

# Innovative Co-operative Ventures/ Initiatives

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# A March Towards Cooperativisation of Rural Economy-Peringandur Model

Dr. G. Veerakumaran\* & Dr. E. Vinaikumar\*\*

## Abstract

*The state of Kerala is entirely different from other states in India. Cooperatives in Kerala are well developed and highly democratic in nature. The PACS in Kerala are also successfully running consumer stores and carryout many non-credit activities to accelerate the rural economy. There are many PACS in Kerala which have cooperativised the rural economy and one such good model is Peringandur Service Cooperative Bank. Hence, the authors carried out this study to project it as a model. For the purpose of the study, the authors used data for eleven years (from 2003-04 to 2013-14) sourced from the annual reports of Peringadur Service Cooperative Bank. The variables considered for the study are Membership, Owned funds viz., Share Capital and Reserves, Deposits, lending and recovery performance, working capital position and net profit. The bank performs better in all respects except NPA. The bank board has taken serious steps to recover the dues with a current year target of bringing it down to 4% from 13%. Non-Credit Activities of PSCB such as establishment of innovative Super Market Neethi Medicals, textile*

\*Associate Professor, Department of Co-operative Management, College of Co-operation Banking and Management, Kerala Agricultural University, KAU Post, Thrissur-680656

\*\*Associate Professor and Head, Department of Co-operative Management, College of Co-operation Banking and Management, Kerala Agricultural University, KAU Post, Thrissur-680656

*shop and fertilizer depot, Socio-Economic Interventions through the formation of self help groups, active participation in the Group Approach for Locally Adopted and Sustainable Agriculture (GALASA), Green Army initiatives, implementation of Social Security Measures and Welfare Projects are the uniqueness of the PSCB. The bank has covered almost all targeted groups in its service area and became a cause for their Socio-economic development.*

*Key words: Cooperativisation, Credit, Socio-economic intervention, Green Army, Self-help groups*

## **Background and Justification**

The state of Kerala is entirely different from other states in India. The unique 'Kerala Model of Development' resulted in the highest 'Human Development Index' in the country. Kerala has achieved the highest literacy rate, universal health care, and effective public distribution system ensuring availability of food grains to the downtrodden. The state achieved cent percent financial inclusion. Kerala is known for its significant level of labour migration and depends mainly on repatriation. The state has successfully implemented decentralized democratic governance at all levels. Plantation crops and service sector play a pivotal role in the state economy. However, development in agriculture and industries shows a dismal picture.

Cooperatives in Kerala are well developed and highly democratic in nature. In addition to the traditional Credit Cooperatives, Cooperatives are also performing well in the fields of Healthcare, Education, Housing, Labour Contract, Fisheries and Milk, Coir and Consumer. Cooperative Credit structure in Kerala is mainly classified two viz., short-term credit structure and long-term credit structure. The three tier Short-Term Cooperative Credit Structure consist of the Kerala State Cooperative Bank (KSCB), 14 District Cooperative Banks (DCB) and the 1573 Primary Agricultural Cooperatives Societies (PACS). Long Term Cooperative Credit Structure consists of Kerala State Cooperative Agriculture and Rural Development Bank (KSCARDB) and the 63 Primary Cooperative Agriculture and Rural Development Banks. In addition to these, 95 Urban Cooperative Banks, 1041 Employees Credit Cooperatives and 134 Non-Agricultural Credit cooperatives are in operation.

The main objectives of Primary Agricultural Credit Cooperative Societies are to provide agricultural credit, supply of inputs such as fertilizers and arrange for the sale of agricultural produces. However, consequent upon the decreasing trend in agricultural operations due to uneconomic holdings, high cost of labour and low return, agricultural lending has comedown terribly to less than 10 percent of total lending. Nevertheless, they are in a position to mobilize more deposits and lend it to many other purposes. Moreover, PACS in Kerala are operating like banks with almost all banking facilities. The PACS in Kerala are also successfully running consumer stores and carryout many non-credit activities to accelerate the rural economy. There are many PACS in Kerala which cooperativised the rural economy and of which one such good model is Peringandur Service Cooperative Bank. Hence, the authors thought that it is worth to propose this model to the co-operators who could emulate its best practices.

### **Objective of the Study**

The objective of the study is to analyze the performance of Peringadur Service Cooperative Bank with respect to its credit and non-credit activities.

### **Methodology**

For the purpose of the study, the authors used data of eleven years (i.e. 2003-04 to 2013-14) sourced from the annual reports of Peringadur Service Cooperative Bank. The variables considered for the study are Membership, Owned funds viz., Share Capital and Reserves, Deposits, lending and recovery performance, working capital position and net profit. Moreover, the authors had detailed discussion with the President, Board of Directors and selected employees of the bank with the results of analysis, which helped to identify the real drive for the banks better performance.

### **Origin and Development of PSCB**

Peringadur Service Co-operative Bank (PSCB) was registered on 05-08-1932 and started functioning on 02-01-1933. The area of operation of the bank includes Peringandur, Minaloor and Parlikad villages and a part of Mundathikode Panchayat (East part of Athani- Puthuruthi road) of Talappilly Taluk, Thrissur district. The PSCB is affiliated to Thrissur District Cooperative Bank.

- **Vision:** of the bank is to attain multi-dimensional development in Banking, direct intervention in agriculture as well as in agribusiness, overall development of the socio-economic profile of service area and expose Athani as a unique development model to the world.
- **Mission:** of the bank is to attain Rs.1000/- crore business. The bank has core banking solution. 8AM to 8PM services, Mobile banking services and ATM facilities are on the cards. The bank tries to make all members as its customers and intend to ensure minimum of Rs.10000/- deposits from each member. The bank proposes direct intervention in agriculture and agribusiness through the formation of Green Army and establishment of Coconut Complex. For the overall socio-economic development of the service area, bank is envisaging community college, launching of website namely my@thani.com and complete medical insurance coverage for the life security mission.
- **Major Objectives:** of the bank are to encourage mutuality, self-reliance, and helping mentality among members, distribute short term, midterm loans to the members, collect and distribute agricultural inputs, and provide funds for agricultural and cottage industries and for consumption needs. The Bank intends to implement agricultural production schemes for members, provide warehouse to store the products of members safely, give support to members for producing new types of seed, make arrangements for members to prepare green leaf manure and mixed manure within the banks circle, support individually or as an association, buy most modern equipments for hire to members, increase domestic animal population by distributing ox, goats and cocks. The bank will mobilise funds for the above purposes from individuals and groups, promote savings among members, conduct MDS and involve in banking business, improve the service of banks by opening extension counters, branches, and acquire land and buildings with the permission of Registrar. The other objectives are to conduct training programs and seminars for the members to create awareness about

the importance of self reliance and self employment development in association with Local Self Governments and NGOs.

**Membership:** is classified in to four categories.

- Person residing permanently within the area of operation of the bank or those who have permanent job or having own land can be admitted as 'A' class member.
- For the purpose of joining in *Chitties* (Monthly Deposit Scheme) and to avail gold loans, any individual can be admitted as 'B' class member.
- Self-help groups are admitted as 'C' members.
- Grama Panchayath (Mundathikode) and Block Panchayath (Vadakanchery), District/Central Cooperative Bank and State Government can become 'D' class members.

## Performance of PSCB

In this section, the authors tried to exhibit the performance of PSCB using the variables such as Membership, Owned funds viz., Share Capital and Reserves, Deposits, lending and recovery performance, working capital position and net profit. Table 1 clearly indicates the growth in membership with an overall Growth rate of 5.69 during the reference period 2003-04 to 2013-14. Though the GCR is only 1.42 per cent for 'A' class members, the PSCB has covered almost all the households in its area of operation. It should be noted that the PSCB has covered 8190 members from 4600 households in its service area. Almost all types of Self-help groups are admitted as 'C' class members in the PSCB. Hence, it could be concluded that the bank has one way or other brought all target groups under its cooperative umbrella.

Table 1: Membership Position of PSCB from 2003-04 to 2013-14

Year	Membership							Total	Growth Index
	A Class	Growth Index	B Class	Growth Index	C Class	Growth Index	D Class		
2003-04	7001	100	2300	100	51	100	1	9353	100
2004-05	7075	101	2851	123	63	123	1	9989	107
2005-06	7149	102	3335	145	77	150	1	10548	112
2006-07	7230	103	3923	170	82	160	1	11236	120

Table Contd.

Year	Membership							Total	Growth Index
	A Class	Growth Index	B Class	Growth Index	C Class	Growth Index	D Class		
2007-08	7298	104	4521	196	86	168	1	11906	127
2008-09	7405	105	5021	218	94	184	1	12541	134
2009-10	7510	108	5431	236	100	196	1	13042	139
2010-11	7651	109	6056	263	107	209	1	13815	148
2011-12	7718	110	6734	292	115	225	1	14568	156
2012-13	7817	111	7483	325	116	227	1	15417	165
2013-14	8190	116	8345	362	123	241	1	16659	178
CGR	1.42		13.02		8.25			5.69	

Source: Compiled from the Audit Reports of PSCB

Table 2 reveals the Owned Fund and Borrowed Fund Position of PSCB from 2003-04 to 2013-14. The owned fund includes Share capital and reserves. Owned fund position stands to the tune of Rs. 893.86 lakhs with an overall growth rate of 29.24 per cent during the study period. Growth rate in share capital as well as in reserves are almost similar with a rate of 23.76 per cent and 35.21 per cent respectively. Last four years under study period showed a substantial increase both in the case of Share capital and Reserves. The other major source of funds is from deposits. Since, deposits are adequate to the meet lending targets; the bank gave less importance for borrowings. From just Rs.872.89 lakhs in the year 2003-04, deposits reached to Rs. 7827.98 lakhs showing an overall growth rate of 25.46 per cent.

Table 2: Owned Fund and Borrowed Fund Position of PSCB from 2003-04 to 2013-14  
(Rs.in Lakhs)

Year	Owned Funds						Borrowed Fund	
	Share Capital	Growth Index	Reserves	Growth Index	Total	Growth Index	Deposits	Growth Index
2003-04	42.92	100	36.69	100	79.61	100	872.89	100
2004-05	42.76	99.63	46.12	125.70	88.88	111.64	994.48	113.93
2005-06	46.52	108.39	78.48	213.90	125	157.01	1367.15	156.62
2006-07	46.73	108.88	127.39	347.21	174.12	218.72	1595.46	182.78

Table Contd...

Year	Owned Funds						Borrowed Fund	
	Share Capital	Growth Index	Reserves	Growth Index	Total	Growth Index	Deposits	Growth Index
2007-08	48.67	113.40	192.26	524.01	240.93	302.64	2045.29	234.31
2008-09	50.68	118.08	282.25	769.28	332.93	418.20	2598.10	297.64
2009-10	53.74	125.21	338.76	923.30	392.5	493.03	3634.28	416.35
2010-11	67.21	156.59	434.55	1184.38	501.76	630.27	4260.18	488.05
2011-12	185.79	432.87	452.79	1234.10	638.58	802.13	5262.47	602.88
2012-13	187.68	437.28	581.34	1584.46	769.02	965.98	6324.36	724.53
2013-14	189.85	442.33	704.01	1918.78	893.86	1122.78	7827.98	896.79
CGR	23.76		35.21		29.24		25.46	

Source: Compiled from the Audit Reports of PSCB

Table 3: Lending and Recovery Performance of PSCB from 2003-04 to 2013-14 (Rs.in Lakhs)

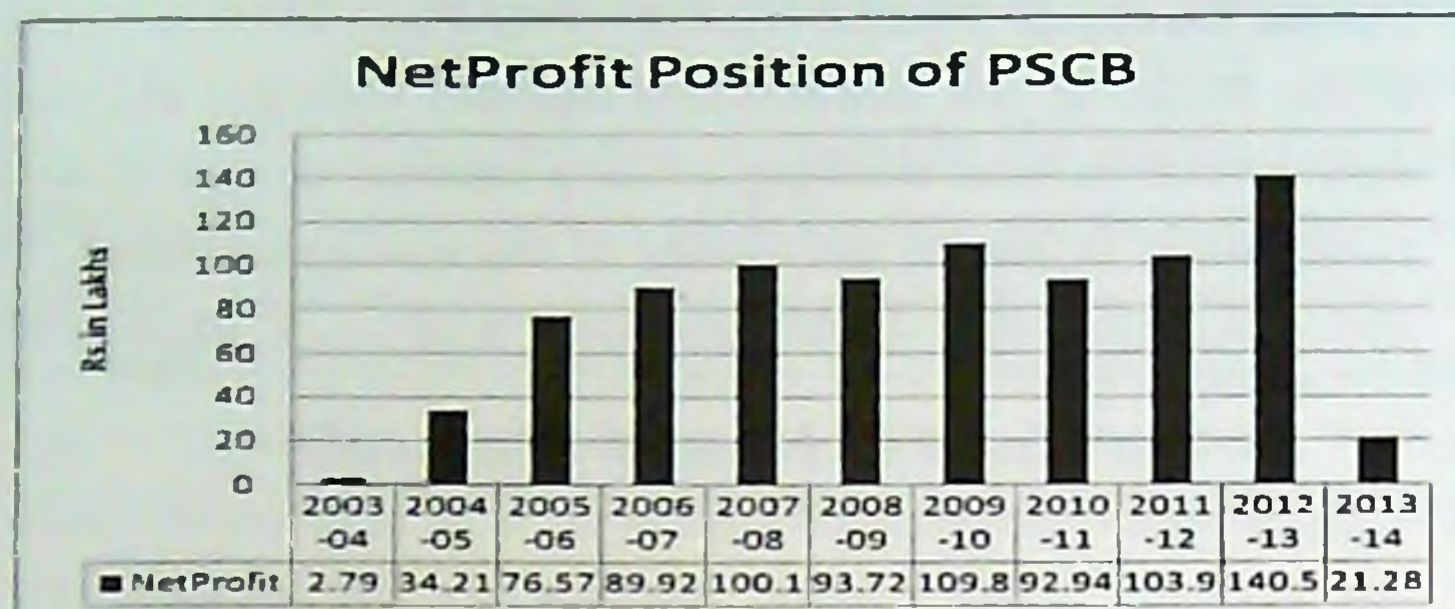
Year	Loans and Advances	Growth Index	NPA	Growth Index
2003-04	791.46	100	153.07	100
2004-05	859.49	108	182.75	119
2005-06	1012.33	127	190.49	124
2006-07	1133.92	143	241.4	157
2007-08	1398.13	176	227.23	148
2008-09	2013.38	254	241.95	158
2009-10	2610.45	329	379.73	248
2010-11	3373.96	426	504.57	329
2011-12	4733.13	598	545.07	356
2012-13	5225.93	660	540.12	352
2013-14	5914.53	747	772.56	504
CGR	25.18		17.31	

Source: Compiled from the Audit Reports of PSCB

It can be seen from the Table 3 that loans and advances of the bank showed a growth rate of 25.18 per cent, reaching Rs.5914.53 lakhs during the study period. There by the bank could attain a commendable CD ratio of 75.56 percent. However, the NPA has also grown simultaneously. The bank board has taken serious steps to recover the dues with a current year target of bringing NPA down to 4 per cent from 13 per cent.

During the study period, the bank performed well and showed an increasing trend in net profit. It was just Rs.2.79 lakhs in the first year of reference which



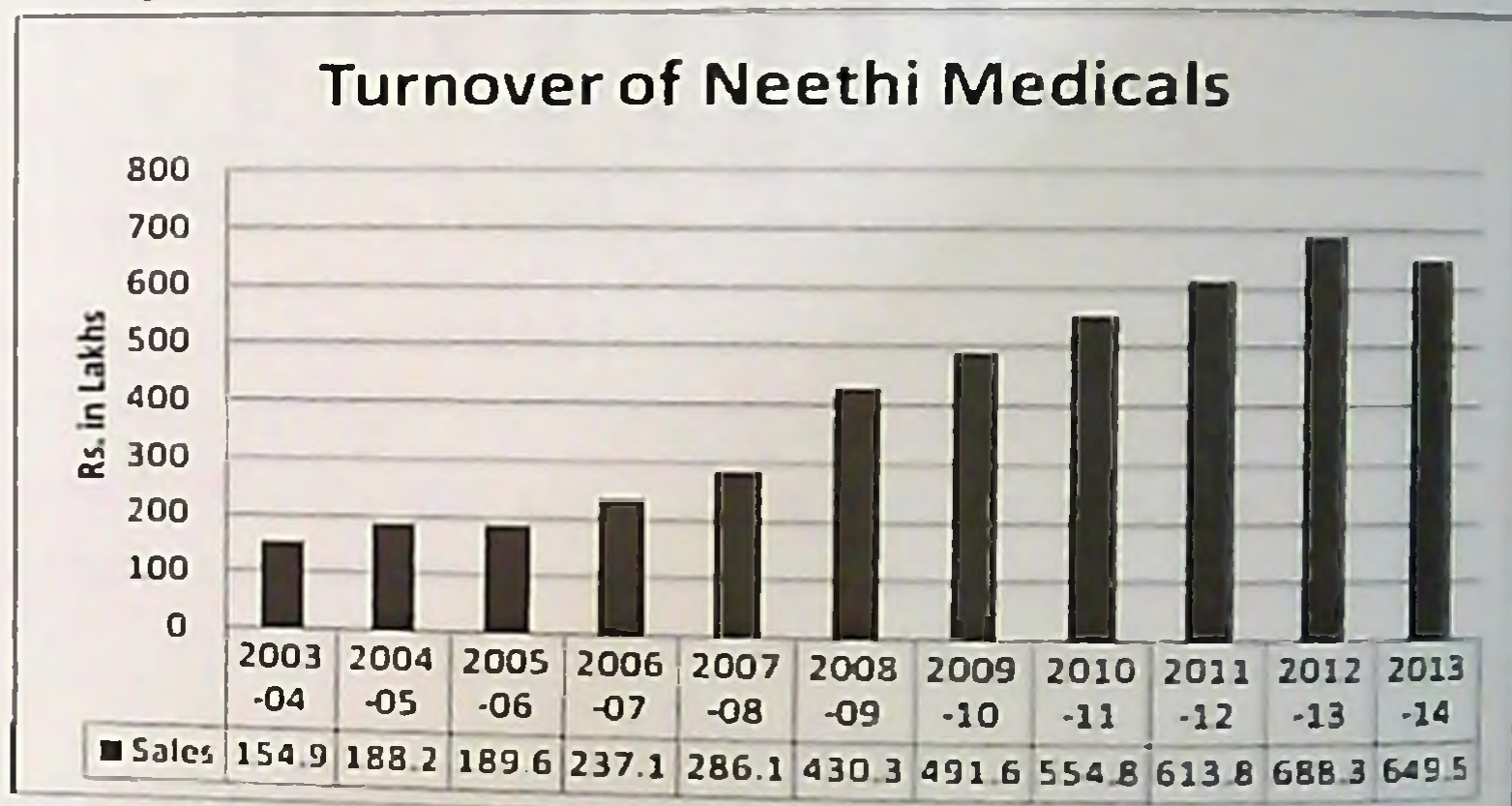


increased to Rs.140.5 lakhs during the year 2012-13 showing a steady increase, a testimony for its best performance. However, last year of reference shows a dip in the profit margin which was due to the hike in establishment and contingency expenses resulted from the opening of Supermarket and numerous other developmental activities.

### Non-Credit Activities of PSCB

- Super Market:** The PSCB has started a centrally Air conditioned Super Market namely *Green Mythri* on 2<sup>nd</sup> November 2013. The super market is working with latest and very attractive facilities to cater the needs of the public with assured product quality. The super market sells meat and meat products of Kerala Veterinary and Animal Sciences University. Further the super market is supplying organic vegetables, facilitates the sale of locally made products, extends credit facility for individual members subject to the maximum of Rs.10000/, upto to rupees one lakh to women groups, facilitates online shopping and Home delivery, phone and SMS purchase, provision for weekly payment collection and Car Parking Facility. The super market works between 9.30 AM and 7.30 PM. With the support of their SHGs, the super market carryout procurement, processing, packaging, branding (*Green Mythri*) and marketing of many food items. The profit margins for many Fast Moving Consumer Goods are just 4% which is very low compared to the open market price. Interestingly, the super market has some unique sales points such as Amul Point, Organic Corner, Coconut Point and Agri-point. In the year 2013-14, the turnover was around Rs. 265.46 lakhs.

2. **Neethi Medicals:** Neethi Medical (Fair Price Medical store) Store of the Bank, in the Government Medical College, Thrissur is the only one of its kind working inside a medical college. It is fully air conditioned to ensure the quality of the medicines stored. Another special feature is that the Medical store is open 24 hours in to seven.



16 qualified pharmacists and 8 assistants are working in the store. The above figure clearly indicates the increasing trend in the sale of medicines by the PSCB.

3. **Other Trading Activities:** The PSCB has one textile shop and fertilizer depot. The fertilizer depot distributes manure, fertilizers and pesticides to the farmers. Moreover, as a market intervention mechanism, the bank conducts Onam fair, Seasonal Agricultural Fair and distributes basic festival requirements at a fair price.
4. **Socio-Economic Interventions:** EMS Bhavana Padhathy (Housing) Scheme: This scheme was introduced by the Government of Kerala. The local Panchayat was entrusted to implement this scheme with the financial assistance of Banks. The PSCB has made pioneering attempt to fund the beneficiaries at an interest rate of 7% per annum. The Wadakanchery Block Panchayath has identified women beneficiaries to start self-employment activities under the Swarnajayanti Gram Swarozgar Yojana (SGSY) Scheme. The PSCB has granted loans to them. Kudumbastree units of the Mundathicode Grama Panchayath were provided loans for creating revolving fund. The Anganavadies of the Panchayath are supplied with food items at a subsidized price by the bank.
- Self-Help Groups:** The bank promotes SHGs and trains them to take up self employment as their vocation. As on 31<sup>st</sup> March 2014, 95 SHGs are

working under the bank with a membership of 1600. The bank provides timely financial, technical and managerial assistance to the SHGs. Moreover, the bank monitors the micro-enterprises promoted by the groups. The members of SHGs were trained by the bank in book keeping and accounting to maintain their accounts systematically. Vocational training was also given on Book binding, Vanilla cultivation, cultivation of medicinal plants, horticultural crops, and on food processing. Kerala Agricultural University Professors are the resource persons for the training programmes. Interestingly, the Bank promotes SHGs for different segment of the society. There are 18 SHGs for men involved in thrift projects and agricultural activities and drinking water projects. SHGs for farmers were also organised under GALASA programme which was explained in the following paragraph. Moreover, '*PRAKRUTHI*' the Farmers' Club organised by the bank since 2006 coordinates and oversees the activities of various SHGs engaged in agriculture and also monitor the vegetable cultivation in 18 acres by 15 SHGs. SHGs for head load workers are an innovative programme of the bank. The bank provides a fixed monthly salary in advance to the workers. They operate through the bank and receives bonus as well. They also have unique pension plan for the SHG workers. They can opt for the pension after serving a minimum period of five years.

***Herbal Village:*** The bank conceived a herbal village programme to retrieve the traditional knowledge of herbs and medicinal plants. Members of the SHGs and the public were given medicinal plants at a reduced rate in order to develop knowledge of the usage of herbs and also to generate income for the members.

5. **Group Approach for Locally Adopted and Sustainable Agriculture (GALASA):** is a frontier technology and demonstration programme introduced in 1998 to boost up the productivity and profitability of rice cultivation in Kerala. The basic approach under GALASA is to mobilize and utilise the local resources, manpower and infrastructure for the development of locally adopted technologies, crop varieties and their demonstrations in a massive way for the holistic and sustainable improvement of rice productivity. This scheme is implemented through the Paddy Farmers' Collective (Padasekhara Samithy) and with the support of Local Self Governments, Agricultural University Scientists and other development interventionists. The funding part was taken care of by the PSCB with interest free loans. Moreover, the bank has supplied all inputs such as seeds, fertilizers, pesticides to the Paddy Farmers' Collective.

6. **'Harithasena'(Green Army):** The Kerala Agricultural University has evolved an innovative scheme to attract labourers to carry out agricultural works with a slogan 'Jai Javan, Jai Kissan'. The University has given training to the potential workers identified by the PSCB to use Transplanters, Tractors, Threshers and Harvesters. The members of green army have registered their names under the bank and also opened savings bank account to facilitate easy payments. The bank has also pension scheme for them.
7. **Social Security Measures and Welfare Projects:** Principles and values of cooperation are practiced well in the bank. The principle of Concern for Community is well conceived and experimented in the bank. The first such programme is *Viswa Arogya* (Rural Women Package Policy) is an insurance scheme which provides medical expenses for the members of women SHGs and their families who belong to BPL category. As a part of social security for the members, bank initiated various schemes such as
  - a. Death relief Scheme in which Rs.10000/- is given as death relief to the family of the members on their sad demise.
  - b. In association with the United India Insurance Company, the bank has drawn up an insurance scheme bringing all the members under Insurance cover for providing death claim for Rupees one lakh and permanent disability claim for Rs.50000/., for which the members need to pay a nominal premium of Rs.50/- only.
  - c. Cancer care for Life is a novel scheme implemented for the cancer care and treatment of members in collaboration with Regional cancer center, Thiruvananthapuram.
8. **Community College:** As envisaged in the mission statement of the bank, the bank has started community college and imparts training to the youths on life skill development, communication skills, computer based skills, office management, financial management and accounting and personality development.
9. **my@thani.com:** In its pursuit to propagate its service area, the bank has launched a website namely [www. my@thani.com](http://www.my@thani.com) in order to open the development window of Athani to the world. The website provides information about the resource base, business firms and business potential of Athani village. Moreover, it gives detail

information about the Government Medical College and Hospital as well as other service providers.

## Conclusion

Thus the authors conclude that the bank is marching towards Cooperativisation of the rural economy with a target of Rs.1000 crore business. As recognition to its services, the government of Kerala has accorded Super grade status to the bank, which is the only bank in Taluk to achieve this. Moreover, the bank has been conferred with the excellent performance award constituted by the Farmer Club Federation of NABARD in recognition of its model venture of organising and sustaining self-help groups of women and farmers. Ultimately the PSCB has become the nodal agency for complete rural development by effectively intervening in the life of all farmers, 50 per cent of agricultural labourers, 100 per cent head load workers, 70 per cent of women folk, 100 per cent of Scheduled caste, 100 per cent of Small and Micro-entrepreneurs and traders. The bank further sensitizes the youths with many training programmes, awareness camps and awards for meritorious students.

Further, in the pursuit of achieving its developmental agenda, the PSCB is in the final stage of implementation of schemes such as Coconut Complex, Meat and Meat Products Processing Units, Milk and Milk Products Units, Poultry and Poultry Products Units, Food grains Park, Vegetables and Fruits Production Units.

Almost all PACS in Kerala are carrying out Non-banking businesses, but the selected Peringadur Service Co-operative Bank is unique and a model for replication due to the following reasons:

1. Non-banking businesses were started by assessing the need and potential of the project.
2. The need assessment and business potential survey were conducted by the Kerala Agricultural University experts.
3. Thrust of the non-credit businesses are service to the members in particular and the people in service in general. For example various insurance like cancer care for life, labour bank and community college, athani@com etc.,
4. The bank breeds linkages with all government, non-government, private, public and cooperative organisations for the holistic growth of the service area.

Thus it's a true example of finding a right leadership and transforming the dependent rural economy to self sustained one.