

Cooperative Banking Model: A Case Study of Tibetan Primary Agricultural Credit Cooperative Bank Ltd (TPACCB) Gollarahosahalli, Bylkuppe, Kushalnagar.

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ABSTRACT

Cooperative societies are playing an important role in promoting banking, agricultural development, storage facility and marketing of agricultural products. Cooperatives played a major role in poverty alleviation and creation of employment in the rural areas. It is noted that cooperatives reached the unreached. When it comes to rural coverage cooperatives are in front of public and private sector banks. We report the workings of a cooperative bank that has completely sidestepped these fundamental tenets of banking where in the above principles of banking are entirely flouted. In fact, it may even be claimed that the banking system followed by the residents here overcomes the traditional notion that “hard” banking creates usurpation. This article describes the workings of Tibetan Primary Agricultural Credit Cooperative Bank Ltd (TPACCB) that has been in existence for the last 50 years. The interesting thing about the bank is that the recipients of the loan need not be financially savvy, but are well meaning productive individuals who are able to concentrate on their skills that can be brought to bear not only to create livelihood but also to generate a community of peace-loving individuals who live in harmony.

Introduction

Cooperative society is an organization of group of people with collective responsibilities and thoughts for the development of needy, especially under privileged. Cooperatives helped in the development of agriculture, banking, credit, agro-processing, storage, marketing, dairy, fishing and housing and its network covers 85 per cent of rural households. It occupies a key position in agricultural development with support in resource and input use, harvesting of water resources, marketing channels, storage facilities, distribution channels, value addition, market information and a regular monitoring network system. Cooperatives are also engaged in economic activities like disbursement of credit and distribution of agricultural inputs (seeds, fertilizers, and agrochemicals), Dubey (2009).

Traditionally, banking is predicated on certain fundamental principles that are generally considered inviolate world over. These fundamental principles include:

- 1) Banks lend money for an interest

- 2) Banks make money based on the spread
- 3) Banks lend only to those who have assets against which loans are granted so as to cover risk of non-payment
- 4) The borrower deploys the amount in productive purposes and creates a surplus
- 5) No matter whether the decisions of the borrower results in positive net cash flow, the borrower is indebted to the lender to the extent of unreturned principal plus accrued interest.

We report the workings of a cooperative bank that has completely sidestepped these fundamental tenets of banking where in the above principles of banking are entirely flouted.

Following the forceful occupation of Tibet by communist China in 1959, His Holiness the Dalai Lama along with thousands of Tibetans took refuge in India. The Government of India helped resettle the Tibetans in various parts of India. The first and largest settlement, Lug sung Samdupling Tibetan settlement came into being in Bylakuppe in the year 1960. The Karnataka State Government was kind enough to allot an acre of land each to the initial refugee population of 3000. Today the total population of the settlement is 14000 including monks and nuns. There are five monasteries and a nunnery within this settlements jurisdiction. A Cooperative Society was formed with the farmer members as its shareholders. Here the attempt is made to show how social and ecological sustainability is maintained while ensuring economic sustainability. There are serious social and ecological implications in terms of creating social and ecological sustainability. It is noteworthy to think that the people who govern the system are not educated in financial matters with background in accountancy and financial management.

There was one interesting article in Harvard International Review by Samphel_and_Thubten titled Maintaining Vitality in Exile: The Tibetan Refugees in South Asia which quotes the organizing ability of the Tibetan refugees which goes like this. "Aside from inspiring its people, the Tibetan exile model also provides useful lessons for other exile communities. One lesson similarly disenfranchised peoples can learn from how the Tibetans organized themselves in exile is that they have kept their struggle non-violent and focused on areas where they enjoy comparative advantage. By focusing on community-building, cultural preservation, and education, the Tibetan refugees have created a cohesive and productive community that is able to pass on to each new generation of exiles Tibet's spiritual knowledge and cultural wealth. On the other hand, the Tibetan refugees have used all the facets of Tibetan culture to educate the world about Tibet's political fate". In this paper an attempt has made to describe one such innovative model in banking segment.

The Cooperative Society is led by an elected President. Board of Directors will be elected by the shareholders of the society, which includes nine directors playing major role in the formulation of policies of the Cooperative Society. The daily operations of the society are managed by the Secretary.

Tibetan Primary Agricultural Credit Cooperative Bank (TPACCB) - Background:

Tibetan Cooperative Society Ltd (now known as Tibetan Primary Agricultural Credit Cooperative Bank Ltd) Gollarahosahalli was established in 1964 and registered under the Karnataka Cooperative Societies Act with registration No ARM/1492-1964.

Co-operative bank operates with the interesting tagline "Service to humanity is service to God" which upholds the spirituality of the Tibetans. The purpose of establishing TPACCB is to address the basic needs of the members by extending crop loans, supplying the agricultural inputs on credit basis and through employment generation. Focus of the TPACCB is to improve the economic conditions of the members of cooperative bank. Service orientation is given prominence in all the activities for the purpose of achieving well being of its members and also the local residents. Population of the settlement are eligible to become members of TPACCB. All the activities of the TPACCB are governed by an elected president. Members are going to elect a board of management which has nine directors who has greater control with regard to policy matters. The day to day business operations are dealt by the Secretary.

TPACCB generates funds by providing different kinds of services to the local residents and the people of the settlement. Since the primary occupation of the settlement is agriculture, majority of the households are dependent on agriculture. TPACCB supports the farmers by lending crop loans and provides inputs like fertilizers, maize seeds, transporting men and materials, tractors for ploughing, shelling of maize to the farmers on credit basis. Possibility of advance becoming Non Performing Asset (NPA) is very remote because of the innovative strategy adopted for debt collection by this cooperative society. The agriculture section of the TPACCB will collect the harvested crops from the farmers in return of the loans provided to them. TPACCB is going to stock the procured agricultural products in their own warehouse and gradually sold when the price is attractive.

Consumer service section of TPACCB has two consumer shops and a super market which sells essential commodities, dry rations and other provisions at very reasonable rates. These shops act as effective check to control the monopoly of private shop owners.

TPACCB also has a handicraft section which comprises of five units such as Carpet making, Incense manufacturing, Purified drinking water treatment plant, tiny shops and photocopiers and a noodle

factory. In Lug sung Samdupling Tibetan settlement carpets are manufactured using the ancient Tibetan methods of hand knotting and embossing. The unit helps in preserving the unique art of Tibetan carpet making and also generates employment to its members. Finished products with modern designs will be exported and sold locally as well.

Age old traditional methods and raw materials are used to produce the finest sweet smelling incense. The best of herbs and other superior quality ingredients comprise the incense manufactured under the brand names of Buddha Smell, Crystal, Guru and red incense. In complete adherence to Buddhist scriptures, no chemicals are added in any of the above products.

Off late it was observed that the number of people suffering from various waterborne diseases is considerably increasing in the initial years of 2000. In order to address this issue purified drinking water treatment plant was established in 2007. It supplies pure drinking water to members at no additional cost except for a token of maintenance charge.

Two tiny shops cater to tourists and locals by selling Tibetan handmade Buddhist ritual objects and other articles. Photocopier at one of the tiny shop serves as a great boon to the people of the settlement. TPACCB has its own Noodle factory to manufacture one of the main foods of the Tibetans. The products from the noodle factory are supplied to the shareholders through the consumer shops.

The revenue sources of TPACCB are many as it is engaged in varieties of income generating activities. It has a workshop cum tractor section to prepare the lands for cultivation at the onset of monsoon since the settlement is based on agriculture. Tractor section has 15 tractors engaged in ploughing the fields, transport materials, and shell maize. All repair works with regard to tractors are carried out at the workshop. This workshop also manufactures roof trusses, grills, iron gates, nuts and bolts. TPACCB also has a fuel station of an Indian Oil dealership which sells diesel, petrol, and other lubricants. Apart from all these it also maintains a shopping complex for the purpose of uplifting the economic status of its members. The 38 shops are given on rent to shareholders at nominal rates. TPACCB also have two meeting halls for general body meetings, prayer assemblies and other gatherings. The halls are also hired to host religious teachings, workshops, educational and health talks. A farm area of six acres is maintained by TPACCB in which it grows coconut palms, mango trees and other fruits. Organic rice is also cultivated on a trial basis in the farm.

TPACCB has achieved maximum employment creation in settlement and capitalised the skill sets of the people residing in the settlement. As discussed above, the diversified business model of TPACCB

helps in achieving economic sustainability. They have a very interesting economic model where in funds will not go out of the settlement but they are reinvested in the settlement itself to have a multiplied impact on wealth generation. The income generated from the above activities will be used to provide crop loans and for supplying agricultural inputs like maize seeds, fertilizers and also to maintain storage godowns.

Working style of TPACCB is in complete adherence with the tag line of the society which reads "Service to humanity is service to God". This cooperative bank is serving the people of the settlement in full swing and honestly trying for their economic prosperity. Monetary needs of the farmers are taken care by the agriculture section of the cooperative bank. Farmers are even relieved from the difficulties of searching markets for their farm products.

Can this be a model to reduce the problem of Nonperforming assets? .This was the question that tinkered in the mind while we did a field visit to TPACCB. NSN Reddy, AGM of Andhra Bank points out the impact of NPA's in his research paper titled "Non Performing Assets: Impact on Bank Balance Sheet" .during the discussion he says "Today, the banking industry has been reeling under increased incidence of NPAs while the expectations of the stakeholders are on the rise, which is a cause of serious concern. There is an imminent need to address this issue focusing attention on demand and supply side". If you observe the functioning of this bank, it's totally different from our traditional banking system where we have a problem of NPA's. The working model of TPACCB will be a measure to reduce this problem as most of the assistance to the farmers is in the form of kind as explained previously. Though the bank grants short-term loans in cash possibility of NPA is very unlikely because the amount will be recovered from the sale proceeds of the farm products. TPACCB collects the farm products soon after the harvesting and stores them in its warehouse. Once the price becomes attractive in the market all the farm products will be sold. The amount due from the farmers will be deducted from the sale proceeds and the balance will be transferred to the bank account of a farmer. So this model acts as a effective tool to reduce the NPA problem.

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