

# Cooperatives in the Promotion of Women Self Help Groups – A Case of District Central Cooperative Banks (DCCB) in Tamil Nadu

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## ABSTRACT

Cooperatives in our country have strong networking at all levels and serve as third sector for economic development. In the field of rural credit, the cooperatives in Tamil Nadu are the major market players and it is estimated that nearly 48 per cent of the demand for rural credits is met. However after Liberalisation Policy of the Govt., the cooperative credit institutions have changed their focus from traditional agricultural lending to market demanded non-agricultural lending. In this context they have penetrated the rural sector by grabbing the credit demands of SHGs particularly among women. They have earmarked 29 per cent of the total medium term loans to SHGs. However the analysis shows that the performance in financing of SHGs in the state vary among DCCBs and most of the DCCBs have registered a declining trend during the period from 2012-13 to 2016-17. Hence it is suggested that the DCCBs may review their performance and revisit their strategy of financing to SHGs in the state.

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## 1. Introduction

The formal cooperatives what we have to-day in our country, have originated since the enactment of the Central Act viz., Cooperative Credit Societies Act, 1904 which enabled for the formation of village credit societies on Raiffeisan model particularly to serve peasants by providing credit in rural areas. Thanks to the Central Act II of 1912 which opened up new vistas for cooperative development by establishing new forms of cooperatives to serve in the three sectors of the economy. Particularly after independence, Cooperatives have expanded their horizons and have been manifesting as an important institutional framework for the promotion of socio-economic frontiers of the country. In Tamil Nadu there are 5666 cooperative institutions which have covered 80 per cent of households. In the field of rural credit, milk production, etc. cooperatives have strong networking at all levels and serve as a third sector for economic development.

In the field of agricultural credit, the cooperatives still retain a major chunk of the market demand. It is estimated that 48 per cent of the demand for the rural credit is met by the cooperative credit institutions such as short term, medium term and long term cooperatives credit structures. Short term and medium term agricultural credit requirements are dispensed by Primary Agricultural Cooperative Credit Societies (PACCSs), District Central Cooperative Banks (DCCBs) and Apex Cooperative Bank while long term credits are dispensed by Primary Agriculture and Rural Development Banks and their State level federation. Of late, these cooperative credit institutions have broad based their scope and functions and diversified their business by extending credit supports to non-farm sectors. Promotion of entrepreneurial and trade development in the secondary and tertiary sectors of the

economy have been considered for business diversification. Moreover, strategies are designed in such a way to drive the advantages of group projects including cluster approach through Self Help Groups (SHGs). In this regard the DCCBs in Tamil Nadu have made remarkable achievements both in micro finance and micro entrepreneurial developments particularly among women.

The DCCBs occupy a crucial position in the pyramidal structure of the short term cooperative credit system and provide a vital link between a local PACCS and Apex Cooperative bank. They extend banking facilities to their affiliated cooperatives in general and the public in semi-urban and rural areas in particular. Above all they lead the cooperative movement in the districts concerned. So far as issue of loans and advances are concerned, the DCCBs support to both the institutions and individuals. Individuals are provided with loans and advances to take-up non-farm sector oriented activities which include assistances to SSI units, small traders and self-employment, besides consumption credits to provide education to the wards, loans for purchase of consumer goods, vehicle/ small road transport operators etc.,. They have been supporting weaker section i.e. SC/ST, Backward class community, minority, physically disabled persons and women entrepreneurs, while SHGs are provided with NABARD scheme linked loans and schematic loans of the govt. through PACCS/FSS/LAMPS.

## 2. Credit Facilities for Women Development

Cooperatives encourage women to undertake various productive activities, agriculture and allied activities, etc., and offer financial assistance on priority basis at subsidized rates. The rapid growth of women owned businesses in India in the

recent times, is one of the most important signals of socio-economic development of women. NABARD vide Circular No. MCID / 720/SHG-1 (Policy)/ 2014-15 dated 11.11.2014, informed that Cooperative Banks in Tamil Nadu would be subvented to the extent of difference between the maximum lending rates and 7 per cent (subject to a maximum of 5.7% p.a.) for the financial year 2013-14 and 2014-15. The subvention will be available to the Cooperative Banks for 2015-16 on the condition that the DCCBs provide SHG credit at 7 per cent and maximum amount eligible is of Rs.3 lakh per SHG in the nine identified districts viz. Cuddalore, Dharmapuri, Dindigul, Nagapattinam, Thanjavur, Tiruchirappalli, Tiruvannamalai, Vellore and Villupuram in Tamil Nadu. During the year, a sum of Rs.7.96 crores was extended as refinance to the DCCBs under National Rural Livelihood Mission at concessional rate.

The DCCBs have been supporting need based skill development programmes for matured SHGs which already have access finance with banks. Loans are provided to farming/ off-farming/ services sector entrepreneurial activities leading to establishment of micro enterprises either on individual basis or on group basis.

### 3. Issue of Credit to Women SHGs

The DCCBs have extended credit to a variety of purposes which provide income generation and employment creation through SHG among women. The loans are extended mainly for businesses like vending, trading, shop-keeping and other service sector activities. Working capital loan including equipment finance for micro units are provided. In particular they have provided loans and advances for purchase of transport vehicles for goods, small goods transport vehicle, three wheelers and for community, social & personal service activities such as saloons, beauty parlours, boutiques, tailoring shops, dry cleaning, cycle and motorcycle repair shop, DTP and photocopying facilities, medical shops, etc. In the food products sector, the activities such as papad making, achar making, jam / jelly making, agricultural produce preservation at rural level, sweet shops, small service food stalls and day to day catering / canteen services, ice making units, ice cream making units, biscuit, bread and bun making, etc. are supported. Besides the financial support for lending to individuals for running their shops / trading & business activities / service enterprises and non-farm income generating activities with beneficiary loan size of upto Rs.10 lakh per enterprise / borrower are provided.

**Table 01**  
**Number of SHGs supported by DCCBs**

Year	Number of SHG supported by DCCBs		%
	Target	Achievement	
2012-13	50000	34196	68.4
2013-14	49850	57130	114.6
2014-15	59000	37896	64.2
2015-16	64900	64599	99.5
2016-17	71425	45489	63.7

Source: TNSC Annual reports (2012-2017)

Table 01 presents the number of SHGs supported by DCCBs in Tamil Nadu since 2012-13. During the year 2012-13, the DCCBs have supported 34196 SHGs which rose to 45489 in the year 2016-17 against the target of 71425 SHGs with the loan amount of Rs.48753.99 lakhs. The number of SHGs assisted were the highest in Vellore district (15570) followed by Pudukottai (5382) and Dindigul (4104) districts. During the year 2013-14 and 2015-16, the DCCBs have supported more SHGs over and above their targets due to increased enrolment of SHGs in Madurai, Tanjavour and Villupuram districts.

### 4. Trend in Distribution of Loans and Advances

In Tamil Nadu, there are 23 DCCBs which have supported SHGs in the state. During the year 2012-13, all the DCCBs in total have provided loans and advances to the tune of Rs.47981.67 lakhs which slightly increased to Rs.48753.95 in 2016-17. Similarly the mean loan amount issued by a bank was Rs.2086.16 lakhs in 2012-13 while it was Rs.2119.69 lakhs for the year 2016-17.

**Table 02**  
**Trends in Financial support to SHG by DCCBs in Tamil Nadu**

Sl.No	Name of DCCBs	Amount issued (Mean value in Rs. lakhs)	Compound Growth rate(%)
1.	Chennai	1080.08	(-)7.32
2.	Coimbatore	24.75.93	6.02
3.	Cuddalore	1309.82	(-)13.45
4.	Dharmapuri	1811.86	(-)15.43
5.	Dindigul	1456.47	(-)3.24
6.	Erode	3579.71	2.47
7.	Kancheepuram	1750.71	(-)3.94

8.	Kanyakumari	3682.84	18.66
9.	Kumbakonam	1364.86	(-)17.54
10.	Madurai	1150.59	(-)4.91
11.	Nilgiris	1502.27	15.14
12.	Pudukottai	1644.60	(-)4.29
13.	Ramanathapuram	1254.23	1.54
14.	Salem	5043.57	(-)0.23
15.	Sivagangai	424.63	(-)27.55
16.	Thanjavur	575.00	(-)10.74
17.	Thoothukudi	1343.07	35.41
18.	Tiruchirapalli	4942.32	1.45
19.	Tirunelveli	1156.53	6.94
20.	Tiruvannamalai	7455.53	0.43
21.	Vellore	2720.34	(-)3.28
22.	Villupuram	1094.73	(-)40.17
23.	Virudhunagar	628.72	12.83
<b>Total</b>		<b>2204.66</b>	<b>0.32</b>

Source: TNSC Annual reports (2012-2017)

Whereas the mean loan provided to SHGs by the banks was Rs.1.40 lakhs for the year 2012-13 while it declined to Rs.1.07 lakhs during the year 2016-17. These may indicate the loans and advances made to SHG are increasing at a diminishing rate. i.e., increase in loan amount is not proportion to increase in enrolment of SHG over the years.

Trend in financial support to SHGs in Tamil Nadu is presented in Table 02. As shown in the table the DCCBs on an average have provided Rs.2204.66 lakhs as loans to SHGs by DCCBs in Tamil Nadu between the year 2012-13 and 2016-17 and recorded a Compound growth rate of 0.32 %. The loans and advances issued to SHGs by DCCBs in Chennai, Cuddalore, Dharmapuri, Dindigul, Kancheepuram, Kumbakonam, Madurai, Nilgiris, Pudukottai, Ramanathapuram, Sivagangai, Thanjavur, Thoothukudi,

Tirunelveli, Villupuram and Virudhunagar were below the state average (Rs.2204.66 lakhs) and it was above the state average in Coimbatore, Erode, Kanyakumari, Salem, Thiruvannamalai, Tiruchirapalli and Vellore districts. Most of the DCCBs which have provided loans and advances below the state average figure have registered a negative growth rate during the period under reference. The DCCBs in Cuddalore, Dharmapuri, Kumbakonam, Sivagangai, Thanjavur and Villupuram have registered negative growth rate to a large extent ranging from 13 % to 40 %, while DCCBs in Kanyakumari, Nilgiris, Thoothukudi and Virudhunagar alone have registered more than 10 % of Compound Growth Rate. It was reported that implementation of special schemes of the government and existence of large number of viable (eligible) SHGs as per the norms of NABARD as the reason for increased in growth rate in few DCCBs in the state.

**Table 03**  
Proportion of SHG loans issued by DCCBs (Amount in lakhs)

Year	Medium term loans	Schematic & SHG loans	% to Total MT loans
2012-13	131735.86	35262.02	26.8
2013-14	149703.85	49919.82	33.3
2014-15	167070.25	51441.15	30.8
2015-16	156581.48	46371.02	29.6
2016-17	145838.02	38673.94	26.5
<b>Average</b>	<b>150185.89</b>	<b>44333.59</b>	<b>29.5</b>

Source: TNSC Annual reports (2012-2017)

The proportion of SHG loans issued by DCCBs is presented in Table 03. The DCCBs provide short term, medium term and to a little extent of long term loans and advances to their affiliates including individuals, while SHGs were provided with medium term loans. An analysis of medium term loans issued by DCCBs reveals that in an average the DCCBs have issued Rs.44333.59 lakhs as loans and advances which from 29.5 percent to total medium term loans issued during the period under review. Although the quantum

of Schematic & SHG loans issued vary from year to year during the period 2012-13 to 2016-17, their proportion to total medium term loans have constituted 26.5 per cent during the year 2016-17. This may also indicate that the loans and advances made to SHGs were not increased in proportion to increase in actual number of SHG every year. Thus it registered a declining trend.

## 5. Conclusion

Particularly after Liberalisation Policy of the Government, the need to compete with market players by co-operatives in general and the cooperative banking institutions in particular have become explicit. Hence Short term and Medium term Agriculture Cooperative Credit institutions particularly the DCCBs have diversified their business portfolio and started grabbing the non-farm sectors. In this context they have designed strategies to expend their business transactions by

triggering the demands of SHGs. The analysis shows that business transactions with the SHG have shown a declining trend. All the DCCBs in the state have not ensured increased level of business transactions with SHGs. Moreover the quantum of money advanced as loans though increasing among DCCBs, but they have registered at a diminishing trend. Hence the paper suggests the need to take appropriate decisions by re-visiting the strategy of providing financial assistances to SHGs in the state.

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