

A Study on the Governance System in PACS in Tamil Nadu, India

Dr. Krishnachetty Ravichandran, Professor, Department of Cooperation, The Gandhigram Rural Institute, India

Abstract: The Indian economy is continuing to be heavily dependent on rural India. The agreed global agenda of Sustainable Development Goals recognizes that the rural economy's transformation is essential. Cooperatives are considered a necessary instrument of rural development in India. Here Primary Agricultural Cooperative Credit Societies (PACS) serve as primary level Rural Financial Institutions. Among various factors, the governance system has also contributed to the financial viability of these Institutions. Several studies found that in these cooperatives, the governance issues primarily focused on the management structure and its relationship with members, employees, and the State. However, the role of governance in bridging the gap between objectives and functions of Primary Agricultural Cooperative Credit Societies has received very little attention. In this context, this study has attempted to identify the index of indicators to measure the governance system of viable Primary Agricultural Cooperative Credit Societies based on members' perceptions in Tamil Nadu, India. This study found that the members of sample Primary Agricultural Cooperative Credit Societies recognized the importance of governance system. This study concluded that the drivers of financial viability might have emanated from various economic parameters. Still, at the same time, the drivers for success and continued financial viability of the Primary Agricultural Cooperative Credit Societies should rest on their good governance practices.

Dr. Krishnachetty Ravichandran is a Professor in the Department of Cooperation, School of Management Studies, The Gandhigram Rural Institute in Gandhigram, Tamil Nadu, India. He specializes in Enterprise Development, Cooperatives, Rural Finance and Human Resource Management. Recognized as a Research Supervisor for Ph.D. research scholars, in the course of his own research, he has published over 20 books and numerous articles and book chapters.

Acknowledgment: This paper is the outcome of the ongoing ICSSR-IMPRESS, New Delhi, sponsored project on 'Agrarian distress and Cooperatives in Tamil Nadu: A Study on the Functioning of Primary Agricultural Cooperative Credit Societies'.

Keywords: Primary Agricultural Cooperative Credit Societies, Sustainable Development Goals, Cooperative Governance, Business Diversification, Fit and Proper Criteria

1. Introduction

The Indian economy is continuing to be heavily dependent on rural India. The agreed global agenda of Sustainable Development Goals (SDGs) recognizes that the rural economy's transformation is important (Government of India, 2019, p. 10). Cooperatives are considered an important instrument of rural development in India (Singh & Pundir, 2000, p. 50). Here Primary Agricultural Cooperative Credit Societies¹ (PACS) serve as primary level Rural Cooperative Financial Institutions. PACS are the village level savings and credit cooperatives in India and the primary unit in the Short term Cooperative Credit Structure (STCCS)². There are 95,238 functioning PACS (NABARD, 2020, p. 8) and these cooperative institutions have emerged as a vital segment of the economy by covering about 98 percent of rural India (NCUI, 2018, p. 47). On average, there is one PACS for every six villages (Government of India, 2008, p. 69).

In Tamil Nadu, the structure of STCCS is three tiers consisting of 4,450 PACS, 23 Central Cooperative Banks (CCBs), and the Tamil Nadu State Apex Cooperative Bank (Government of Tamil Nadu, 2019-20, p. 6). However, during recent years, these institutions' functions have been challenged due to several issues related to their governance. For strengthening the PACS governance system, much importance has always been paid to conducting elections to the board of management. But the essential function of governance, which is that of aligning the tasks in tune with the primary objective with which a cooperative is organized (Government of India, 2009, p. 22) and making them a

financially viable business model, has received very little attention. This paper has attempted to identify the indicators of the governance system of sample PACS in Tamil Nadu, India.

2. Review of Literature

The word governance has its root in the Latin verb "Gubernare," which derives from the Greek "Kybernan," meaning "to lead, to steer, to be the head of, to set rules, to be in charge of the power". Governance is related to vision, decision-making processes, power dynamics, and accountability practices. The ultimate goal of governance is to effectively fulfill an organization's goals consistent with the organization's purpose (ICA, 2015, p. 10). Governance is one of the most critical aspects of the success or otherwise of a cooperative business model. This aspect of cooperative management has attracted several studies. According to Prakash (2003, p. 15), the cooperative governance model operates within four main spheres comprising: i) the membership of the cooperative; ii) the organizational structure; iii) the community in which the cooperative exists; and iv) the board and executive team. Chris Cornforth (2004, p. 14) found that at least six different governance models emerged depending on the level of ownership rights and their exercise by members. These were defined as the compliance, partnership, democratic, stakeholder, co-optation, and 'rubber stamp' models. The Task Force on Revival of STCCS in India reported that the impairment in governance was deep and was represented by the composition of the boards of directors of the cooperatives and the reporting systems (Government of India, 2004, 3.22). According to the World Council of Credit Unions, Inc., (2005, p. 249), there are three elements in good cooperative governance, namely, (1) external governance, consisting of transparency, compliance, and public accountability; (2) internal governance, consisting of structure, sustainability, balance and accountability; and (3) individual governance, consisting of integrity, competence, and commitment. Considerable effort in studying effective cooperative governance is undertaken continuously (Baarda, 2006, p. 21). Brasilia (2008, p. 14) found that an improvement in a cooperative's governance practices brings individual benefits and also favors the whole of financial cooperatives. Also, sometimes the poor governance and consequent impact on the functioning of PACS damage the name of all the other institutions in the financial cooperative system. Marcus Borgstrom (2013, pp. 49-50) argued that an effective social system fueled with ownership feelings serves to generate success by engaging and motivating members, representatives, and board members in cooperatives. Johnston Birchall (2013, p. 13) found that the cooperative business model was strong, but like any other business, financial cooperatives can sometimes fail; there was no substitute for good management and competent governance. The best practices from corporate governance literature might not apply uniformly to cooperatives (Franken & Cook, 2013, p. 1).

A study by Yang and Chaddad (2014, p. 43) on the relationship between performance and governance in agricultural cooperatives found that agricultural cooperatives' performance was weakly associated with governance practices. Johnston Birchall (2014, p. 15) found that cooperatives, owned by their members rather than by shareholders, had a relatively good track record in governance, but there had been some notable failures. While studying about financial cooperatives in India, Sampark (2015, p. 19) found that in most of the cooperatives, there was a severe dearth of strong leadership resulting in poor governance as well. A study by K. Ravichandran (2016a, p. 219) found that despite working for more than ten decades in Tamil Nadu, most cooperatives could not claim to have a good governance system but stood as conduits of State welfare schemes and programmes. Another study found that the primary challenge for governance in PACS remains to maintain the balance between principles of democratic control and the importance of professional management with clarity about the roles of different stakeholders (Ravichandran, 2016b, p. 170). However, the issues related to cooperative governance are multifarious. Good cooperative governance has a significant effect on organizational performance (Rachman, 2017, p. 249, and Kyazze et al., 2017, p. 11). According to Stefancic et al. (2017, p. 2), the cooperative banks' governance model needs to be updated to retain its specific features. Studies (ICA, 2020, p. 38) found that it was not the type of organization or board composition but the failure of the set of people who were given the responsibility of Directorship at a given point of time that led to poor governance. From the foregoing analysis, it may be concluded that good governance will be a prerequisite for the viability of cooperatives to yield the desired outcome to the members and the society at large. However, all these studies have not attempted to identify an index of indicators for measuring the governance system. Hence, this study has attempted to bridge the knowledge gap. As far as PACS are concerned, governance means the set of policies, procedures, practices, and organizational structure that decide the interactions among stakeholders and drive these organizations to achieve their objectives. The stakeholders may be

any group or individual who can affect or is affected by the PACS' achievements. They are members, employees, customers, suppliers, the Government, and the members of the village community.

3. Statement of the Problem

In India, the Cooperative Credit Societies Act 1904 was passed to establish PACS along Raiffeisen principles. It was tested first in India as experimental legislation and was recommended to the Governments of all British dependencies as a Model Ordinance. As a model, it became one of the first global laws (Münkner, 2004, p. 1). The cooperative tradition in India was not fundamentally altered after independence. The State Governments retained a large degree of control over the functioning and governance systems of cooperative societies through Acts and Rules. As far as Tamil Nadu is concerned, the Tamil Nadu Cooperative Societies Act 1983 and Rules 1988 govern the functions and governance systems of all types of cooperatives.

In this background, the institutional arrangement for good governance in PACS (Ravichandran, 2016a, p. 214) is that the management of a PACS is vested in the elected Board of Management³. The board is accountable to the General Body⁴. Employees are appointed to manage the day-to-day affairs of the PACS. In the case of Tamil Nadu, the Boards of Management of all cooperatives, including PACS, were dissolved by the Government of Tamil Nadu as early as on 9.6.1976 for varied reasons. Elections were conducted in 1996 and in 1997. The Boards of Management of cooperatives were again superseded on 2.2.2004. These trends severely affected the governance system of PACS. After the recommendations of the Task Force on Revival of STCCS 2004 and the Constitutional Amendment Act 2011 (Part IXB – Articles 243 ZH to ZT), again elections were conducted for Boards of Management of all types of cooperatives, including PACS in Tamil Nadu, in different phases starting from April - May 2013. Currently, management of PACS is vested in the elected Board of Management. It is expected that democratic management with good governance will contribute to PACS' financial viability and result in improved achievement of objectives of the PACS. Ultimately PACS' financial viability will significantly contribute to the development of agriculture and rural development. In this context, this study has attempted to find answers to certain questions viz., What are the features of the governance system of PACS? What is the perception of the stakeholders regarding the viability and governance system of PACS? What are the indicators to be used to measure the governance system in PACS? These and other similar questions need to be studied at the micro level to suggest suitable measures to initiate policy dialogue to strengthen PACS' governance system. Hence this study was undertaken.

4. Objectives of this Study

This study was undertaken with the primary objective of studying the indicators of the governance systems of viable PACS in Tamil Nadu. The specific objectives of this study were (1) to study the performance of sample PACS; (2) to study features of the governance systems in sample PACS; (3) to identify the index of indicators to be used to measure the governance system of PACS based on the perceptions of members; and (4) to raise policy implications for dialogue to further strengthen the sample PACS' governing system in particular and other PACS' in general in Tamil Nadu.

5. Methodology

A survey method was followed for this study. By adopting a multi-stage, random sampling technique, sample units for this study were selected. At the first stage, PACS were grouped as per seven agro-climatic zones in Tamil Nadu. In the second stage, PACS were grouped as financially viable, potentially viable, and unviable PACS. At the third stage, seven financially viable PACS⁵ (Table-1) were selected as sample PACS for this study, representing each agro-climatic zone based on selected performance indicators (Table-2) and other location specific issues. Reports, documents, research studies, and other secondary sources of data and information were collected and used for this study. Data relating to membership, working capital, loan outstanding, business diversification, and profit were collected from the Annual and Audit Reports of the sample PACS. A structured interview schedule was used to collect data and information from the sample PACS. Focused Group Discussions (FGD) (Table-3) were held with primary member users in all the sample societies to determine the index of indicators to measure the sample PACS' governance systems. FGDs were conducted during 2019-20. The period of study was between 2010-11 and 2019-20.

Table-1
Agro climatic Zone, Region and District wise distribution of Sample PACS

Agro climatic Zone	Agro climatic Regions / District	Sample PACS			
		Sample PACS	Date of Registration	Date of Starting	Audit Class
Southern Plateau & Hills (Zone X)	Region-1 Salem	Vanavasi PACS	06.11.1908	27.11.1909	A
	Region-2 Dindigul	Jawathupatti PACS	05.06.1969	26.07.1969	A
East Coast Plain & Hills (Zone XI)	Region-3 Cuddalore	Puduchatram PACS	20.01.1968	25.09.1968	A
	Region-4 Thiruvavur	Kulikarai PACS	20.08.1967	14.10.1967	A
	Region-5 Sivagangai	Anumanthankudi PACS	24.01.1974	01.03.1968	A
West Coast & Hills (Zone XII)	Region-6 Kanyakumari	Thalakudi PACS	19.09.1958	20.09.1958	A
	Region-7 Nilgiris	Yedakaddu PACS	18.05.1984	20.06.1984	A

Source: Compiled from the Audit Report of the sample PACS for various years

Table-2
Performance Indicators used for selection of sample PACS

Indicator Number	Indicators	Justification
1	PACS which are placed under financially viable category	The general perception that majority of the viable PACS have good governance system
2	Consistent higher level of loan recovery	Lower level or nil position in the Non-Performing Assets (NPA) reflects members' participation
3	Showing continuous financial performance	It shows the financial health of the institution
4	PACS, which implements Government schemes and programmes for the development of agriculture and allied sector	Generally, loans provided under Government Schemes are prone to bad debts. Implementation of Government schemes are work intensive and procedure intensive. Overcoming these hurdles some PACS render service to their members
5	PACS which earns continuous profit / declares dividend	Though profit is not an important criterion, it ensures motivation of all stakeholders As per Tamil Nadu Cooperative Societies Act 1983, a cooperative society can declare dividend to the maximum of 14% of its profit. Only few viable PACS declare maximum amount of dividends
6	PACS which diversified their business	Business diversification increases members' participation in the affairs of the society
7	PACS with trained manpower and elected board of management	Professional management reflects the governance system

Table-3
Methodology adopted for Focused Group Discussions

Indicator number	Components of FGD	Details
1	Objective FGD	To identify the indicators to be used to measure the governance system of sample PACS based on members' perceptions
2	Number of Members selected for FGD	7 members per sample PACS were selected. It was ensured that they were educated and had understanding of the functions of sample PACS through their participation in the business of the PACS
3	Number of FGD conducted	7 FGDs, i.e., one FGD per sample PACS
4	Duration of FGD	45 minutes
5	Mode of selection of Members	Those members who visited the sample PACS for their transactions on the day of data collection for this study, were requested to participate in FGD by briefing them on the purpose and mode of conducting the FGD at the venue of the sample PACS. The results of the study were discussed with select employees and cooperators and validated.
6	Questions raised in the FGD	
	<i>Entry point questions</i>	<ul style="list-style-type: none"> ✓ What is your general understanding of the functions of PACS? ✓ How long you have been a member of this PACS? ✓ What are the services of the PACS used by you?
	<i>Key questions</i>	<ul style="list-style-type: none"> ❖ Whether financially viable PACS have contributed significantly to the development of agriculture and rural development? ❖ Whether good governance is a prerequisite for the financial viability of PACS? ❖ What are the indicators to be used to measure the governance system of PACS? ❖ What are the indicators to be used to measure the participation of members, Board of Directors, employees and members of the village community in the development of PACS?
	<i>Exit questions</i>	<ul style="list-style-type: none"> ✓ How to strengthen members' participation in the business and management of PACS?

6. Scope and Limitations of the Study

Good governance as an indicator of PACS performance has not been given much importance in Tamil Nadu. After a gap of two decades, and only after the recommendations of the Task Force for the Revival of STCSS and the Constitutional Amendment Act 2011 (Part IXB – Articles 243 ZH to ZT), elections to the Boards of Management of these institutions have been conducted. In this context, this study has attempted to identify the index of indicators to measure the governance system of viable PACS based on members' perceptions. During the field visits to sample PACS, members who visited the sample PACS for transactions on the day were invited for Focused Group Discussions by briefing them on the FGD's purpose. The results obtained were based on the perceptions of these stakeholders. Every effort was made to fine tune the results of the FGD with the consultation of employees and cooperators.

However, further studies are needed to validate the index. These limitations have not affected the purpose of this study and its logical presentation.

7. Analysis and Discussion

There were 4,450 PACS functioning in Tamil Nadu in 2019-20. These institutions promote thrift and savings among the members and customers. PACS provide short-term and medium-term investment loans for agricultural and allied agricultural activities. PACS encourage and promote self-help groups (SHGs)⁶, and Joint Liability Groups (JLGs)⁷ and provide loans to these groups. These Institutions play a significant role in implementing Government schemes and programmes⁸ for agriculture and rural development (Ravichandran, 2020, p. 100). While analyzing the performance of PACS in Tamil Nadu, it was found that the total loans disbursed by all PACS in Tamil Nadu increased from Rs. 10,618.55 crores in 2010-11 to Rs. 21,432.67 crores in 2019-20 (Table-4) [a crore is 10 million]. PACS contributed to financial inclusion (Ravichandran & Mathivanan, 2018, p. 60), and food security in Tamil Nadu (Government of Tamil Nadu, 2019-20, p. 25).

Also, though the amounts of deposits mobilized and loans disbursed at the PACS level increased, the number of viable PACS has come down from 3,028 in 2011-12 to 2,635 in 2018-19. The other PACS were categorized as potentially viable and unviable PACS. It is to be noted that such an increase in business transactions was due to the contributions of viable PACS. The potentially viable and unviable PACS remained as conduits of Governments' schemes and programmes. These societies suffered from poor participation of members, lack of trained manpower, lack of vision for development, lack of support of the community, and the increasing trend in Non-Performing Assets (NPA). Above all, lack of democratic management with good governance has been the major contributor to this trend. With this background, the performance of sample PACS is analyzed hereunder with select performance indicators.

7.1 Position of membership in sample PACS

The sample PACS' membership consisted of individual farmers, SHGs, JLGs, and other recognized groups, the Financing Bank, and the State Government. However, for all practical purposes, the individual farmer members alone became the members of the General Body with voting rights. The position of membership in the sample PACS was linked with the business area of operation. During the registration of a PACS itself, the business area of operation was delineated and detailed in its bylaws. It was found that the average number of members per sample PACS has grown from 2,483 members to 3,056 members during the study period. The position of membership was high in Kulikarai PACS and low in Yedakaddu PACS (Table-5). The capacity of the sample PACS rests on engaging these members as active members. Inactive members will harm the governance system of PACS (Reserve Bank of India, 2013, p. 14).

7.2 Position of Working Capital

An increase in the working capital over the years reflects the PACS' financial strength. It was found that the position of working capital of sample PACS has grown over the years. The position of working capital in Vanavasi PACS has increased from Rs.1,144.12 lakhs to Rs.3,617 lakhs [a lakh is 100,000] during the study period. The position of the average working capital per PACS has increased from Rs.546.38 lakhs to Rs. 1,647.46 lakhs during the study period (Table-5). At the same time, it was found that in sample PACS, viz., Vanavasi PACS, Jawathupatti PACS, and Yedakaddu PACS, the position of deposits constituted a significant proportion of their working capital. Sample PACS accepted deposits from members and customers in their area of operation. PACS also accepted deposits from SHGs. Due to growth in deposits, sample PACS depended upon their owned funds for their working capital. This trend directly contributed to these sample PACS' financial viability.

Table-4
Business Performance of PACS in Tamil Nadu

(Rupees in Crores)

(No. of Members and No. of Borrowing Members are in Lakhs)

Years	No. of viable PACS	No. of Potentially viable PACS	No. of unviable PACS	Total PACS	No. of Members	No. of Borrowing Members	Total deposits mobilized	Total Loan disbursed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2010-11	2,573	1,489	476	4,538	95.11	54.72(57.5)	3,833.35	10,618.55
2011-12	3,028	1,226	280	4,534	114.26	38.93(34.7)	4,308.19	17,881.99
2012-13	3,219	1,073	238	4,530	104.20	49.81(47.8)	5,633.79	20,582.03
2013-14	3,289	1,010	231	4,530	151.76	59.61(39.3)	5,995.49	20,989.51
2014-15	3,281	982	228	4,491	116.95	63.93(54.7)	5,987.72	20,326.63
2015-16	3,269	983	228	4,480	109.84	69.46(63.2)	6,874.66	19,409.52
2016-17	2,861	1,096	510	4,467	132.01	55.68(42.2)	7,352.64	15,403.51
2017-18	2,688	1,180	652	4,520	122.88	56.36(45.9)	6,606.17	17,784.88
2018-19	2,635	1,220	666	4,521	136.18	60.57(44.5)	6,371.79	19,723.89
2019-20	NA	NA	NA	4,450	153.89	72.75(47.3)	6,738.94	21,432.67
Compound Annual Growth Rate (CAGR)					4.93%	2.89%	5.80%	7.28%

Source: Compiled from Policy Note on Cooperation, Government of Tamil Nadu and publications of NAFSCOB, and TNSC Bank for various years.

Note: (1) Figures in column 2 to 5 are numbers. (2) Figures in brackets in column '7' are percentage of borrowing members, i.e., out of total existing members the percentage of current borrowers of loans provided by PACS. (3) N.A.- Not Available. (4) Approximately Rs.73.52 (Indian Rupees) = 1USD

Table-5
Position of Membership and Working Capital in Sample PACS

(Members (M) - Figures in numbers)

(Working Capital (WC) - Rupees in Lakhs)

Year	Vanavasi PACS		Jawathupatti PACS		Puduchatram PACS		Kulikarai PACS		Anumanthan-kudi PACS		Thalakudi PACS		Yedakaddu PACS		Average per PACS	
	M	WC	M	WC	M	WC	M	WC	M	WC	M	WC	M	WC	M	WC
2010-11	870	1,144.12 (79.6)	2,297	313.07 (72.5)	1,895	502.4 (15.2)	4,713	579.31 (74.1)	3339	426.07 (0.8)	3,006	530.68 (5.2)	1,263	329.04 (45.4)	2,483	546.38
2011-12	837	1,652.74 (76.0)	2,297	377.19 (72.5)	1,912	511.02 (15.7)	5,704	1,689.55 (75.4)	3350	469.02 (0.8)	3,023	642.64 (5.2)	1,268	369.67 (44.2)	2,627	815.98
2012-13	1,460	2,363.84 (61.2)	2,839	436.06 (73.1)	2,267	610.52 (14.9)	5,529	2,392.25 (90.5)	3363	520.30 (0.9)	3,048	772.09 (5.8)	1,273	438.41 (49.4)	2,825	1,076.21
2013-14	1,470	2,695.87 (63.9)	2,839	464.09 (68.1)	2,354	601.81 (19.9)	5,564	2,487.63 (89.9)	3380	519.24 (0.8)	3,065	933.83 (6.5)	1,269	582.72 (48.1)	2,849	1,183.60
2014-15	1,510	2,748.16 (76.4)	2,839	464.09 (76.1)	2,319	652.95 (17.5)	5,528	2,616.46 (89.7)	3410	605.99 (0.9)	3,074	926.78 (6.1)	1,258	616.1 (39.1)	2,848	1,232.93
2015-16	1,620	3,520.14 (85.8)	2,935	530.48 (78.3)	2,446	613.28 (18.2)	5,545	2,735.43 (89.2)	3430	629.60 (1.0)	3,088	1,116.06 (6.9)	1,243	628.53 (40.5)	2,901	1,396.22
2016-17	1,752	3,797.78 (86.8)	3,165	606.50 (88.1)	2,497	475.53 (22.4)	5,528	2,829.95 (88.7)	3453	706.40 (0.9)	3,113	1,300.66 (7.3)	1,243	568.77 (48.3)	2,964	1,469.37
2017-18	1,812	3,866.27 (79.2)	3,247	731.58 (71.9)	2,489	534.40 (21.3)	5,526	3,009.93 (88.1)	3459	879.72 (1.1)	3,129	1,235.42 (6.2)	1,252	631.19 (46.9)	2,988	1,555.50
2018-19	1,866	3,615.64 (80.1)	3,344	784.96 (62.9)	2,541	553.87 (20.9)	5,538	3,175.71 (87.5)	3460	935.10 (1.2)	3,142	1,389.65 (4.7)	1,363	667.7 (40.7)	3,036	1,588.95
2019-20	1,895	3,617.00 (79.6)	3,351	844.04 (60.5)	2,549	591.77 (20.2)	5,596	3,292.74 (86.7)	3467	1,003.71 (1.2)	3,157	1,487.36 (4.9)	1,379	695.57 (40.8)	3,056	1,647.46
CAGR	8.10%	12.20%	3.85%	10.43%	3.01%	1.65%	1.73%	18.98%	0.38%	8.95%	0.49%	10.86%	0.88%	7.77%	2.10%	11.67%

Source: As in Table-1

Note: (1) Figures in brackets are percentage share of deposits to the total working capital. (2) Approximately Rs.73.52 (Indian Rupees) = 1 USD .

7.4 Business Diversification

It was found that the sample PACS diversified their business in tune with the needs and demands of their members and customers. Apart from the distribution of inputs (seed, fertilizer, pesticides, etc.) to the farmers, both as a component of crop loan and direct sales, sample PACS also ran other service centres, including Fair Price Shops⁹ (Table-7). They also organized SHGs and JLGs by dovetailing support from Government schemes and programmes.

It was found that Vanavasi PACS have formed more SHGs, while Jawathupatti PACS formed more JLGs. All the sample PACS were also running Common Service Centres¹⁰. Through these diversifications, sample PACS carry the location-specific advantage of cross-holding of business risks. The sample PACS may also need to further diversify their business to contribute to livelihoods of members and to increase fee-based income. This may require increasing members' participation in the PACS' affairs and a proactive leadership role by the PACS' management and governing body (Chintala, 2020, p. 11).

7.5 Financial Results of sample PACS

The main aim of PACS is not to maximize profits. They should earn profit to render efficient service to members. A PACS without profit cannot stand in the long run. Profit is one of the indicators of development. It was found that though there had been overall growth in the position of profit earned by sample PACS, there were fluctuations during the study period (refer to Table-6). This trend was due to the variations in the position of loan outstanding of the sample PACS because a significant portion of the sample PACS' profit had been earned from their interest income only. Also, all the sample PACS have increased their loan operations through secured loans. All the sample PACS were viable PACS and placed in category 'A' in Audit (refer to Table-1) and continuously earned profits. However, the governance aspect is given little attention in audit. The existing loan portfolio is always prone to market risk and loan waiving policies of the Government. Hence, it is high time that sample PACS explore the avenues for increasing non-interest income. From the above analysis of sample PACS' financial performance, it was found that all the sample PACS had become financially viable societies due to increased business turnover. With this background, the features of the governance system of sample PACS are analyzed hereunder.

7.6 Features of the Governance system in sample PACS

It was found that all sample PACS had elected boards of management. The minimum educational qualifications of the boards' elected members were 10th Standard, while Post Graduation was the highest qualification. Further, some of the members of the board of management had completed a Diploma in Cooperation. Some of them had previous experience in serving on the board of management of the PACS. Few of them were professional degree holders. Above all, the composition of the members of the board was as per the pattern prescribed in the Act and Rules. But at the same time, the involvement of political parties in the election of boards of directors was found.

Table-6
Position of Total Loan Outstanding and Profit in sample PACS

(Rupees in Lakhs)

Year	Vanavasi PACS		Jawathupatti PACS		Puduchatram PACS		Kulikarai PACS		Anumanthankudi PACS		Thalakudi PACS		Yedakaddu PACS		Average per PACS	
	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit
2010-11	1,094.87	51.17	338.96	61.17	653.28	82.04	556.15	51.17	838.04	18.38	373.83	27.67	267.23	15.47	588.91	43.87
2011-12	1,552.43	64.76	390.15	54.76	829.12	86.84	614.55	64.76	945.90	19.79	468.61	28.42	300.66	17.21	728.77	48.08
2012-13	2,263.82	70.45	479.87	30.45	689.52	91.67	764.44	70.45	1,145.39	22.49	617.66	30.64	273.94	17.84	890.66	47.71
2013-14	2,395.41	64.61	465.00	14.61	876.03	93.89	1004.81	64.61	1,293.49	25.92	740.22	31.93	423.64	18.35	1,028.37	44.85
2014-15	2,275.58	99.15	453.53	19.15	648.88	96.43	1,040.61	99.15	1,404.84	31.48	753.23	33.82	214.01	18.93	970.10	56.87

Year	Vanavasi PACS		Jawathupatti PACS		Puduchatram PACS		Kulikarai PACS		Anumanthankudi PACS		Thalakudi PACS		Yedakaddu PACS		Average per PACS	
	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit	Loan O/S	Profit
2015-16	2,190.80	103.24	354.48	40.24	611.45	99.76	1,115.79	103.24	1,483.87	34.83	803.83	34.83	489.13	19.83	1,007.05	62.28
2016-17	1,959.81	127.05	455.61	67.05	432.46	97.98	1,042.1	127.05	1,534.75	38.38	935.93	35.73	389.04	20.39	964.24	73.38
2017-18	2,183.50	110.84	567.48	90.84	539.52	93.89	1,089.14	110.84	1,589.40	40.20	987.54	36.28	420.95	21.33	1,053.93	72.03
2018-19	2,088.32	119.12	771.30	112.12	569.79	104.78	1,010.54	119.12	1,628.50	44.27	1,022.93	37.94	457.46	22.59	1,078.41	79.99
2019-20	2,106.85	129.9	820.58	119.90	551.87	107.91	1,128.81	129.90	1,690.21	58.18	1,048.08	39.82	451.78	22.93	1,114.03	86.93
CAGR	6.76%	9.76%	9.24%	6.96%	-1.67%	2.78%	7.34%	9.76%	7.27%	12.21%	10.86%	3.71%	5.39%	4.01%	6.58%	7.08%

Source: As in Table-1

Note: (1) Approximately Rs.73.52 (Indian Rupees) = 1 USD. (2) Loan O/S is Loan Outstanding.

Table-7
Areas of Business Diversification adopted by sample PACS

Sample PACS	SHG	JLG	FPS/ PDS	Agri Clinics ¹¹	Agro Service Centre ¹²	Common Service Centre
Vanavasi PACS	√ (136)	√ (13)	√ (13)	x	x	√
Jawathupatti PACS	√ (8)	√ (31)	√ (6)	x	√	√
Puduchatram PACS	√ (117)	√ (9)	√ (7)	x	√	√
Kulikarai PACS	√ (81)	√ (8)	√ (7)	x	x	√
Anumanthankudi PACS	√ (126)	√ (5)	√ (7)	x	x	√
Thalakudi PACS	√ (82)	x	√ (7)	√	√	√
Yedakaddu PACS	√ (6)	√ (16)	x	x	x	√

Source: As in Table-1

Note: √ - indicates this business is undertaken by sample PACS as well as number of units,

x - indicates this business is not undertaken by sample PACS

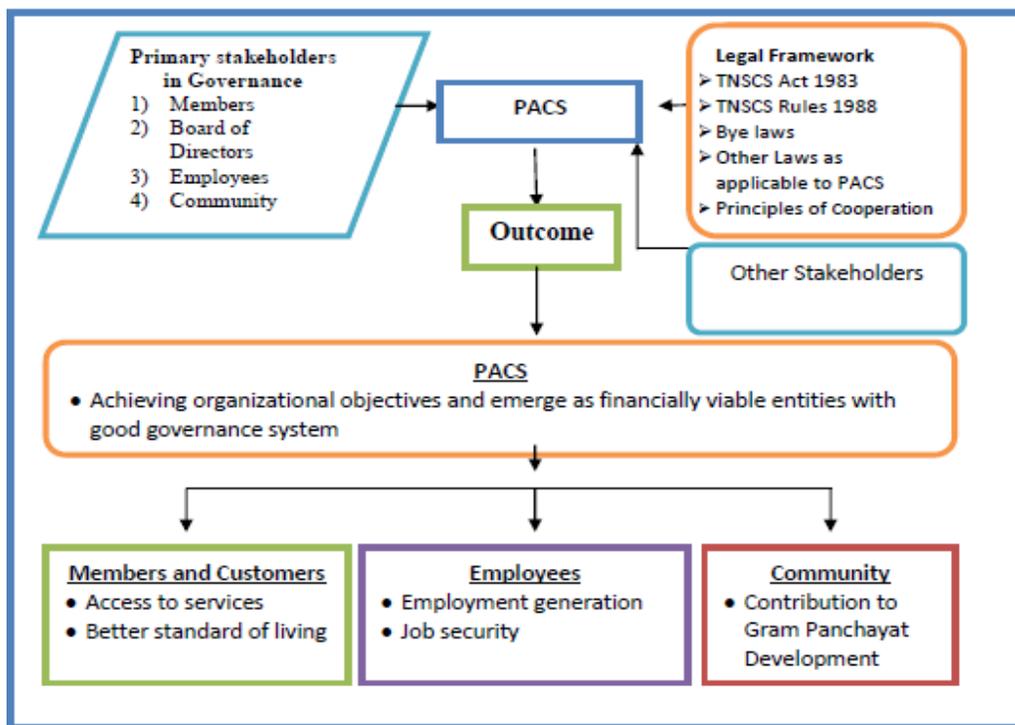
It was found that all the sample PACS employees were trained in a suitable way to handle all the work related to PACS' business. There was a busy scene in the sample PACS' offices during working hours as members and customers easily visited their organization to access the services they required. This trend reflected the relationship between the PACS and the members. The governance system of sample PACS is given in Chart-1. These sample PACS also adopted certain best practices to strengthen their governance systems (Ravichandran, 2016b, pp. 169-170). These included:

- ✓ maintaining an adequate number of notice boards in front of the office building and updating them periodically to maintain transparency in transactions;

- ✓ periodic maintenance of books and records, computerization of transactions;
- ✓ linking of business with Government Schemes;
- ✓ need-based business diversification;
- ✓ well furnished office with modern banking counters and facilities for customers;
- ✓ duties and responsibilities of employees were defined and followed;
- ✓ continuously thirst for quality in service;
- ✓ continuously strive towards the achievement of organizational objectives;
- ✓ continuous training of employees;
- ✓ good Public Relations;
- ✓ implementation of schemes of Government Departments viz., Tamil Nadu Backward Classes Economic Development Corporation Limited, Tamil Nadu Minorities Economic Development Corporation Limited, Tamil Nadu Adi Dravidar Housing and Development Corporation Limited, Tamil Nadu Corporation for Development of Women, etc., to benefit the members;
- ✓ above all, an organic relationship between the board of management, employees, members, and the public exists.

All these practices needed to be institutionalized so that the sustainability of these practices and governance system could be ensured.

Chart-1: Governance System in Sample PACS



During the FGD held with the members, three issues were raised. They were: (1) whether financially viable PACS have contributed significantly to the development of the agrarian system? (2) Whether good governance is a prerequisite for the financial viability of PACS? (3) What are the indicators to be used to measure the governance system of PACS? Through the results of FGD, it was found that the financial viability of PACS has significantly contributed to the development of agriculture and rural development due to the genuine interactions among the four fundamental pillars of the PACS management, viz, members, the board of directors, employees, and the community. The results of the FDG also confirmed that good governance contributed to sample PACS' financial viability. Regarding the indicators to measure the governance system of sample PACS, questions related to the

participation of members, the board of management, employees, and the general community in the affairs of the society were raised, based on which indicators were identified with scoring given (Table–8). However, during the field study, it was found that all the sample PACS showed a higher level of performance in all governance indicators, which contributed to their financial viability. At the same time, it was found that the problem of agrarian distress among some segments of members, good governance practices and financial viability of sample PACS operate simultaneously in the study regions. This trend demands further studies.

Table-8
Index of Indicators of Good Governance in PACS

Indicator number	Categories	Key Indicators	Score Range	Unit of score
1	Participation of members in the business of the society	Awareness of the members of the core functions of their society	1	Up to 50%
			2	51% to 75%
			3	More than 75%
		Level of attendance of members in the General Body meeting	1	<50%
			2	51% to 75%
			3	>75%
		Level of participation of the members in the business	1	Up to 25%
			2	26% to 50%
			3	>50%
		Average number of customer and member visits to the society in a day	1	Up to 25
			2	26 to 50
			3	>50
2	Functions of Board of Management	Elections to the Board of Management	0	No elections are conducted
			1	Elections are conducted but disputes exist
			2	Elections are conducted and members are elected
		Composition in the Board of Management	1	Composition of Board of Management is not reflecting the true spirit of the provisions of the Tamil Nadu Cooperative Societies Act 1983
			2	Composition of the Board of Management is as per the procedure and also accommodates the representatives of members of SHGs and JLGs
			3	Composition of the Board of Management is as per the procedure and also accommodates experts in the field of agriculture, rural banking, rural development, etc. and there was no political interference in the election process
		Board meetings	1	Rarely convened
			2	Periodically convened
			3	Convened as per the procedure and there is no proxy representation in the case of women members
				1

Indicator number	Categories	Key Indicators	Score Range	Unit of score
		Knowledge of the members of Board	2	Some of the members are having knowledge on the management of PACS
			3	Majority or all the members are having knowledge on the management of PACS and keep on working for the achievement of organizational objectives
		Duties and responsibilities delegated to Executive Team	1	Duties and responsibilities are not delegated
			2	Duties and responsibilities are delegated but only a few staff are aware about it
			3	Duties and responsibilities are delegated and all staff are aware and follow them. A separate copy of office proceedings was issued to all individual staff and kept as an important document
		3	Functions of Employees	Staff strength
2	Ad hoc arrangements are made to employ staff against vacancies with the approval of concerned authorities			
3	Existence of full staff strength as per the cadre strength and qualifications approved by authorities			
Training of Employees	1			Only a few of the staff have completed cooperative training
	2			All staff have completed cooperative training
	3			All staff have completed cooperative training and periodically enhance their skills by participating in various other training programmes, which are essential for PACS business
Efforts taken towards bringing transparency in transactions	1			If any 3 of the following are available
	2			If any 5 of the following are available
	3			If more than 5 of the following are available
	(If less than 3 = zero score)			<ol style="list-style-type: none"> 1) Board Members are kept aware of the decisions taken and performance of the PACS regularly. 2) The village opinion leaders are taken into confidence on the business of PACS through appropriate information dissemination system. 3) Office furniture, fittings and lighting are managed properly 4) Notice boards are available as per norms and periodically updated 5) Books and records are properly maintained and updated 6) Computerization of transactions has been taken up 7) Audit has been completed up-to-date and placed in 'A' class 8) Returns / Reports are submitted on time to the various agencies
Resource mobilization	1			If any 3 of the following are available
	2			If any 5 of the following are available

Indicator number	Categories	Key Indicators	Score Range	Unit of score		
			3	If more than any 5 of the following are available		
			(If less than 3 = zero score)	<ol style="list-style-type: none"> 1) All members have subscribed more than the minimum number of shares required for a member 2) Majority of the members have subscribed the share capital more than what is required for getting loan 3) Increasing trend in the accumulation of Statutory Reserve Fund 4) Coverage of non-members as customers 5) Higher level of low cost deposits in the total deposits mobilized 6) Share of owned fund and deposit is always high in the working capital and hence low cost of capital 7) Higher level of depositors' confidence 8) Other strategies which make the society self-reliant in resource mobilization 		
			Resource deployment	1	If any 5 of the following are available	
			2	If any 8 of the following are available		
		3 (If less than 5 = zero score)	If more than 8 of the following are available <ol style="list-style-type: none"> 1) Adhering to the norms in deployment of resources in achieving the objectives of the PACS 2) Better Recovery Management 3) Nil NPA or NPA at manageable limit 4) Organization of adequate number of SHGs and JLGs 5) No cover deficit 6) Availability of own building and godown [warehouse] with modern facilities 7) Adequate safety and security of the assets of PACS 8) Transparency in transactions 9) Contribution to community development 10) Contribution to green energy 11) Contribution to employee welfare 12) Member education and Training 13) Business diversification 14) Other funds deployment strategies which will get better Return on Investment as well as benefit the members and the community at large. 			
		4	Community Participation	Role of community	0	Nil participation or less than 3 of the following
		1			1	If any 3 of the following are available
		2			2	If more than any 3 of the following are available
		(If less than 3 also =				1) Gram Panchayat Development Plan accommodates the role of PACS in village development

Indicator number	Categories	Key Indicators	Score Range	Unit of score
			zero score)	2) Community takes the responsibility in the functioning of PACS 3) Community provides support for making permanent improvements/asset creation at PACS level 4) Employees of PACS are participating in the common functions of the villages 5) PACS contribute to general development of Gram Panchayat 6) Any other strategic role played either by Gram Panchayat or PACS so that PACS emerge as one of the pillars of rural economy

8. Policy Implications

This study brings the following issues for policy dialogue to further strengthen the sample PACS governing system in particular and other PACS in general in Tamil Nadu.

8.1 Business Diversification for Financial Viability and Good Governance

It was found that interest income earned through loan operations has become the major source of income for sample PACS. Also, some segments of the members always remain as passive members. The present-day technological advancements have created additional spaces for undertaking new activities and enabled PACS to emerge as Multi-Service Societies as envisaged by NABARD (Chintala, 2020, p. 8). Many of these domains are not regarded as being commercially attractive. Rural health and sanitation, rural housing, rural transportation, rural water supply, rural electricity, rural tourism, rural insurance, rural internet connection, etc., are areas where PACS could offer cost-effective solutions. The commitment of sample PACS towards these new businesses will attract fee-based income and strengthen their governance system and financial viability. These diversified businesses will also increase the number of active members. Hence, sample PACS are suggested to ensure that their business is built to earn 40 percent income from the credit business, 20 percent income from the retail business, 20 percent income from the marketing business, and the remaining 20 percent income from inputs sales. For this purpose, the Registrar of Cooperative Societies, Government of Tamil Nadu has already issued a circular (RCS D.O No.34323/10/CCS1/dt.6.4.2010). This must be brought into effect.

8.2 Institutionalization of Good Governance Practices

It was found in this study that sample PACS adopted certain best practices to strengthen their governance system. A system has to be developed to institutionalize all these best practices. For example, wherever it is possible all these practices may be suitably incorporated in their bylaws. The accountability of members, boards of directors, and paid employees should be spelled out elaborately and incorporated in the bylaws. All the day-to-day functions and routine processes must be computerized. The practices of evidence-based decision making must be put into place. Ultimately, the success of PACS should come from professional management, uniform and standardized processes, active members and being largely information technology driven.

8.3 Fit and Proper Criteria for Good Governance

Fit and proper criteria are about age, qualifications, experience, and knowledge that a board member of a PACS should possess. This study confirmed that sample PACS successes were due to a higher level of competence among the board of directors and the employees. Hence, the Government needs to relook at the existing Human Resource Policy for PACS. Fit and Proper Criteria may also be developed as applicable to PACS. The index of indicators for good governance (refer to Table-8) may be accommodated with Fit and Proper Criteria as developed for higher tiers in the STCCS¹³. Emerging challenges demand that the professional management team manages PACS' business. Also, PACS must be permitted to act freely within this accepted Human Resource Policy. This initiative will arrest the

problems related to human resources shortages, irregularities in the appointments, paid employees' inefficiency, and other related issues. Also, elections to the Board of Management must be conducted periodically without any political interference.

8.4 Notice Boards for Transparency in Transactions

It was found that all the sample PACS maintained a required number of Notice Boards for disseminating information about routine functions. However, no Notice Board was there to propagate the achievements. Hence, it is suggested that all PACS must have a separate Notice Board to communicate to the stakeholders about their achievements and contributions to community development. This process will add transparency in transactions.

8.5 Role of Audit and Reporting System in strengthening the Governance System

In Tamil Nadu there is a separate Government Department set up for conducting audits on the accounts of the PACS. It is expected that on completion of every financial year, an audit must be completed and the report must be placed before the General Body meeting of the members for approval. Largely, these audit reports have been dealing about the financial performance of these cooperatives. It is suggested that the Governance aspects of PACS must also be taken into consideration while conducting the audit. The Cooperative Auditors may prepare a separate report and incorporate it in the Final Audit Report every year. Periodically, all the PACS submit performance reports to the Cooperative Department of the Government of Tamil Nadu, the Financing Bank and others. It is suggested that governance indicators must be given due importance in these periodic reports.

8.6 Enlisting the support of Gram Panchayat to strengthen the Governance System

The SDGs are a universal call to ensure that all people enjoy peace and prosperity. Tamil Nadu State Development Policy Council has localized the indicators for SDG as applicable to Tamil Nadu. Though PACS are already present in all the areas that the SDG envisages, they need to accommodate all the possible indicators in their Business Development Plans and contribute to SDG achievements at Gram Panchayat¹⁴ Level. It was found that there was no linkage between PACS' Business Development Plans and Gram Panchayat Development Plans. PACS and Panchayats should work together as they possess a democratic character, the cardinal principle of the people's movement. By forging development linkages with the Gram Panchayat, PACS could find innovative ways to address the problems related to the livelihoods of members. For this purpose, PACS must ensure a link between their Business Development Plans and Gram Panchayat Development Plans. Gram Panchayat should have a space to discuss the role of PACS in village development in the Gram Sabha meetings. Also, the viable and technologically equipped PACS may be permitted to serve as bankers for Gram Panchayats. This will help the Gram Panchayat to dovetail support under various schemes of the Government through the convergence process. Ministry of Panchayati Raj & Ministry of Rural Development, Government of India may provide an enabling environment for the linkages between PACS and Gram Panchayats. PACS' efforts in this direction will further highlight their commitment to Gram Panchayat Development Plans and will explicitly contribute to good governance practices.

9. Conclusion

Although the general performance of PACS has shown positive growth at Tamil Nadu level, some of these societies were in the doldrums. Low resource base and consequent heavy dependence on Central Cooperative Banks for working capital, the inadequate volume of non-fund-based business, increasing trend in NPA, etc., were some of the factors contributing to the financial and operational weaknesses of the majority of these PACS. The absence of good governance practices has been yet another important cause for these institutions to remain unviable entities. PACS should function as financially viable entities without compromising on their core objectives. PACS' financial viability is essential for developing agriculture and rural development in Tamil Nadu because most of the small and marginal farmers of this State depend upon these institutions for credit and other needs. However, by overcoming all these severe constraints, the sample PACS have made significant strides in the field of rural credit. With impressive strides in mobilizing deposits and channelizing resources in multiple forms, sample PACS were strong and financially viable institutions. This study found a significant relationship between governance practices and the financial viability of sample PACS. The results of the FDG also confirmed the members' acceptance of the role of governance for the financial viability and success of the sample PACS. Sample PACS also contributed to SDGs at the village level. Simultaneously, the field-level experiences revealed that the problem of agrarian distress was noticed among the

sample respondents. Hence, the sample PACS must further diversify their business to expand the sources for earning non-interest income and strengthen the members' livelihood opportunities, which must be the objective behind good governance practices. The drivers of financial viability might have emanated from various economic parameters. Still, at the same time, the drivers for success and continued financial viability of the PACS should rest on their good governance practices.

References

- Baarda, James R. (2006, April). Current Issues in Cooperative Finance and Governance - *Background and Discussion Paper*, Cooperative Programs, Rural Development, U.S. Department of Agriculture. Retrieved April 23, 2019 from, james.baarda@wdc.usda.gov/.
- Birchall, Johnston (2013), *Resilience in a Downturn: The Power of Financial Cooperatives*, p.13, Geneva: ILO ISBN 978-92-2-127031-7 / Retrieved April 19, 2019.
- Birchall, Johnston (2014). *The Governance of Large Cooperative Business - A Research Study for Co-operatives, UK*, p.15. Retrieved April 19, 2019 from, www.uk.coop.
- Borgstrom, Marcus (2013). Effective Cooperative Governance: A Practitioner's Perspective. *Journal of Cooperative Organization and Management*, 1(1), 49–50.
- Brasilia (2008, October). *Cooperative Governance: Guidelines for Good Practices of Financial Cooperative Governance*. Retrieved April 26, 2019 from, <https://www.bcb.gov.br>.
- Chintala, G.R. (2020). Revival of Cooperative Structure with Technology and New Business Strategies, *Vaikunthbhai Mehta Memorial Lecture*. Retrieved October 10, 2020 from, <https://www.nabard.org>.
- Cornforth, Chris (2004). The Governance of cooperatives and mutual associations: a paradox perspective. *Annals of Public & Cooperative Economics*, 75(1): 11-32. Retrieved April 26, 2019 from, <https://onlinelibrary.wiley.com>.
- Franken, Jason R.V. & Cook, Michael L. (2013). Governance and Performance of Multipurpose Cooperatives. *Selected Paper prepared for presentation at the International Conferences on Economics and Management of Networks – EMNet, Agadir, Morocco, November 21-23, 2013*. Retrieved April 23, 2019 from, <https://emnet.univie.ac.at>.
- Government of India (2004). *Report of the Task Force on Revival of Cooperative Credit Institutions*, (Chairman: Prof. A. Vaidyanathan), 3.22. Retrieved October 10, 2019 from, www.nabard.org.
- Government of India (2008, January). *Report of the Committee on Financial Inclusion*, (Chairman: C Rangarajan). Retrieved July 7, 2017 from, <http://slbckarnataka.com/>.
- Government of India (2009, May), *Report of the High Powered Committee on Cooperatives* (Chairman: Shivajirao G. Patil). Retrieved June 16, 2013 from, <http://www.indiaenvironmentportal.org.in/>.
- Government of India (2019, November). *Vision Document-2019-2024*, Department of Rural Development, Ministry of Rural Development. Retrieved October 10, 2020 from, <https://rural.nic.in>.
- Government of Tamil Nadu (2019-20). *Policy Note*, Cooperation Department. Retrieved August 18, 2020 from, <https://www.tn.gov.in/>.
- ICA (2015). *Cooperative Governance Fit to Build Resilience in the Face of Complexity*. Retrieved April 4, 2020 from, <https://www.ica.coop/>.
- ICA (2020). *Regulation and Sustainability of Cooperative banks: A Cross Country Study*, Brussels. Retrieved October 10, 2020 from, <https://www.ica.coop/>.
- Kyazze, L. M., Nkote, I. N., & Wakaisuka-Isingoma, J. (2017). Cooperative governance and social performance of cooperative societies. *Cogent Business & Management*, 4(1), 1284391. doi:10.1080/23311975.2017.1284391.
- Münkner, Hans-H. (2004). One Hundred Years: Cooperative Credit Societies Act in India – A Unique Experience of Legal Social Engineering, *Paper presented at the Centenary Round Table on Indian Cooperative Movement – Retrospect and Prospect*, Pune, 26 and 27 November. Retrieved November 12, 2017 from, <https://icaap.coop/>.
- NABARD (2020). *Key Statistics of Cooperative Banks (Short Term Cooperative Credit Structure)*. Retrieved May 7, 2021 from, www.nabard.org/.

- NCUI (2018). *Indian Cooperative Movement - A Statistical Profile*. Retrieved July 6, 2020 from, <https://ncui.coop/>.
- Prakash, D. (2003). *The Principles of Cooperation: A Look at the ICA Cooperative Identity Statement*, New Delhi, Pamda-Network International, quoted in Mazzarol, T., Simmons R. and Mamouni Limnios (2011). A Conceptual Framework for Research into Cooperative Enterprise, CEMI *Discussion Paper Series*, DP 1102, Centre for Entrepreneurial Management and Innovation. Retrieved November 10, 2018 from, www.cemi.com.au/.
- Rachman, Andry Arifian (2017, November). Internal Control, Good Cooperative Governance and Performance, *International Journal of Scientific & Technology Research*, 6 (11). Retrieved April 19, 2019 from, www.ijstr.org/.
- Ravichandran, K (2016a). The Structure and Process of Governance System in Cooperative Societies in Tamil Nadu. In T. Paranjothi et al. (Eds.). *Governance of Cooperatives: Issues and Challenges*, Vaikunth Mehta National Institute of Cooperative Management, Pune.
- Ravichandran, K (2016b). A Study on Governance System in Primary Agricultural Cooperative Credit Societies in Tamil Nadu, India. In Zenaida M. Sumalde et al. (Eds.). *Cooperative Enterprises: Services, Practices, and Performance*, pp.169 & 170, Institute of Cooperatives and Bio-Enterprise Development, University of the Philippines Los Banos.
- Ravichandran, K & Mathivanan, N. (2018). PACS and Financial Inclusion: A study from small and marginal farmers' outlook. *International Journal of Advanced Scientific Research & Development*, Vol. 5, Iss. 01, Ver. I.
- Ravichandran, K (2020). PACS and SDGs: A Study in Tamil Nadu, India. *International Journal of Co-operative Accounting and Management*, Volume 3, Issue 2. DOI: 10.36830/IJCAM.202011.
- Reserve Bank of India (2013). Report of the Expert Committee to examine Three Tier Short Term Cooperative Credit Structure.
- Sampark (2015, August). *Report on the National Study on Financial Cooperatives in the Context of Financial Inclusion in India*, submitted to UNDP, Bangalore. Retrieved July 2017 from, <https://www.in.undp.org/>.
- Singh, Katar & Pundir, R. S. (2000, August). Cooperatives and Rural Development in India, *Research Paper-17*, IRMA. Retrieved October 10, 2020 from, [https://www.irma.ac.in /](https://www.irma.ac.in/).
- Stefancic, M., Goglio, S. & Catturani, I. (2017). Democratic Governance Mechanisms in Cooperative Banks: A Reassessment. *Euricse Working Papers*, WP 99 |17.
- World Council of Credit Unions (2005). *Credit Union Governance White Paper*, quoted by Rachman, A. A. (2017, November). Internal Control, Good Cooperative Governance and Performance. *International Journal of Scientific & Technology Research*, 6 (11). Retrieved April 23, 2019 from, www.ijstr.org/.
- Yang, S. & Chaddad, F. R. (2014, August), The relationship between performance and governance in Agricultural Cooperatives. A structural equation modelling approach. *International Journal of Co-operative Management*, Volume 7, Number 1. Retrieved April 23, 2019 from, <https://mafiadoc.com>.

Notes

¹ PACS are the village level savings and credit cooperatives in India and the primary unit in the Short term Cooperative Credit Structure (STCCS). The enactment of Cooperative Credit Societies Act 1904 paved the way for the organization of PACS in India. In Tamil Nadu, earlier these Societies were called Primary Agricultural Cooperative Banks with effect from Government Notification – G.O. Ms. No.507, COOPERATION (CCI) DEPARTMENT Dated: 1.9.1987 and Letter No.32651 / CG.2/87-1, dated: 13.5.1989. Later, as per the part of recommendations of the Task Force for the Revival of STCCS 2004, the nomenclature of PACB was again changed to PACS as per the Tamil Nadu Ordinance No.8 of 2008 – An Ordinance further to amend the Tamil Nadu Cooperative Societies Act, 1983, published in Tamil Nadu Government Gazette, Extraordinary dt.21st October 2008 and RCS, Chennai letter No.RC.130240/08/D.M.F.C / dt.10.11.2008 and RCS, (Circular No.2/2008) RC. 130489 / 08 / SF.4, dt.23.1.2009. Both for singular and plural form the abbreviation 'PACS' is used.

² In India, the STCCS function as a three-tier structure in 16 States. In 13 smaller States and Union Territories, PACS are directly affiliated to the State Cooperative Banks as a two-tier structure. In 3 States, a mixed structure, i.e., two-tiers in some districts, and three-tier in the other districts. The STCCS functions through 33 SCBs (with 2072 branches), 351 CCBs (with 13,589 branches) and 95,238 PACS (NABARD, 2020, p. 8).

³ As per Section 33 of the Tamil Nadu Cooperative Societies Act 1983, the Board of Management is the governing body to which the direction and control of the management of the affairs of the PACS are entrusted. Board of Directors' functions and other aspects are defined in Sections 33 to 36 of the said Act, Tamil Nadu Cooperative Societies Rules 1983, and the respective PACS bylaws. At the PACS level, the number of members on the Board of Management is from 7 to 11, out of which 18 percent of seats are reserved for the members belonging to the scheduled caste / scheduled tribe community, and 33 percent of seats are reserved for women members.

⁴ As per Section 32 of the Tamil Nadu Cooperative Societies Act 1983, PACS' ultimate authority rests with the General Body of the members. It consists of individual members who are entitled to vote. The general body holds at least one meeting in a year and approves the annual budget and plan of action for the next financial year. The General Body elects the members to the Board of Management.

⁵ The accepted formula for identification of financially viable PACS is: PACS having a positive financial margin and having working capital higher than the breakeven level of working capital.

⁶ Self-Help Group (SHG) is a small economically homogeneous group of rural/urban poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per the group's decision and for working together for social and economic uplift of their families and community. The PACS accepts deposits and makes loans to these groups.

⁷ Joint Liability Group (JLG) is an informal group comprising preferably 4 to 10 individuals coming together to access loans from PACS either singly or through the group mechanism against a mutual guarantee. The JLG members would offer a joint undertaking to the PACS that enables them to get loans. The JLG members are expected to engage in a similar type of economic activity to crop production. The management of the JLG is to be kept simple with little or no financial administration within the group.

⁸ For example Government Schemes and Programmes like Crop Loan Interest subvention scheme, Pradhan Mantri Fasal Bima Yojana for crop insurance, SHG and JLG linkage Programme, Public Distribution System, etc., are implemented through PACS in Tamil Nadu.

⁹ The Public Distribution System (PDS) is a system of public intervention through which the Government of India and State Governments have been trying to address the issues related to food insecurity at the inter and intra-household levels. PDS was introduced during the late sixties and it was modified as Revamped PDS during June 1992. In June 1997, the Government of India launched the Targeted PDS. PDS is operated under the joint responsibility of the Central and State Governments. Tamil Nadu Government introduced Universal PDS to ensure food security to all citizens, particularly poor people, by making available essential commodities of good quality at affordable prices every month. Fair Price Shops (FPS) are selling as well as distributing points of these commodities to the households.

¹⁰ Common Service Centre is a strategic multiple services single-point model for providing facilities for multiple transactions at a single geographical location. The main purpose of these centres is to provide a physical facility for the delivery of Government e-Services to the people thereby contributing to a digitally and financially inclusive society.

¹¹ Agri clinics provide expert services and advice to farmers on cropping practices, technology dissemination, crop protection from pests and diseases, market trends and prices of various crops in the markets, and also clinical services for animal health, etc., which would enhance the productivity of crops/animals.

¹² Agro Service Centres are established to provide input supply, farm equipment on hire and to do other services for the farming community.

¹³ Fit and proper criteria for State Cooperative Banks and Central Cooperative Banks are available at Reserve Bank of India Circular No. RPCD.CO. RCB.137/ 03.01.03/ 2011-12 dated 5 July 2011, and NABARD Circular No. NB.IDD.COOP/1351 /V-52/2017-18 dated 17 January 2018, and NABARD Master Circular 178/IDD-01/ 2020, dated 29 June 2020.

¹⁴ Gram Panchayat is a basic governing institution of Indian villages. It is a democratic structure and acts as the cabinet of the village. The Gram Sabha work as the general body of the Gram Panchayat. Every Gram Panchayat has its own Village Development Plan.