1.00 lakh by providing adequate security by way of mortgage of property or pledge of jewels for the loans. Further, the primary agricultural cooperative banks, which are in sound financial position, sanction loans for other purposes such as purchase of tractors, power tillers and other agricultural implements.

4.11 Kisan Credit Card Scheme

In order to meet the credit requirements of farmers in a timely and hassle free manner, the Kisan credit card scheme, introduced by the NABARD is under implementation in the state. The District Central Cooperative Banks and Primary Agricultural Cooperative Banks are implementing the Kisan Credit Card Scheme.

4.12 Interest Reduction on Crop Loan

It is the intention of the government to provide agricultural loans to farmers at low interest rates. It has been announced in the budget that the interest charged on crop loan issued by cooperative banks during the current kuruvai season will be reduced from 9% to 7% and that the loss to the cooperative societies on account of this reduction in interest rate will be borne by the government itself.
4.13 Credit Supply to Weaker Sections

The cooperative credit policy has always been oriented to meet the credit needs of the weaker sections of the rural population like small and marginal farmers. Though the National Agricultural Bank for Agriculture and Rural Development has stipulated that not less than 30% of short term lending by the co-operatives should be provided to the small farmers, i.e. those owning or cultivating 5 acres or less of wet or dry lands, the short-term and medium term loans to weaker sections have always been maintained at a much higher level. It is the policy of this government to continue to provide higher quantum of loan to the weaker section.

4.14 Jewel Loans

The cooperative banks are providing jewel loans to meet the urgent needs of the public.

4.15 Professional Loans

As a part of diversification process, the district central cooperative banks have been providing professional loans to doctors and engineers upto Rs.100.00 lakhs repayable within a period of 15 years. The rate of interest on professional loans ranges from 12% to 14% depending on the quantum of loan amount.
4.16 Micro Credit to Women for Small Business

With a view to mitigate the hardships faced by the women doing petty trades and to free them from the clutches of the money lenders, a scheme for providing micro credit has been introduced. The district central cooperative banks and urban cooperative banks meet the micro credit needs of women doing small business. This is a significant step towards empowering women. Under this scheme, women doing small business like selling flowers, vegetables, fruits, running petty shops etc., can avail loans in the range of Rs.100/- to Rs.5,000/- according to their business requirements.

The micro-credit scheme for self-help groups has been extended to rural areas in coordination with Tamil Nadu Corporation for Women Development by getting refinance from National Bank for Agriculture and Rural Development. Government has permitted to admit the self-help groups as members in the district central cooperative banks and primary agricultural cooperative banks. This scheme will be extended to provide loan to men petty traders also in the current year.

4.17 Women Entrepreneur Loan Scheme

In order to encourage the womenfolk to establish small scale industries and to generate employment opportunities, loans are provided to women entrepreneurs. Under the scheme, the district central cooperative banks and urban cooperative banks are providing loan upto Rs.10/- lakhs repayable in 60 monthly
instalments at 12% interest to women entrepreneurs to start small industries and service centres.

4.18 Working Women Loan Scheme

The district central cooperative banks are also meeting the credit requirements of the working women to meet their urgent family expenses, through the working women loan scheme. Under the scheme, the district central cooperative banks and urban cooperative banks are granting loans upto Rs.1.00 lakh to working women drawing monthly income. The borrower has to open recurring deposit account for three years in the bank. The loan is repayable in 36 monthly installments. The rate of interest charged to this loan is 12% per annum.

4.19 Maternity Loan Scheme

Credit is required not only for undertaking business activities, but also to maintain good health of the women folk, more particularly, during the period of pregnancy. With a view to assist the women folk, to meet the expenses towards medicine, nutrition, transport, medical assistance/treatment, test for mother and newborn child, loans are provided. Under the above scheme, the district central cooperative banks, urban cooperative banks and primary agricultural cooperative banks are issuing maternity loan to women up to Rs.2000/- at the rate of 11%.
4.20 Interest Free Share Capital Loan to Women members in Primary Agricultural Cooperative Banks.

The rural women belonging to weaker sections find it difficult to contribute the share capital necessary for availing loans. As the borrowing power of the member is linked to share capital subscription, the women members of primary agricultural cooperative banks are provided with interest free share capital loan of Rs. 500 each. The above loan is repayable in five annual instalments at the rate of Rs. 100/- commencing from the year succeeding the year in which the loan is sanctioned. This will enable women members to avail an additional loan up to Rs. 20,000/-. Under this scheme, it is proposed to assist 2000 women members and a sum of Rs.10.00 lakhs will be allotted for 2006-07.

4.21 Interest Free Share Capital Loan to Physically Handicapped Women

In order to promote economic rehabilitation of persons with disabilities, interest free share capital loan is provided to physically handicapped women for enhancing their borrowing capacity. Under the scheme, the physically handicapped women members of cooperative banks will be provided interest free share capital loan of Rs. 500/- per person repayable over a period of five years. This will enable the physically handicapped women members to avail additional credit facility to the extent of Rs.20,000/-. During the current year, a sum of
Rs.5 lakhs will be provided for share capital assistance to 1,000 physically handicapped women members.

4.22 Interest Free Share Capital Loan to SC/ST members

Under this scheme, the SC/ST members are provided with an interest free loan of Rs. 250/- which they can contribute to the share capital of the cooperative societies and increase their borrowing power. The loan is recoverable in 5 equal instalments, commencing from the succeeding year in which the loan is sanctioned. This will enable the member to avail an additional loan of Rs.10,000/-.

4.23 National Agricultural Insurance Scheme

The State government from Kari 2000 is implementing the National Agricultural Insurance Scheme for crop insurance introduced by the Government of India from Rabbi 1999. Under this scheme insurance coverage and financial support is provided to the farmers in the event of failure of the notified crops due to natural calamities, pest and diseases. The sum insured will be upto 100% value of threshold yield on normal coverage and upto 150% on additional coverage. All the loanee and non-loanee farmers are covered under the scheme. The small and marginal farmers are given a subsidy equivalent to 10% of premium. The Central and State Governments share the cost towards this subsidy equally. In case the relief paid to the farmers is much more than the premium collected, the excess amount is also equally shared by the State and the Central Governments.
4.24 Long Term Credit Structure

The Tamil Nadu Cooperative State Agriculture and Rural Development Bank at the state level and primary cooperative agriculture and rural development banks at the Taluk / block level constitute the two tiers of the long-term credit structure. These banks provide loans to their members for agriculture and allied activities like minor irrigation, cultivation of horticulture and plantation crops, poultry keeping, dairying, sheep breeding, sericulture and purchase of tyre carts, purchase of tractors, power tillers, laying of water pipelines, construction of cattle sheds, farm house, etc. on schematic basis. The primary cooperative agriculture and rural development banks also provide loans to small-scale industries, power looms, rural housing, rural hospital etc. under non-farm sector schemes.

The Tamil Nadir Cooperative State Agriculture and Rural Development Bank mobilize the funds required for loaning operations by way of floating Special Development Debentures. The Government of India, the State Government and the NABARD subscribe to these debentures.

The then state government did not agree to the condition laid down by NABARD that in case the Tamil Nadu Cooperative State Agriculture and Rural Development Bank fails to honour its commitment to NABARD, the Reserve Bank of India on NABARD's request will automatically debit the Governments account with RBI and hence the refinance from NABARD could not be received. Therefore, during the last two years,
there has been no lending operation under the long-term loans. The Government has programmed to issue long term credit to an extent of Rs.200/- crores during the current year by taking up the matter with NABARD.

4.25 Interest Free Share Capital Loan to Women members

The primary cooperative agriculture and rural development banks provide loans upto 20 times of the paid up share capital of the members. Under this scheme, the government shall provide Rs.1000/- as interest-free loan to a woman member in the primary cooperative agriculture and rural development banks so that she can contribute her share capital and enhance her borrowing power. This will enable the women members to avail an additional credit facility of Rs.20,000/-. This amount is repayable in 5 annual instalments at Rs.200/- each commencing from the succeeding year in which the loan is sanctioned. A sum of Rs.5 lakhs is provided to benefit 500 women members during the current year.

4.26 Urban Cooperative Banks

There are 121 urban cooperative banks functioning in the urban and semi-urban areas to provide credit to the urban dwellers on easy terms of interest and repayment. All the urban cooperative banks are functioning with their own resources with a deposit base of Rs. 2391.26/- crores as on 31.3.2006.

They are providing credit facilities for various purposes such as repairs of houses, petty trading, discharge of prior debts,
education of children, etc. The urban cooperative banks have reoriented their lending policies and are issuing loans for cottage and small-scale industries besides jewel loans.

4.27 Waiver of Cooperative Agricultural Loans

A major initiative of the new government under the leadership of the Honourable Chief Minister is the waiver of all farm loans and interest thereon outstanding with the cooperatives as on 31.3.2006. The Government has also issued orders that no recovery proceedings should be taken in respect of the above loans and that loan waiver certificates should be given to those borrowers whose loan outstanding as on 31.3.2006 have been waived. As on 26-7-2006, loan discharge certificates have been issued in respect of 22,19,093 loan accounts amounting to Rs.5415.82/- crores.

Consequent to the waiver, the government has taken over the entire debt liability of Rs.1668/- crores owed by the cooperative banks to NABARD. Towards this end, a provision of Rs.435/- crores has been made in the Revised Budget Estimates for the year 2006-07. Moreover in order to make good the loss caused to the cooperative banks due to the waiver and to ensure that fresh crop loans are given to the farmers, a provision of Rs.1000/- crores has been made in the Revised Budget for the current year. Thus a total provision of Rs.1435/- crores has been made under the scheme of waiver of farmers' cooperative loans for the current year. Necessary provision will also be made in respect of the balance amount along with interest thereon in the
coming financial years to ensure that the farmers continue to get crop loans and that the interests of the depositors and the employees of these banks are protected. The Government has issued detailed guidelines to be followed by the cooperative banks for implementing the scheme and for proper maintenance of accounts of loans waived. The following types of loans given to farmers have been waived under the scheme:-

- Short term crop loans
- Jewel loans issued for agricultural purposes
- Short term loans converted into medium term loans
- Short term loans replaced as medium term loans
- Blocked medium term conversion loans and blocked medium term replacement loans
- Medium term loans given for agriculture and allied sectors
- Long term loans under farm sector

The Government has also made it clear that only genuine farmers should be given the benefit of waiver facility. The banks implementing the scheme shall draw a list of the names of all the beneficiaries and exhibit the list in a prominent manner in the bank premises so as to ensure that the scheme is implemented in a transparent and impartial manner.

Non-agricultural cooperative societies have a lot of merits. They fulfill an important need of a large cross-section of the population including farmers and non-farmers.
4.28 Limitations of ECS

1. They are always under heavy pressure from their members to sanction different kinds of loans under a wider umbrella.
2. Sometimes probably they may be mismanaged and loans may be advanced for fraudulent purposes.
3. Loans may be sanctioned to ineligible persons.
4. Loans may be sanctioned with undue recommendations from political elements.
5. As compared with the agricultural credit in cooperative sector non-agricultural credit cooperatives do not get the same or the RBI.

Difference between Agricultural and non agricultural cooperative societies:

1. ECS are not faced with the problem of over dues to the same extent as agricultural credit societies.
2. They are not short of funds.

4.29 Cooperative education, research and training

The Tamil Nadu Cooperative Union and the district cooperative unions are performing the functions of cooperative education, training, advertisements and propaganda in the state.

Cooperative Training

Training programmes are conducted for personnel working in the cooperative sector to upgrade their skills and abilities for achieving excellence in cooperative management.
and administration. There are 20 Cooperative Management Training institutes in Tamil Nadu. These institutes conduct training in cooperative management, short-term computer courses and jewel appraisal. In addition to these, job oriented and need based short term courses are also conducted by these institutes every year for the employees of cooperatives. Correspondence courses are also conducted for those cooperative employees who do not have the requisite cooperative training.

**Cooperative Research**

The Tamil Nadu Cooperative Union is maintaining two funds namely Cooperative Research and Development Fund and Cooperative Education Fund.

Every cooperative society, which earns a profit contributes 3% of the net profit to the Cooperative Research and Development Fund and 2% of the net profit to the Cooperative Education Fund. This fund is utilized for the cooperative research, development, education, training and propaganda of the cooperative principles.

**4.30 Integrated Cooperative Development Project**

The Integrated Cooperative Development Project (ICDP) is being implemented in select districts with the main objective of improving the infrastructure available with the cooperatives. Under the scheme, financial assistance is provided through district central cooperative banks to agriculture and allied
sectors like fisheries, poultry, dairy, handloom, rural industries, etc. The scheme envisages the development of cooperatives at all levels and cooperation among cooperatives to facilitate the overall development. Government provides financial assistance for the implementation of ICDP after availing loan assistance from NCDC. The scheme is implemented over a period of five years. The ICDP scheme was implemented in the following 8 districts:-

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the District</th>
<th>Outlay(Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Virudhunagar</td>
<td>862.51</td>
</tr>
<tr>
<td>2.</td>
<td>Cuddalore Integrated</td>
<td>1506.97</td>
</tr>
<tr>
<td>3.</td>
<td>Villupuram (South Arcot District)</td>
<td>1123.88</td>
</tr>
<tr>
<td>4.</td>
<td>Coimbatore</td>
<td>1080.99</td>
</tr>
<tr>
<td>5.</td>
<td>Dharmapuri</td>
<td>1160.25</td>
</tr>
<tr>
<td>6.</td>
<td>Tiruvannamalai</td>
<td>816.58</td>
</tr>
<tr>
<td>7.</td>
<td>Kancheepuram</td>
<td>1123.88</td>
</tr>
<tr>
<td>8.</td>
<td>Ramanathapuram</td>
<td>687.03</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>7238.21</strong></td>
</tr>
</tbody>
</table>

At present the ICDP is being implemented in the following six districts.

Plan outlay and amount released (Rs. in lakhs)
The project reports in respect of Salem, Erode, Madurai and Pudukkottai districts are under preparation. National Cooperative Development Corporation will implement the scheme in these districts after the approval of the projects. It has been proposed to implement Integrated Cooperative Development Project in the remaining districts (except Chennai) in a phased manner over the next three years.

### 4.3.1 Cooperative elections

Cooperatives are people's organizations run by the members for their economic welfare. This means that periodically there should be elections to the board of management, which is vested with the powers of administration of the cooperative society. The elections to the cooperative societies were held in the year 1996. During May 2001, the then government dissolved the elected boards in toto and appointed Special Officers to manage the affairs of the cooperative society.
societies. The term of Special Officers was extended from time to time and recently the government has extended the term of special officers of primary cooperative societies upto 24.11.2006 and central and apex societies upto 25.11.2006.

In June 2001, the previous government promulgated an ordinance for insertion of a new section 89(A) in Tamil Nadu Cooperative Societies Act 1983 which empowers the Special Officers to admit new members in accordance with the provision of section 21 of the Act. This new provision was challenged in the High Court of Madras. The Full Bench of Madras High Court in its order, dated 20.12.2005 in batch of Writ petitions quashed the new provisions of section 89 (A) of the Act. The then government filed an appeal in the Supreme Court against the judgment of the High Court. The present government is firmly of the view that regular elections should be held and that only the elected members should administer the societies. Hence, action is being taken to conduct the elections to the cooperative societies with the members enrolled prior to 25.5.2001 based on the court directions, after withdrawing the appeal pending before the Supreme Court.

4.32 Conclusion

The cooperatives with an ideological base emphasize the economic objectives and the social approach. The implementation of various Five Year Plans has contributed to the growth of economic development. The cooperative credit institutions have come forward to help the public with their
various schemes. The government has taken steps to promote the Co-operatives through the institution of the credit structures. These have helped the rural masses by floating several loans for various purposes. The credit policy has been oriented by the cooperatives to meet the requirements of the rural weaker sections and small farmers with a view to mitigate the difficulties faced by the women folk. The Government has introduced several schemes at micro and macro level. Such schemes have not only helped the women for availing loans but also promoted the borrowing power of the women. The steps taken by the Government to help the different sections of the society are immeasurable.