Cooperative Finance and Sustainable Development Goals: The Contribution of PACCS to Inclusive Rural Development in Tamil Nadu

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Abstract

This paper examines the contribution of Primary Agricultural Cooperative Credit Societies (PACCS) to inclusive rural development in Tamil Nadu, focusing on selected Sustainable Development Goals (SDGs). Based on secondary data, the study analyses how PACCS support poverty reduction, food security, gender equality, employment generation, reduced inequalities, and strong institutions. The findings show that short-term loans, Kisan Credit Card support, and Self-Help Group financing improve access to credit and strengthen rural livelihoods. The cooperative legal framework and mandatory audit provisions further enhance transparency and accountability. The study concludes that cooperative societies serve as strong grassroots institutions that contribute to sustainable development in Tamil Nadu.

Keywords: Primary Agricultural Cooperative Credit Societies, Sustainable Development Goals (SDG 1, 2, 5, 8, 10, and 16) and Livelihood.

1 Introduction

Rural development in India continues to depend largely on access to timely and affordable finance. In many villages, small and marginal farmers struggle to obtain credit from formal banking institutions due to a lack of collateral, procedural delays and limited financial awareness. As a result, they often depend on informal lenders who charge high interest rates, which increases their economic vulnerability. In this context, Cooperative finance has played an essential role in supporting rural households. In Tamil Nadu, Agricultural Cooperative

Credit Societies (PACCS) form the foundation of the rural Cooperative Credit structure. These Societies are locally managed institutions that provide short-term and medium-term loans to farmers and rural members. Over the years, PACCS have expanded their services beyond crop loans to include jewel loans, self-help group financing, and support for allied Agricultural activities such as dairy and poultry. Their member-based structure and democratic governance make them more accessible and accountable than many other financial institutions. At the global level, the adoption of the Sustainable Development Goals (SDGs) in 2015 has created a common framework for addressing poverty, hunger, inequality, and institutional development. Although the SDGs are often discussed at national and international levels, their success largely depends on local institutions that directly interact with communities. In this regard, PACCS can be viewed not only as financial intermediaries but also as grassroots development institutions that contribute to multiple development goals. This study examines the contribution of PACCS in Tamil Nadu to selected Sustainable Development Goals namely SDG1 (No Poverty) SDG 2 (Zero Hunger) SDG 5 (Gender Equality) SDG 8 (Decent Work and Economic Growth) SDG 10 (Reduced Inequalities) and SDG 16 (Strong Institutions) By analyzing their role in providing inclusive financial services promoting livelihood opportunities supporting women's Participation and strengthening local governance the paper seeks to understand how Cooperative finance supports inclusive rural development. The study argues that PACCS are not merely credit providers but also community-based institutions of institutional accountability in rural Tamil Nadu.

2 Objective

1. To examine the role of Primary Agricultural Cooperative Credit Societies (PACCS) in promoting financial inclusion among rural households in Tamil Nadu

2. To assess the contribution of PACCS in achieving selected Sustainable Development Goals (SDG 1, 2, 5, 8, 10, and 16) through Credit support, livelihood promotion, and institutional strengthening.
3. To analyse the impact of PACCS services on income generation, employment opportunities and social inclusion in rural areas.

3 Statement of the Problem

Rural areas in Tamil Nadu continue to face challenges such as poverty, food insecurity, income inequality and limited employment opportunities. Although Primary Agricultural Cooperative Credit Societies (PACCS) provide financial services to rural communities, their broader contribution to sustainable development has not been adequately examined. Most studies focus only on their financial performance rather than on their role in achieving the Sustainable Development Goals (SDGs). Therefore, there is a need to analyse how PACCS contribute to poverty reduction, food security, gender equality, economic growth, reduced inequalities, and institutional strengthening in rural Tamil Nadu.

4 Methodology

This study is based entirely on secondary data to examine the contribution of Primary Agricultural Cooperative Credit Societies (PACCS) to selected Sustainable Development Goals in Tamil Nadu. The research follows a descriptive-analytical design. The collected data are organised, classified, and analysed using descriptive statistical tools such as percentages, ratios, growth rates, and trend analysis. Comparative analysis is also used to examine the relationship between PACCS performance indicators and selected SDG targets.

Discussion

6 Short-term loans provided by PACCS directly support SDG 1 (No Poverty)

By ensuring timely credit for crop cultivation and Agricultural activities. These loans help farmers purchase seeds, fertilisers, and other inputs without borrowing from high-interest private lenders. By reducing dependence on informal credit sources, PACCS protect farmers from debt traps. Timely financial support improves Agricultural productivity and stabilises household income. As a result, Cooperative short-term credit contributes to poverty reduction and economic security in rural areas.

Table 1

Performance of PACCS in Tamil Nadu

(Rs. in lakhs)

S. No.	Year	Total short-term loan issued	Total Shot term loans outstanding	Collection of short-term loans	Short term (overdue) Balances
1	2013-2014	1651798.2	1417397.64	1286515.41	87202.83
2	2014-2015	1722143.43	1554214.93	1453051.01	116686.23
3	2015-2016	1728843.39	1579455.53	1557709.48	160821.42
4	2016-2017	1354633.71	1315672.93	1409051.13	171107.28
5	2017-2018	1557775.11	1406911.74	1256243.3	156919.72
6	2018-2019	1715746.53	1294684.74	1328525.02	178623.79
7	2019-2020	1682376.08	1561293.88	1452996.52	17706.4
8	2020-2021	2148128.8	1090123.3	2098786.5	95977.78
9	2021-2022	1607230.79	1720352.14	601526.74	306025.21
10	2022-2023	2472171.68	2161546.17	1717763.47	234148.63

Source: Tamil Nadu Government Annual Report
Note: Figures in the above table are for the Financial Year 2013 to 2023

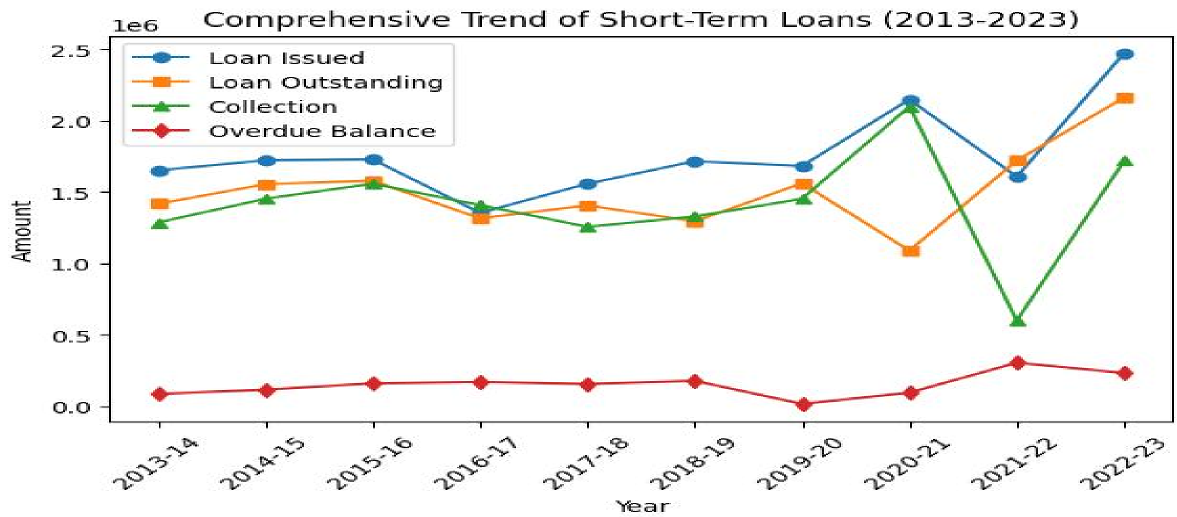


Table 1 shows PACCS's performance in issuing and recovering short-term agricultural loans in Tamil Nadu from 2013-2014 to 2022-2023. The steady increase in short-term loan disbursements, especially the rise to ₹24,72,171.68 lakhs in 2022-2023, indicates improved access to institutional credit for rural households. Higher loan issuance helps small and marginal farmers meet cultivation expenses without depending on informal moneylenders, thereby reducing financial exploitation. Although overdue balances fluctuate from year to year, the overall collection of Cooperative credit directly supports income stability and poverty reduction, aligning with SDG 1.

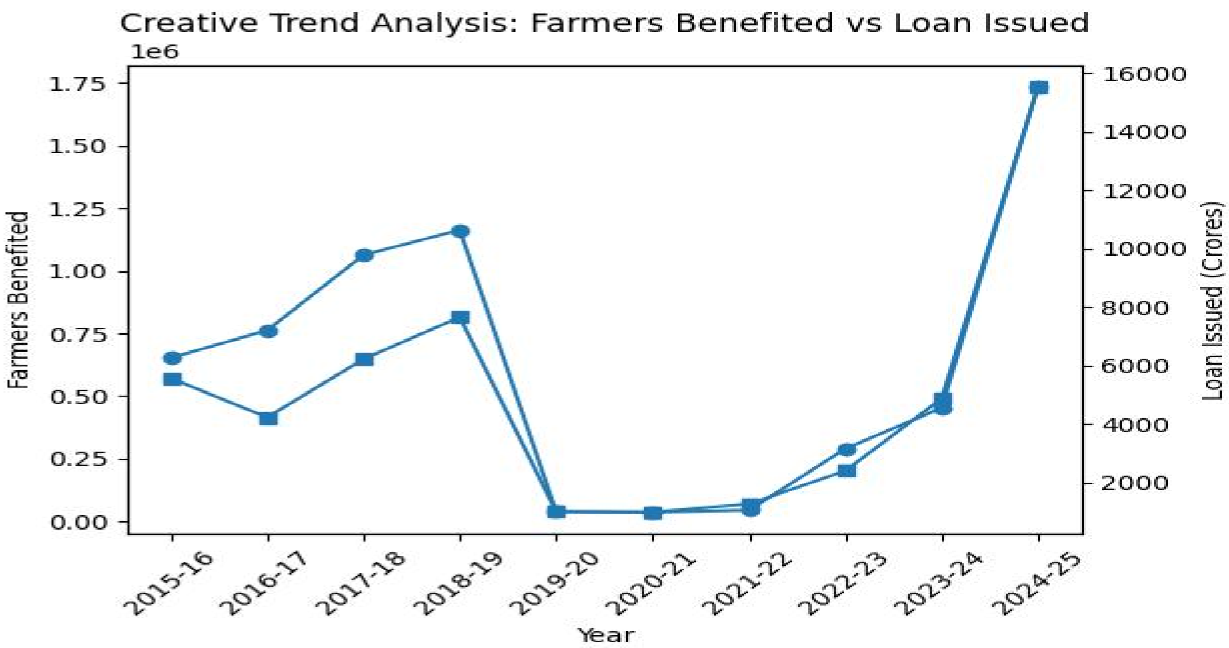
7 SDG2 Contribution of KCC Loans (Zero Hunger)

KCC loans contribute directly to SDG 2 by ensuring that farmers receive timely credit for Agricultural production. Financial support through KCC enables farmers to purchase quality inputs and maintain continuous cultivation. Increased loan disbursement in recent years suggests more substantial support for farm activities and improved Agricultural productivity. When more farmers receive institutional credit, crop production and food availability improve. Therefore, the growth of KCC loans through PACCS strengthens food security and supports the goal of Zero Hunger.

Table-2

S.No	Year	Formers benefited	Loan Issue (In Crores)
1	2015-16	6,52,752	5567
2	2016-17	7,62,772	4227
3	2017-18	10,63,524	6220
4	2018-19	11,63,524	7654
5	2019-20	38,531	1,012
6	2020-21	36,532	989.53
7	2021-22	44,531	1,272.23
8	2022-23	2,90,291	2,406
9	2023-24	4,53,305	4,875
10	2024-25	17,37,460	15,543

Source: Tamil Nadu Government Annual Report
Note: Figures in the above table are for the Financial Year 2015 to 2025



The table shows the number of farmers benefited and the amount of KCC loans issued from 2015-16 to 2024-25. The data indicate fluctuations in the numbers of beneficiaries and loan disbursements during certain years, especially between 2019-20 and 2021-22. However, there is a substantial increase in both the number of farmers benefited and the loan amount in recent years, particularly in 2024-25. The loan issued amount reached ₹15,543 crores, which is the highest in the given period. This reflects the expansion of credit support to farmers through the KCC scheme in Tamil Nadu.

8 SDG 5 Contribution to Gender Equality

The increase in SHGs and loan distribution demonstrates that Cooperative Societies are actively promoting women's financial inclusion. Access to credit enables women to start small enterprises and contribute to household income. Financial independence strengthens their role in family decision-making and community participation. By supporting SHGs, Cooperative Societies help reduce gender based economic inequalities. Therefore, SGH-linked Cooperative Finance directly contributes to achieving SDG 5- Gender Equality.

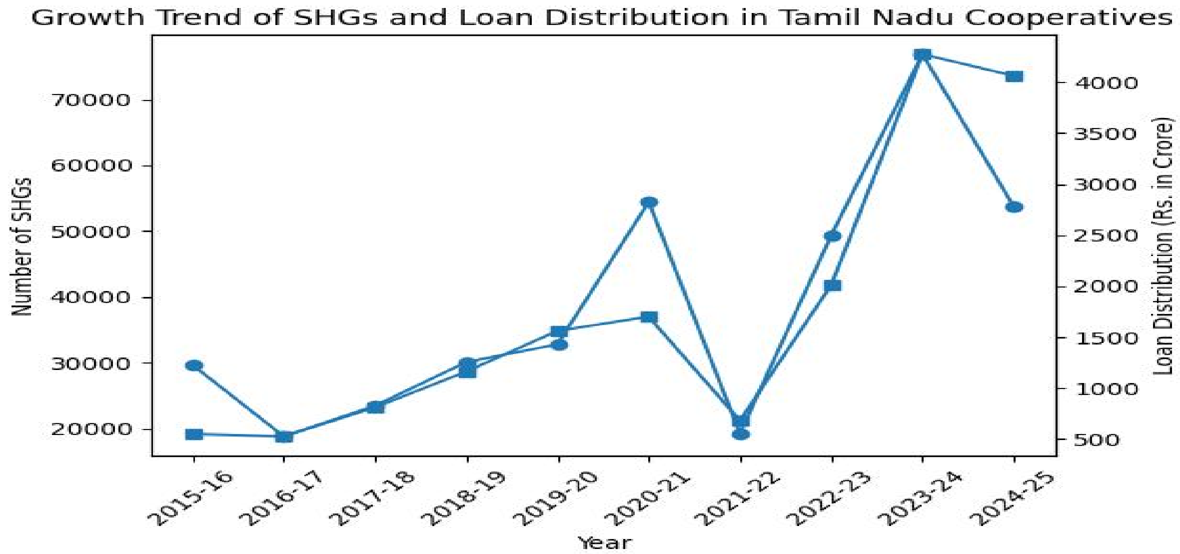
Table-3

SHGs in Tamil Nadu Cooperative Societies and their Loan Distributions

S. No	Year	SHGs in the Tamil Nadu Cooperative Societies	Loan Distribution (Rs. in Crore)
1	2015-2016	29,701	550.08
2	2016-2017	18,844	525.99
3	2017-2018	23,501	810.95
4	2018-2019	30,128	1161.80
5	2019-2020	32,821	1561.80

6	2020-2021	54,434	1699.81
7	2021-2022	19,296	681.65
8	2022-2023	49,356	2,010
9	2023-2024	76,871	4275
10	2024-2025	53,757	4063

Source: Tamil Nadu Government Annual Report
Note: Figures in the above table are for the Financial Year 2015 to 2025



The table shows the number of Self-Help Groups (SHGs) functioning under Tamil Nadu Cooperative Societies and the amount of loans distributed from 2015-2016 to 2024-2025. The data indicate fluctuations in the number of SHGs over the years, but there is an apparent increase in loan distribution, especially after 2018-2019. Loan disbursements reached ₹4,275 crores in 2023-2024 and ₹4,063 crores in 2024-2025, indicating strong financial support for women's groups. The significant rise in SHGs in recent years reflects the growing participation of women and the expanding role of cooperatives in supporting women's group financing.

8 SDG8- Decent Work and Economic Growth (Employment Generation per household)

Employment generation at the household level is an essential indicator of economic growth and livelihood improvement. Through Cooperative Credit Support, especially loans for

Agricultural, dairy, petty shops, small enterprises, and Self-Help Groups, PACCS helps create income-generating activities within rural households. When households receive financial assistance, they can expand farm activities or start businesses, thereby increasing employment opportunities for family members. In many cases, one loan supports more than one earning member in the household. This reduces seasonal unemployment and also improves income stability. Therefore, PACCS's role in supporting household-level employment directly contributes to SDG 8 by promoting decent work and sustainable economic growth in rural Tamil Nadu.

For example, a small farmer in Salem district receives a short-term crop loan of ₹ 1,00,000 from PACCS. With this loan, he cultivates paddy and also invests a small portion in dairy farming. As a result, not only does he work on his farm, but one family member also manages the dairy. This creates at least two income sources within the same household. Similarly, a woman SHG member who receives a Cooperative loan of ₹ 50,000 may start a tailoring unit or a petty shop. This generates self-employment for her and sometimes part-time work for another family member. In both cases, one Cooperative loan leads to multiple employment opportunities at the household level. This improves income stability and supports sustainable economic growth, directly contributing to SDG 8.

9 SDG 10 Reduced Inequalities (97th Constitutional Amendment and Representation)

The 97th Constitutional Amendment Act,2011, strengthened the Cooperative movement in India by granting constitutional status to Cooperative Societies and emphasising democratic governance. One of the important features under the amended provisions relating to Cooperative Societies is the inclusion of reservations for Scheduled Castes (SC), Scheduled Tribes (ST), and women on the Board of Directors. This provision ensures that socially and economically disadvantaged groups are represented in decision-making positions within

Cooperative institutions. By mandating representation of SC/ST members and 2 women on the board, the Act promotes inclusive governance and equal participation. It reduces structural inequalities by giving marginalised communities a voice in financial and administrative decisions. Such representation not only strengthens social justice but also improves accountability and transparency within Cooperatives. Therefore, the constitutional recognition of reservations in Cooperative boards directly contributes to SDG 10 (Reduced Inequalities) by promoting inclusive leadership and equitable institutional participation.

This legal recognition equal participation of members irrespective of caste, gender, or economic background, "one member, one vote," the Act reduced structural inequalities within Cooperative governance.

10 SDG 16 – Strong Institutions (Legal Evolution and Audit System in Cooperatives)

The cooperative movement in India has been strengthened through continuous legal development over the past century. The Cooperative Credit Societies Act was first enacted on 25 March 1904 to provide institutional credit to rural communities. This was expanded through the Cooperative Societies Act, 1912, which widened the scope of cooperative activities beyond credit. Later, the Model Cooperative Societies Act, 1991, introduced greater autonomy and reduced state control. The Multi-State Cooperative Societies Act, 2002, provided a separate legal framework for cooperatives operating across state boundaries. The 97th Constitutional Amendment Act, 2011, granted constitutional status to cooperatives, recognising them as democratic and autonomous institutions. In Tamil Nadu, the Tamil Nadu Cooperative Societies Act, 1983, governs the functioning of cooperative societies within the state.

One of the significant strengths of cooperative institutions is their strong audit and accountability system. The Director of Cooperative Audit, who serves as the department's head and Registrar (Audit), is responsible for ensuring financial discipline and transparency. Under Section 80 of the Tamil Nadu Cooperative Societies Act, a regular audit of cooperative societies is mandatory. Section 81 provides for an inquiry into the affairs of a society if irregularities are suspected. There are also clear procedures for supersession of the board in cases of mismanagement, and disputes can be addressed through the Cooperative Tribunal.

Because cooperatives are subject to regular audits, inquiries, democratic elections, and legal supervision, they operate with a structured accountability mechanism. This strong regulatory and audit framework makes cooperative societies stable and reliable grassroots institutions. Therefore, the collaborative system contributes directly to SDG 16 by promoting transparency, accountability, the rule of law, and institutional strength at the local level.

11 Conclusion

The study highlights the critical role of Primary Agricultural Cooperative Credit Societies (PACCS) in promoting inclusive rural development in Tamil Nadu. Through short-term loans, Kisan Credit Card support, and Self-Help Group financing, PACCS improves access to institutional credit for farmers, women, and marginalised communities. This financial support contributes to poverty reduction, improved agricultural productivity, employment generation, and social inclusion, aligning with SDG 1, SDG 2, SDG 5, SDG 8, and SDG 10. The historical evolution of cooperative legislation — from the Cooperative Credit Societies Act, 1904, to the 97th Constitutional Amendment Act, 2011 and the Tamil Nadu Cooperative Societies Act, 1983 — shows that cooperatives have been legally strengthened over time. Provisions for democratic governance, representation of SC/ST and women on boards, regular elections, and institutional autonomy promote equality and participatory management. Further, the strong audit mechanism under Section 80, the inquiry provisions under Section 81, and the presence of Cooperative Tribunals ensure accountability and transparency. The role of the Director of Cooperative Audit as Registrar (Audit) strengthens financial discipline within the system. These legal and administrative safeguards make cooperative societies stable and accountable grassroots institutions. Therefore, cooperative finance in Tamil Nadu is not merely a credit-delivery mechanism but a strong institutional framework that supports sustainable development. By combining financial inclusion with democratic governance and regulatory oversight, PACCS contribute significantly to achieving the Sustainable Development Goals, particularly SDG 16 – Strong Institutions.

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