



ABSTRACT

Co-operation - Withdrawal of Legal Tender Character of existing Rs. 500/- and Rs. 1000/- Bank Notes by the Government of India - Special State Government Package to facilitate expeditious issue of crop loans and to support other agriculture related activities of farmers by Primary Agricultural Cooperative Credit Societies (PACCS) - Orders Issued.

Co-operation, Food and Consumer Protection (CN1) Department

G.O.(Ms)No:132

Dated: 22.11.2016

திருவள்ளூர் ஆண்டு, 2047
சூன்முகி வருடம், கார்த்திகை 7,

Read:

1. Government of India, Gazette Notification No. 3407(E) Dated 08.11.2016
2. RBI Circular No.RBI/2016-17/112-DCM(Plg)No.1226 /10.27.00/ 2016 - 17, Dated 08.11.2016.
3. RBI Letter No. RBI/ 2016-17/130-DCM (Plg) No.1273/ 10.27.00/ 2016 - 17, Dated 14.11.2016.
4. From the Registrar of Cooperative Societies letter No.82080/2016 CBP 1, Dated 12.11.2016, 14.11.2016 and 17.11.2016.

ORDER:

The Government of India in the Gazette Notification first read above, have declared that the Bank Notes of existing series of denominations of Rs. 500/- and Rs. 1000/- (hereinafter referred to as Specified Bank Notes) shall cease to be legal tender on and from the 9th November, 2016. The Reserve Bank of India (RBI) in the circular second read above has issued guidelines with regard to exchange of such notes, withdrawal of cash from an account and receipt of deposit into an account maintained in the Banks. In the corrigendum No. S.O. 3418(E) dated 09.11.2016 of Ministry of Finance, Department of Economic Affairs, it was clarified that the Banks as defined under the Banking Regulation Act, 1949 and other institutions expressly mentioned therein, shall implement the scheme. Subsequently, in the letter third read above, the Reserve Bank of India has further clarified that the District Central

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Cooperative Banks are not allowed to accept specified bank notes as deposits from their customers and also not authorised to exchange the specified bank notes.

2. The Registrar of Cooperative Societies has assessed in detail the repercussions of these notifications / circulars of Government of India and Reserve Bank of India on the functioning of Cooperative Institutions in the State with particular reference to the impact on the credit availability to farmers in this peak agricultural season. The Registrar of Cooperative Societies in his letter fourth read above has stated as mentioned below:

- i. The Primary Agricultural Cooperative Credit Societies (PACCS), being non-banking entities as per Banking Regulation Act, 1949, have not been made eligible to implement the scheme of accepting and exchanging specified bank notes. As a result, activity of the PACCS has come to a standstill. Recovery of loans has been adversely affected because the PACCS cannot accept the specified bank notes. Collection of premium under Pradhan Mantri Fasal Bima Yojana by PACCS has also been affected severely. Issue of crop loans at the time of peak agricultural season has been completely stopped as the PACCS do not possess required currency for cash payments. As each PACCS is treated as single customer of the District Central Cooperative Bank (DCCB), maximum withdrawal of currency by each PACCS has been restricted to Rs. 24,000/- only per week, which is negligible compared to the actual requirement of currency to disburse loans. On the other hand, there is no restriction on withdrawals for a bank to bank account transaction.
- ii. The District Central Cooperative Banks, though working on Core Banking Solution, licensed under Banking Regulation Act, 1949, and having KYC compliant accounts, have been debarred from exchange of specified bank notes (Rs. 500/- and Rs. 1000/-) and deposit of such notes on 14.11.2016. This has adversely affected their banking operations. The recovery of loans would be severely affected.
- iii. Due to non-availability of adequate currency of new Rs. 2000/- and Rs. 100/- denomination to meet the requirement, the farmers are not able to take up agricultural operations and this has adversely impacted their livelihood. Delay in issue of crop loan would jeopardise their agricultural operations particularly in this peak season. Non-supply of inputs like seeds, fertilizers and other inputs in time would lead to loss of crop. The Farmers' Associations have also been representing to ease the process of issue of crop loans and recovery of loans. Suitable alternate arrangements have to be made to ensure that the farmers are not driven to penury.

3. It has been noticed that there is a serious crisis of cash with the loanees of PACCS as they are not in a position to draw cash due to inadequate availability of funds in PACCS. This is not the case with the loanee farmers of Commercial Banks as

they can draw cash upto Rs. 25,000/- per week and mobilise the required resources for agricultural operations. **Therefore, the Registrar of Cooperative Societies has requested that issue of crop loans and supply of inputs through PACCS may be facilitated at the earliest so that farmers, particularly loanee farmers of PACCS can take up timely agricultural operations for Samba crop season.** The issue of relaxations on banking activities with reference to specified bank notes at par with other commercial banks, has already been taken up with the authorities concerned and there has been no positive response.

4. The Government have carefully examined the above proposal of the Registrar of Cooperative Societies and have decided to accept it. Accordingly, in order to enable the farmers to carry out their agricultural operations and to enable the PACCS to resume their activities particularly in extending crop loans and assisting the farmers in agricultural activities in the light of the demonetization notified by the Government of India, the Government of Tamil Nadu order the following measures:-

- i. PACCS will continue to sanction crop loans following due procedure. There shall be no dilution of power to sanction loans at the PACCS level.
- ii. In order to facilitate disbursement of cash, a new KYC compliant account will be opened in the name of loanee farmer at the DCCB branch with which the PACCS is attached. This account will be opened for each crop loanee without charging any fee from the farmers and the expenses on the process shall be borne by the DCCB. This account would also enable the farmers to avail facilities of electronic transfers (RTGS, NEFT), cheques and demand drafts at par with other customers of DCCB.
- iii. In order to cope up with the workload, the DCCBs may resort to engaging retired employees on temporary basis.
- iv. It must be ensured that once the loan is sanctioned at the PACCS, a debit note will be sent to the DCCB Branch concerned for crediting the amount to the account of farmers opened in DCCBs and the farmers can withdraw cash from the related DCCB branch.
- v. The cash component of the loan will be credited in the account of the farmer and the farmer would be permitted to draw upto Rs.25,000/- per week, in cash from their KYC compliant loan account or such other limit as may be prescribed by RBI from time to time.
- vi. Inputs for agricultural operations such as fertilizers, seeds, etc. shall be supplied to farmers by the PACCS without insisting on cash payment and the same will be adjusted against their crop loan as and when it is sanctioned.
- vii. PACCS shall also make arrangements for making available farm equipment such as tillers, etc from agro service centres on rent to farmers without insisting on

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payment in cash. PACCS, if required may also take machineries on hire basis from Agriculture Engineering Department or other sources and engage them for agricultural operations on request from farmers. Expenses on such activities shall be billed against the crop loan account of the beneficiaries and the payment will be made directly to the service providers through the DCCB branch concerned.

- viii. Premium for crop insurance will be debited from the account of loanee and remitted to the insurance company through DCCB branches well before the timeline i.e. 15th December, 2016.
- ix. Farmers, who do not avail loans from PACCS, may purchase inputs and hire equipments by tendering cash in permissible denominations/ demand draft in the PACCS.

5. The Registrar of Cooperative Societies is requested to ensure smooth disbursement of cash to the loanee farmers at the DCCB branches. He is also requested to issue detailed guidelines on opening of accounts at DCCB branches and to monitor availability of currency for disbursement of cash component of crop loan. Inputs like fertilizers, seeds, farm equipments, etc should be made available to the farmers in time. The PACCS should emerge as a hub of activity completely dedicated to the service of farmers in this time of crisis.

6. It is clarified that these measures are temporary in nature to tide over the crisis of cash crunch with farmers on account of the sudden withdrawal of legal tender character of Rs.500 and Rs.1000 notes so that agricultural operations in the peak agricultural season are not affected. Such measures shall be in force until further orders.

7. As requested by the Registrar of Cooperative Societies, the Tamil Nadu Cooperative Union shall immediately release Rs.1.50 crore to the District Central Cooperative Banks so as to pay honorarium for the engagement of the retired employees to complete the process outlined in para 4 & 5 above expeditiously.

8. A report on the action taken on each of the points should be furnished to the Government on daily basis.

(By order of the Governor)

PRADEEP YADAV
Principal Secretary to Government

To
The Registrar of Co-operative Societies,
Chennai-600 010.

Copy to:-

The Principal Secretary to the Hon'ble Governor of Tamil Nadu,
Raj Bhawan, Chennai -600 032.

The Principal Secretary-III to the
Hon'ble Chief Minister, Chennai - 600 009.

The Principal Private Secretary to the Chief Secretary,
Chennai – 9.

The Principal Private Secretary to the Additional Chief Secretary,
Finance Department, Chennai - 9.

The Principal Private Secretary to the Agricultural Production Commissioner
and Secretary to Government, Chennai - 9.

All District Collectors.

The Special Personal Assistant to the Hon'ble Minister (Finance and P & AR),
Chennai - 600 009.


The Special Personal Assistant to the Hon'ble Minister (Cooperation),
Chennai - 600 009.

The Special Personal Assistant to the Hon'ble Minister (Food & Civil Supplies),
Chennai - 600 009.

The Special Personal Assistant to the Hon'ble Minister (Agriculture),
Chennai - 600 009.

SF/SE.

//Forwarded by order//


SECTION OFFICER
22.11.2016