

## REVIVAL PACKAGE FOR PACS IN TAMIL NADU : EMERGING CHALLENGES

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### ABSTRACT

*Tamil Nadu is endowed with a network of 4530 Primary Agricultural Cooperative Societies (PACSS). The implementation of Task Force Recommendations 2004 contributed significantly for revival of the functioning of the PACSS in the State. Majority of the PACSS could reduce and/or wipe out entire loss and increase their loan operations. However, the post-Revival Package era witnessed that the PACS loan operations have been skewed in favour of jewel mortgage business forgetting their responsibility in crop loan. This study attempts to trace out the emerging challenges before PACS during post-Revival Package (2004) era.*

### Introduction

The seed for today's cooperative movement in India was sown in the erstwhile Madras Presidency. The Madras Government under Section 98 (a) of the Civil Service Regulations placed Sir Frederick Augustus Nicholson on special duty, for the purpose of enquiring into the possibility of introducing Land and Agricultural Banks in order to relieve the rural people from the problem of indebtedness through its order dated 15 March 1882. He submitted his reports in two volumes in 1895 and 1897. After the enactment of the Cooperative Credit Societies Act in 1904, Thiru Sir D. Rajagopalachariar, the first Registrar of Cooperative Societies, registered the first PACS in this region with the objective of encouraging thrift, self-help and cooperation among agriculturists, artisans and persons of limited means through cooperative credit societies thereby relieving the poor farmers from the clutches of moneylenders at Thiroor village in

the present Tiruvalluvar district (Ravichandran, K & Revathibala, M: 2008, p.45). Over the years, the growth and development of PACS in Tamil Nadu is influenced by the recommendations of various Committees and Commissions of the Government of India and the State Government. The policy of the State Government has always been that the strengthening of the Cooperative Societies is necessary for the economic prosperity of the people, especially the weaker sections. At present in Tamil Nadu, the Short-term Co-operative Credit Structure (STCCS) is three tier and consists of 4534 PACSS, 23 Central Cooperative Banks (CCBs) and Tamil Nadu State Apex Cooperative Bank. On an average, a PACS covers four revenue villages. Cooperative credit structure in the State is the largest institutional credit delivery system in terms of reach and network (Government of Tamil Nadu: 2012-17, p.21). At all India level there are 93413 PACSS functioning across the country covering more than 99 per cent of Indian villages. They are

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affiliated with 371 CCBs. To guide all these institutions 31 State Cooperative Banks (SCBs) are functioning at State level ([www.nafscob.org](http://www.nafscob.org)).

#### **Implementation of Task Force Recommendations 2004**

Despite their outreach and volume of operations, over the years, the financial health of PACS deteriorated significantly. For example, at all India level PACS experienced with low resource base, huge accumulated losses, borrower-centered policies, high dependence on external sources of funding, government control, poor business diversification and low fund recovery (Government of India: 2008, p-71). The share of PACS in agricultural credit at all India level fell down from 62 per cent in 1992-93 to 22 per cent in 2007-08 (Sharad N.Bansal et.al: 2012, p.42), and to 15.7 per cent in 2010-11 (Government of India:2011-12, p.72). PACS in Tamil Nadu is also no exception to this trend. They too faced one or more of the stated problems and reduced their share in the rural credit market.

Government of India recognised the importance of reviving these institutions and constituted a Task Force under the Chairmanship of Prof. A. Vaidyanathan, in August 2004, to formulate a practical and implementable plan of action to rejuvenate the STCCS. The Task Force submitted its report to the Government of India on 4.2.2005. The Government of India accepted the recommendations in principle and placed the same before National Development Council meeting held on 27.6.2005. The Task Force report and its recommendations were also discussed in detail at a special meeting of the State Chief Ministers held on 9.2.2005. It was agreed that a Draft Statement of Consensus emerging from the deliberations be prepared and discussed with the Finance and Cooperation Ministers of select State Governments. This meeting was held on 29.9.2005 where the consensus was further crystallised into a Statement of Consensus. Based on this Statement of Consensus, the Revival

Package prescribing the financial, legal, and institutional measures for restructuring of the STCCS was prepared and circulated among States. The Revival Package is aimed at reviving and rejuvenating STCCS and makes the structure vibrant member-centered institutions by :

- 1) providing financial assistance to bring the institutions in the STCCS to an acceptable level of financial health
- 2) introducing legal and institutional reforms necessary for the democratic, self-reliant and efficient functioning of STCCS, and
- 3) taking other appropriate measures to improve the quality of management.

The Task Force considered that all the three components of the Revival Package are equally important. Hence Government of India treated and implemented this Revival Package as an Integrated Package. The financial assistance under this Revival Package is a one-time measure. Release of financial assistance under the Revival Package will be back-ended and linked to achievement of pre-defined benchmarks in respect of legal, institutional and regulatory reforms and will, therefore, be phased over a period. The summary of benchmark monitorable activities by various agencies and release of financial assistance under the package is given in Table 1.

#### **Statement of the Problem**

The Government of Tamil Nadu has signed MoU with Government of India and NABARD for availing of assistance under Revival Package for the revival of STCCS on 3.1.2008. Accordingly, the accumulated losses suffered by the eligible PACSs, CCBs and Tamil Nadu State Apex Cooperative Bank as on 31.3.2004 has to be fully recapitalised. In this direction the following efforts were made in Tamil Nadu.

- ☞ State Level Implementing and Monitoring Committee (SLIC) and District Level Implementing and Monitoring Committee (DLIC) were constituted on 28.2.2008.

- ☞ The Ordinance was promulgated to amend the Tamil Nadu Cooperative Societies Act 1983, on 20.10.2008. The same was published in the Gazette on 21.10.2008 (Tamil Nadu Ordinance 8 of 2008). Further the Act was passed on 14.11.2008 in the Legislative Assembly and received the assent of the Governor on 30.11.2008 as Act No.62 of 2008.

**Table 1 : Summary of Benchmark Activities**

Benchmark activities	Release of financial assistance
State Government accepts the package, issues consent letter, signs the Memorandum of Understanding (MoU) or exchange letters with Government of India.	Assistance is released for conduct of special audits, computerisation of STCCS and HRD initiatives.
PACS/CCBs/SCB sign MoUs with implementation committees, Executive Order amending necessary provisions in Cooperative Societies Acts (CSA) issued by State Government, special audits are completed, and State Government releases committed liabilities.	75 per cent of financial assistance for funding accumulated losses would be released.
Elections are conducted wherever due, professionals are either elected or co-opted, professional CEO appointed, CSA amended or special chapter incorporated, a sound system of internal checks and controls put in place by SCBs/CCBs and Development Action Plans/ MoUs are signed.	Balance 25 per cent of financial assistance for funding accumulated losses would be released.

Source: [www.nabard.org](http://www.nabard.org)

- ☞ Special Audit has been carried out and total loss for 4540 PACS as on 31.03.2004 has been arrived at ₹ 2129.50 crore (Government of Tamil Nadu : 2011-12, p.15).
- ☞ The Government of India's share of ₹ 1078.84 crore and State Government's share of ₹ 385.45 crore have been received under this scheme (Government of Tamil Nadu: 13-14, p.18).
- ☞ Special audit of TNSC Bank was completed with 'NIL' claim.
- ☞ Common Accounting System and Management Information System have been installed in all PACSs from 1.4.2009.
- ☞ Common Software for CCBs and PACSs is under implementation.

It is expected that this Revival Package would revive the functioning of PACS by increasing their business and thereby they would play a significant role in the rural credit market. In this context it becomes necessary to study what is the impact of Revival Package on the business operations of the PACS? Whether the post-Revival Package era enabled the PACS to strengthen their owned resources? What is the trend and extent of loan operations of PACS during pre and post- Revival Package era? What are the challenges faced by the PACS at present? These and other similar questions need to be addressed through micro level studies so as to understand the impact created by Revival Package.

**Objectives of the Study:** The present study has the following objectives :

- 1) To study the business performance of sample PACS in Theni District during pre and post-Revival Package implementation
- 2) To study the impact of Revival Package on the functioning of sample PACS
- 3) To find out the challenges faced by the sample PACS and
- 4) To suggest suitable measures to combat against these challenges

### Methodology

Case study method has been followed for this study. Both primary and secondary sources of data were collected and collated to bring meaningful inferences. For the purpose of this study two PACSs viz., MD. SPL.82. Endapulli Primary Agricultural Cooperative Credit Society (EPACS) and A.737.Upparpatti Primary Agricultural Cooperative Credit Society (UPACS) were selected purposively. Relevant data on the business performance of these sample societies were collected from Audit and Annual Reports of the societies. Personal discussions were also held with the staff of the sample societies to have indepth understanding on the impact of the Revival Package.

The present study is not far from limitations. The analysis made in this study is based on the data / information collected through structured interview schedule from the two sample PACSs in Theni district. Every effort has been made wherever necessary to ascertain the accuracy of the data / information provided. Due to paucity of time the perception of member users of these societies could not be collected. Hence, the findings of the study may be relevant in the given context.

**Rationale for the Study :** Tamil Nadu is one among the 25 States which accepted this Revival Package. Government of Tamil Nadu is taking several institutional and legal measures as per the MoU. As on 31.8.2012, ₹ 134011.12 lakh has been released to 4471 PACSs through the CCBs in the State. The TNSC Bank has formed a separate section namely SCORE CELL (Short-term Cooperatives Revival Cell) for the purpose of guiding and monitoring the progress of the implementation in PACS, CCBs and also for coordinating with the implementing agencies viz., NABARD and office of the Registrar of Cooperative Societies in the State. All PACS Secretaries were trained on 'Capacity Building', 'Business Development and Profitability and MIS /CAS'.

Due to all these support and patronage from State Government there is growth in the business performance and operational viability of PACSs in Tamil Nadu. At present the PACS have been facilitated to provide about 20 loan products, 5 marketing services, and host of other services which include running of common service centres, agri-clinics, agro-service centres and Fair Price Shops under Public Distribution System. The total deposit mobilised by PACS has increased from ₹ 343983.64 to ₹ 468235.77 during the period between 2008-09 and 2010-11. The total loan outstanding also has increased from ₹ 630685.07 to ₹ 1101384.54 (Table -2). Consequent to these developments, out of 4,530 PACSs functioning in the State, 1112 are on profit, and 1754 are on current profit (Government of Tamil Nadu: 2013-14, p.8). In spite of all these developments no study has been conducted on the impact of Revival Package at micro level. Hence the present study is undertaken.

**Table 2 : Business Performance of PACS in Tamil Nadu**

(₹ in lakh)

Year	No. of functioning PACSs	Total Deposits Outstanding	Total Loan Outstanding
2008-09	4531	343983.64	630685.07
2009-10	4531	401476.67	865327.79
2010-11	4532	468235.77	1101384.54

Source : Compiled from the records of Office of the Registrar of Cooperative Societies, Chennai for various years.

### Impact of Revival Package on the Functioning of Sample PACS

Theni District is predominantly an agrarian economy and out of the total geographical area of 3242.30 sq.km 35 per cent is net cultivated area. This district was carved out of the composite Madurai district in the year 1997. It has 5 taluks, 5 Municipalities, 23 Town Panchayats, 113 Revenue Villages and has the credit of being the leading vegetables and fruits producing district in the State. The Office of Joint Registrar of Cooperative Societies was established in Theni district on 28.5.97 with two Circle Deputy Registrar Offices (Periyakulam and Uthamapalayam) and One Deputy Registrar (Public Distribution System). The composite Madurai District Central Cooperative Bank is still acting as the Financing Bank with 10 Branches and hence there is no separate CCB for Theni district.

There are eighty functional PACSs and they have wide reach in the district. The block-wise distribution of the PACSs is given in Table 3. The first PACS registered in the district was A 737 Upparpatti PACS and the latest being MP 101 Chinnamanur BGCS. More number of PACSs were organised during the period between 1961 and 1970. Both in Theni and Aundipatti blocks, all the existing PACSs were established before 1970. Further, it is to be noted that 17 PACSs were established even before Independence. While the average number of villages served by PACS at all India level is 6, in Tamil Nadu it is 4. In the case of Theni for about three revenue villages, there are two PACSs functioning. Such wide coverage facilitates the farming community to have easy access to the services of PACS.

**Table 3 : Block-wise Presence of PACS in Theni District**

Name of the Block	No. of PACSs
Aundipatty Block	11
Bodinayakanur Block	12
Chinnamanur Block	11
Cumbum Block	7
Myladumparai	4
Periyakulam Block	15
Theni Block	12
Uthamapalayam	8
Total	80

Source: Compiled from Interview Schedule.

The impact of Revival Package on the business performance of sample PACS is analysed with the basic indicators viz., membership, share capital, borrowings, deposits, loan operations and financial viability. At the district level there has been progress in respect of all loan outstanding and jewel loan outstanding. For example, the total loan outstanding during the year 2004-05 was

₹ 8734.03 lakh, which increased to ₹19082.40 lakh during the year 2010-11. The average loan issued by a PACS also increased from ₹ 109.18 lakh to ₹ 238.53 lakh during the same period (Table 4). Due to these developments many of the PACSs have become operationally viable units during post-Revival Package era.

**Table 4 : Progress of PACS in Theni District**

(₹ in lakh)

Year	Membership	Loan Outstanding	JML Outstanding
2004-05	221195 (2765)	8734.03 (109.18)	3653.91 (45.67)
2005-06	221797 (2772)	9034.51 (112.93)	3654.92 (45.69)
2006-07	218197 (2727)	7674.05 (95.93)	4620.25 (57.75)
2007-08	220485 (2756)	9231.71 (115.40)	5791.20 (72.39)
2008-09	219703 (2746)	10742.80 (134.29)	6804.33 (85.05)
2009-10	214617 (2683)	14763.70 (184.55)	9923.92 (124.05)
2010-11	215021 (2688)	19082.40 (238.53)	13300.29 (166.25)

Source: Compiled from Institution Schedule.

Note: Figures in parentheses are average per society.

**Membership and Share Capital:** As there was a ban on admitting new members, the average membership of PACS remained at 2688 per society at district level during the year 2010-2011 (Table 4). In the case of sample societies the number of members remained same during the study period. However, new members were admitted as Associate Members to avail service from the societies (Table 5).

Regarding share capital position of sample PACS, it is found that in the case of UPACS the position of share capital increased from ₹ 3.70 lakh to ₹ 11.13 lakh during the period between 2004-05 and 2011-12. The respective figure for EPACS was ₹ 6.98 lakh to ₹ 9.81 lakh. As share capital mobilisation linked with loan operations, there is no significant trend found in the growth of share capital even after availing of assistance under Revival Package.

**Table 5 : Membership and Resource Mobilisation in Sample PACS**

(₹ in lakh)

Year	No. of Members	UPACS			EPACS		
		Share Capital	Borrow-ings	Deposits	No. of Members	Share Capital	Borrow-ings Deposits
2004-05	720	3.70	131.02	5.94	2519	6.98	121.70 14.43 (3.6)
2005-06	730	3.59 (-2.9)	140.85 (7.5)	5.65 (-4.8)	2519	7.00 (0.2)	126.10 (3.6) 11.76 (-18.5)
2006-07	735	4.55 (26.7)	117.52 (-16.5)	4.09 (-27.6)	2519	8.55 (22.1)	86.58 (-31.3) 9.35 (-20.4)
2007-08	742	5.34 (17.3)	120.51 (2.5)	5.06 (23.7)	2519	8.65 (1.1)	96.00 (10.8) 15.27 (63.3)
2008-09	742	5.65 (5.8)	129.66 (7.5)	5.22 (3.1)	2519	8.74 (1.0)	113.60 (18.3) 16.20 (6.0)
2009-10	742	6.69 (18.4)	140.17 (8.1)	5.99 (14.7)	2519	8.93 (2.1)	95.71 (-15.7) 17.10 (5.5)
2010-11	742	7.03 (5.0)	149.78 (6.8)	6.20 (3.5)	2519	9.50 (6.3)	127.20 (32.9) 16.55 (-3.2)
2011-12	709	11.13 (56.8)	81.88 (-45.3)	8.36 (34.8)	2519	9.81 (-45.3)	149.64 (17.6) 16.29 (-1.5)

Source: Compiled from Institution Schedule.

Note: Figures in parentheses are percentage of change over the previous year.



**Borrowings and Deposits :** Borrowings from Madurai CCB constitute the major source of working capital of majority of PACS. It was found that in the case of UPACS the position of borrowings increased from ₹ 131.02 lakh to ₹ 149.78 lakh. In the case of EPACS, the total borrowings increased from ₹ 121.70 lakh to ₹ 149.64 lakh during the study period.

In the case of deposits, sample societies have not shown any significant increase in their deposit mobilisation. They remain as borrower-centric institutions and as such these institutions remain as State delivery mechanism.

**Loan Portfolio of PACS :** The sample PACS provides ST and MT loan facilities to members, which includes crop loan, agricultural jewel loan,

general jewel loan, micro credit, loan to SHGs, women, women entrepreneurs and others.

The total loan outstanding of the PACS in the district has grown from ₹ 8734.03 lakh to ₹ 19082.40 lakh during the period from 2004-05 to 2010-11. On an average, ₹ 109.18 lakh is the loan outstanding per PACS during the year 2004-05, which has increased to ₹ 238.53 lakh during 2010-11. In the case of sample societies, the position of loan outstanding in UPACS increased from ₹ 25.30 lakh to ₹ 159.10 lakh. EPACS also increased its total loan outstanding from ₹ 63.70 lakh to ₹ 171.13 lakh (Table 6). Though crop loans are given under KCC, it is not operated like a cash credit. One time drawal and one time repayment or renewal was observed (NABARD: 2009, p-68).

**Table 6 : Loan Operations of Sample PACS**

(₹ in lakh)

Year	UPACS				EPACS					
	ST loan outstanding	MT loan outstanding	JML loan outstanding	Other loan outstanding	Total loan outstanding	ST loan outstanding	MT loan outstanding	JML loan outstanding	other loan outstanding	Total loan outstanding
2004-05	21.85 (86.4)	3.45 (13.6)	Nil	-	25.30 (100)	13.58 (21.3)	24.89 (39.7)	8.79 (13.8)	16.44 (25.8)	63.70 (100)
2005-06	41.70 (49.8)	3.45 (4.1)	Nil	38.63 (46.1)	83.78 (100)	14.23 (19.9)	47.08 (65.8)	8.26 (11.6)	1.93 (2.7)	71.50 (100)
2006-07	2.27 (15.6)	12.31 (84.4)	Nil	Nil	14.58 (100)	7.66 (33.6)	1.80 (7.9)	7.25 (31.8)	6.12 (26.8)	22.83 (100)
2007-08	13.99 (100)	Nil	Nil	Nil	13.99 (100)	9.11 (29.2)	11.44 (36.7)	8.12 (26.1)	2.52 (8.1)	31.19 (100)
2008-09	27.26 (71.9)	10.68 (28.1)	Nil	Nil	37.94 (100)	10.30 (28.4)	15.85 (43.6)	7.72 (21.3)	2.44 (6.7)	36.31 (100)
2009-10	69.31 (48.1)	8.14 (5.7)	66.61 (46.2)	Nil	144.06 (100)	25.25 (21.1)	21.36 (17.8)	70.80 (59.1)	2.44 (2.1)	119.85 (100)
2010-11	65.80 (35.5)	9.82 (5.3)	102.07 (54.9)	7.96 (4.3)	185.65 (100)	37.18 (26.5)	15.98 (11.4)	84.50 (60.3)	2.40 (1.7)	140.06 (100)
2011-12	64.12 (40.3)	11.30 (7.1)	80.92 (50.9)	2.76 (1.7)	159.10 (100)	47.52 (27.7)	15.50 (9.1)	105.71 (61.8)	2.40 (1.4)	171.13 (100)

Source: Compiled from Institution Schedule.

Note: (1) Nil – No loan outstanding exists during this period.

(2) Figures in parentheses are percentage to total loan outstanding.

**Financial Viability :** Increasing the financial health of the PACS to the acceptable level is the main objective of the Revival Package. In this context, out of 82 PACSs in Theni District during 2004-05 only 20 PACSs were functioning with current year profit. The number has been increased to 61 at the end of the year 2010-11. Also the number of viable PACSs increased from 16 to 66 during this period. In the case of UPACS, it is coming under Potentially Viable PACS category while EPACS is coming under Viable PACS category.

## EMERGING CHALLENGES AND STRATEGIES FOR REVIVAL

### Challenge-1: Low Capital Formation

The receipt of financial assistance under the Revival Package has enabled sample societies to clear their dues to CCB and operate Cash Credit Accounts. In turn, sample societies are able to issue loan to the members. For example, an amount of ₹69.94 lakh was released to EPACS by the CCB under the Revival Package, which enabled the society to increase the JML business from the year 2009-10. As dues in the CC Accounts are cleared, the position of crop loan given under KCC also increased from the year 2009-10. Sample PACS's inability to raise their own resources forced them to depend on CCB for raising capital. Lack of deposit base has been an important reason for the failure of PACS at all India level during the past (Government of India: 2007, p-38).

**Strategy :** To mobilise deposits from members and non-members, the sample PACS may establish continuous awareness campaigns and regular contact with the members. The support of opinion leaders at village level may also be enlisted. Further, sample PACS may devise suitable strategies to mobilise deposits from village level institutions like panchayats, schools, and hospitals. Those PACSs which are supported with low cost deposits never depend on higher tiers for working capital.

### Challenge 2 : Support of Financing Institution

One of the important recommendations of the Task Force is that PACS should be allowed to affiliate or disaffiliate with the existing CCBs without having any restriction over the area of operation. If this suggestion is implemented in full vigour, CCBs will also have the option whether they can lend loan to a particular PACS or not. Hence, this is the time that every individual society is trying to identify itself as an autonomous and independent unit.

**Strategy :** Every business institution needs the support of a financial institution for raising adequate capital. Hence, sample PACS must ensure its business viability both in short run and long run. The importance of sustainability in business must be understood by every employee of the PACS.

### Challenge-3 : JML has Become Lifeline

It is found that during post-Revival Package era, the PACS loan operations have been skewed in favour of JML business forgetting their prime responsibility in crop loan portfolio. There are two types of JML advanced by PACS. They are

- ☞ JML issued for agricultural purposes.
- ☞ JML issued for general consumption purposes.

For example, in the case of EPACS in the total loan outstanding, the contribution of JML outstanding was 13.8 per cent in 2004-05, which increased to 61.8 per cent in 2011-12. In the case of UPACS in the total loan outstanding, the contribution of JML outstanding was 46.2 per cent in 2009-10, which increased to 50.86 per cent in 2011-12. This is due to the fact the JML is considered to be the secured and safest mode of doing rural banking business. The other reason for this growth was that for every crop loan issue applications are sent to CCB for verification and



sanctioning of loan, which is based on the funds availability at CCB level. Whereas in the case of JML, there is no such restriction and hence the available funds at PACS level are rotated easily. This trend brings the following concern.

- ☞ The growth in JML will hamper GLC flow to farm sector as only people who have the source to pledge alone will be benefited. The other small, marginal and tiny farmers and sharecroppers who have been hitherto the clientele base of PACSs (Government of India: 2008, p.72) will again be left out to the hands of non-institutional sources of credit.
- ☞ Though the sample PACSs have strong room with defender door and locker facilities to store the jewel pledged, the question of having full proof security is a major issue in the long run.
- ☞ Further, the fear among the PACS is that no loan could be recovered from borrowers as the post-waiver and Revival Package era has created an impression among the borrowers that the loan from PACS need not be repaid. As there is total interest subvention scheme for such crop loan which has been repaid by due date the recovery is made possible. In the case of JML, the recovery is cent per cent either through closing the account completely or pledging the jewel again.

**Strategy :** While ensuring profitability in business, PACS must ensure that its role in agricultural credit is also strengthened. Any form of credit flow to farm or non-farm sector if it is

supported with adequate extension support, the problem of poor recovery could be addressed. Continuous and adequate pre and post-credit flow extension support is the main reason for the better recovery flow in micro-credit programmes.

#### **Challenge - 4: The Continuance of the Problem of Cumulative Loss**

The sample PACSs are still facing the problem of cumulative losses. In the case of UPACS, the total cumulative loss during the year 2004-05 was ₹ 131.11 lakh, which increased over the years and stood at ₹ 199.99 lakh during the year 2011-12. The respective figure for EPACS is ₹ 95.98 lakh and ₹ 112.53 lakh (Table 7).

In the case of EPACS the major reason for the cumulative loss was MT loan overdue. This loan was given to 75 dairy farmers during the year 2006 and all become Non-Performing Assets. Apart from this the continuance of State's waiver schemes has been a major hurdle for PACS to recover the dues. Paradoxically, the loan waiving schemes instead of helping the farming community, have eroded the willingness of the borrowers to repay the loan; boosted wilful default culture; crippled the financial viability of banking institutions and emerged as popular ethos of election manifestos (Ravichandran, K & Revathibala, M: 2008, p.294).

**Strategy :** Legal actions must be taken against the defaulters. For this purpose, support of the State is required.

**Table 7 : Position of Profit / Loss in PACS**

(₹ in lakh)

Year	UPACS		EPACS	
	Profit / Loss	Cumulative Loss	Profit / Loss	Cumulative Loss
2004-05	30.10 Loss	131.11	5.68 Loss	95.98
2005-06	41.79 Loss	143.42 (9.3)	16.43 Loss	112.42 (17.1)
2006-07	37.21 Loss	159.48 (11.1)	1.94 Loss	114.36 (1.7)
2007-08	62.40 Loss	166.55 (4.4)	10.03 Profit	104.33 (-8.7)
2008-09	62.40 Loss	169.44 (1.7)	22.10 Loss	126.43 (21.1)
2009-10	66.70 Loss	170.15 (0.4)	40.50 Profit	85.93 (-32.1)
2010-11	70.21 Loss	172.85 (1.5)	35.50 Profit	50.43 (-41.3)
2011-12	59.27 Loss	199.99 (15.7)	9.12 Loss	112.53(123.1)

Source: Compiled from Institution Schedule.

Note : Figures in parentheses are percentage change over the previous year.

**Challenge - 5: Lack of Business Diversification**

The staff are trained and enlightened on the need for business diversification for the growth of PACS. Under Integrated Cooperative Development Project (ICDP) exposure visits were arranged for the staff to understand the functioning of well run PACSs in nearby States. All these efforts end with training. During the post-Revival Package period, the priority for regular work has been different and hence the concept of business diversification becomes old/ outdated/postponed.

**Strategy:** All the employees must be reoriented on the importance of business diversification. It is reported that the business operations and management of the institutions have been made efficient by enhancing the skills of the personnel with the assistance of the NABARD (Government of Tamil Nadu: 2013-14, p.18 & 19). The training offered under this banner followed universal approach and helped only for creating awareness among the employees on management of the institutions in the context of changed economic

scenario. What is required is tailor-made solutions to address the society-specific problems. It is found from the past experience that a business opportunity for one PACS was not suitable for other PACS. Hence, a separate training programme need to be organised for the employees of sample PACS. The gap between the existing skill among employees and required skill for business diversification must be imparted and addressed through training and development. The potential user members of the society are also should be made to realise the need and importance of business diversification of their PACS through continuous interaction and communication.

**Conclusion**

The Task Force 2004 emphasised that its recommendations for legal and institutional reforms are means to bring about a big improvement in credit discipline and financial management of STCSS (Government of India: 2004, p-98). The Government of India after several stages of detailed deliberations implemented this Package with the awesome

amount of about ₹ 13596 crore and it is expected that the amount would increase up to ₹ 19330 crore (NABARD: 2011, p.2). Tamil Nadu is one among the 25 States which accepted this Revival Package and so far released an amount ₹ 134011.12 lakh released to 4471 PACSs through the CCBs. Suitable amendments in the existing Tamil Nadu Cooperative Societies Act 1983 were made and all the Secretaries of PACSs were given training under various HRD programmes.

From the above analysis it is found that during post-Revival Package era, the functioning of all PACSs has improved due to 'financial assistance' provided under Revival Package no

doubt served as trigger. Now all these PACSs in Theni district have become functional and viable units. In the case of sample PACSs, their dependency on CCB for resource mobilisation continues as the member users' participation in capital formation is very poor. Post-Revival Package era increased loan operation but it is skewed in favour of JML business forgetting their basic responsibility to farm sector. Also the problem of cumulative loss continues to be a major concern. Solid organisations could be built only with significant member stakes (Sriram M S: 2005, p-8). Hence any revival strategy for PACS should start with enlisting the participation of member users and provision of integrated farm gate services.

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