

REFINANCING OF CASH CREDIT PRIMARY WEAVERS COOPERATIVE SOCIETIES

The NABARD has decided for financing weavers cooperative societies through Commercial Banks also, because of the weak financial health of Cooperative Credit System and with a view to facilitate flow of bank credit to good working Primary Weavers Cooperative Societies.

The existing policy of NABARD for financing Primary Weavers Cooperative Societies is re-iterated hereunder for their guidance and strict compliance.

Eligibility activity

- a) Working Capital finance extended for production and marketing of cloth by Primary Handloom / Power loom Weavers Cooperative Societies.
- b) Working capital finance extended to the individual weavers for production and marketing of cloth.
- c) Working Capital finance extended to the Handloom Weavers groups and master weavers for production and marketing of cloth.

1) Eligibility criteria for sanction of credit limits to Primary Weavers Coop. Societies.

- a. Society should be functioning as production-cum-sales unit.
- b. Society should be viable / potentially viable and should have paid Manager / Secretary.
- c. Society should have positive Net Disposable Resources (NDR). NDR should be worked out as the aggregate of owned funds and deposits of the society minus the investments in Government and other trustee securities, shares in cooperative institutions, fixed assets, fixtures and fittings and accumulated losses, if any.
- d. Society should not be placed in 'D' Class audit.
- e. Audit of the Society should not be in arrears for more than 1 year (i.e. for sanction of credit limits to SCB / DCCBs for financing Primary Handloom Weavers' Co-operative Societies during **2013-14**, audit of society should have been completed up to 2011-12)

- f. Banks should sanction society wise credit limits as per prescribed norms and ensure that draws made on the consolidated sanctioned credit limit are utilized only for financing eligible societies and as per the norms prescribed by NABARD.

2. Assessment of working capital.

- a. 50% of anticipated production based on (i) actual production during the previous year or (ii) the average production during the preceding (3) years, whichever is higher, plus reasonable increase during the year (generally assumed at not exceeding 20%)

- b. In case of newly established Primary Handloom Weavers' Co-operative Societies / dormant societies activated and in case of established / running societies, where new looms are acquired / idle looms are activated, assessment will be on the basis of per loom scale of finance as decided by the financing bank, as the NABARD since dispensed to fix the per loom scale of finance as intimated as per Memo RC.NO.16510/2005-C,dt.20.11.2006 of this office.

- i) Number of new / active looms should be certified by the Asst. Director of Handlooms and Textiles. In case where such looms are not operative, the limit will be reduced proportionately.

- ii) Assessment of working capital on per loom scale of finance should be made for an initial period of (2) years in case of new societies and revival of dormant societies and thereafter the working capital requirement of such societies will be assessed with reference to the anticipated production as in the case of normal working societies.

- iii) Banks financing such special programmes / new societies should ensure proper supervision over the end - use of funds.

- iv) Separate accounts should be maintained in regard to production under normal programme and special programmes, and the production under special programmes should not be clubbed along with the normal programmes.

c. Renewal of the credit limit up to previous year's limit:-

- i) Provided Primary Handloom Weavers' Co-operative Societies has remitted into the cash credit account an amount equal to at least either 50% of sales or 60% of the credit limit sanctioned.

- ii) In case of any shortfall in remittances, credit limits should be reduced proportionately.
- iii). Societies failing to remit even 30% of sales or 40% of the credit limit sanctioned whichever is lower, should be treated as defaulter to the bank, their out standings should be considered as overdue and such societies will not be eligible for any credit limit.

d. Enhancement of cash credit limit to a Primary Handloom Weavers' Co-operative Societies only where society has remitted at least 60% of sales or 75% of the limit sanctioned, whichever is higher.

e. Additional credit limit, if normal credit limit sanctioned to Primary Handloom Weavers' Co-operative Societies is found inadequate to continue production activities during the slack season on account of accumulation of stocks, additional credit limit will be considered for sanction subject to the following:-

- i) Achievement of at least 80% of the previous year's anticipated production.
- ii) Remittance of at least 60% of sales or 75% of limit sanctioned, whichever is higher.
- iii) Aggregate of normal and additional limit not exceeding 75% of the anticipated production during the year.
- iv) Liquidation of additional limit, ordinarily, within a period of (6) months.
- v).Quantum of additional credit limits together with the normal limit not exceeding (9) times the NDR of the PWCS.
- vi) Both normal and additional credit limits should be within the prescribed multiples of owned funds of the bank concerned.

3) The State level standing Committee (Weavers) in their meeting held on 19.04.2012 have approved and finalized perloom scale of finance for different varieties of cloth for the year 2012-13. The details are as follows:

Sl. No.	Variety of cloth	Revised per-loom scales of finance approved for the year 2012-13 Rs.
01	02	03
01	Cotton Ordinary variety i.e., towels, Bed Sheets, low variety cotton sarees and lungies.	26,000/-
02	Cotton Special variety including jacot Bed Sheets, finer count Zaree sarees and Tie & Dye varieties	42,000/-
03	Silk	70,000/-
04	Polyster (Handlooms)	35,000/-
05	Polyster (Powerloom)	42,000/-
06	Cotton (Powerloom)	56,000/-

4) Margin: Societies should maintain minimum margin of 10% for working capital limits provided by cooperative banks from out of their NDR

5). Cover for borrowings: Not less than 90% of the aggregate value of :-

- a. Fully paid yarn-in-stock with the society valued age-wise.
- b. Yarn with members issued for production of cloth on society's own account.
- c. Fully paid dyes and chemicals and other raw materials required for production of cloth.
- d. Advances towards wages made by the Primary Handloom Weavers' Co-operative Societies to their weaver members subject to the following conditions;
 - i). Advance wages should not exceed 50% of the value of knots of yarn issued to the members in respect of ordinary cotton varieties and 25% of value of yarn issued in respect of costly varieties of cloth viz. silk sarees, polyester, special varieties of cotton etc. and

ii) Overdue wage advances, if any, should be excluded from the advance wages worked out in the above manner and shown as cover for borrowings.

e) Finished goods in stock valued age-wise valuation of yarn / finished goods / cloth for the purpose of cover to be made as under:-

Age-wise classification of yarn / cloth	Valuation at cost price	
	Silk cloth	Other cloth
Up to 12 months	100%	100%
Over 12 months and up to 24 months	90%	80%
Over 24 months	80%	60%

- I. Rebate claims due from Government duly certified by the Department.
- II. Dues admitted and outstanding payment by the Apex / Regional WCS for cloth sold to it.
 - h) Bills payable by the Apex / Regional WCS for cloth purchased by it from Primary Handloom Weavers' Co-operative Societies but not paid for.
 - i) Book debts arising from credit sales of cloth to other parties subject to the following: -
 - a) Demand bills should have been drawn by the society on the party to whom it has supplied cloth against firm orders.
 - b) Relative documents like railway receipts or lorry receipts should have been lodged with the bank duly endorsed with instructions to release the documents only on payment and to credit the proceeds of the bill of realization to the cash credit accounts.

6. Time Schedule.

The time schedule prescribed for furnishing credit limits as follows:

Assistant Director (H&T) to DCCB	15.January of every year
DCCB to APCOB	15.february
APCOB to DH&T	28 th february
DH&T to NABARD	15 th March

The Assistant Directors (H&T) should place the credit limits and get approval of the District Level Committee constituted in G.O. Rt. No. 734, Industries & Commerce (Tex) Department, dated 26.09.2008 recommending working capital requirements of the Primary Weavers Cooperative Societies in the District for the year .

7. PRESCRIBED FORMATS WITH ENCLOSURES.

- a) The credit limits should be recommended to the District Cooperative Central Banks and copies should be marked to APCOB / Director of Handlooms & Textiles and NABARD
- b) The credit limits should be submitted as detailed below:
 - I. Statements 5(a) to 7(b) Part – II
 - II. Check Memo (Annexure – 1)
 - III. Statements showing the particulars of idle / new looms proposed to be activated during the year 2013-14.
 - IV. List of societies which are not eligible for credit limits (Annexure – III) and abstract as follows:
 - a) Total number of Primary Weavers Cooperative Societies in the District.
 - b) No. of Primary Weavers Cooperative Societies recommended for sanction of credit limits for 2013 – 14.

c) No. of Primary Weavers Cooperative Societies not recommended for sanction of credit limits for 2013 – 14.

V. Wherever dormant societies preferred for sanction of credit limits, the reasons for such dormancy should be indicated and steps taken for reutilization of the society duly certified by the Assistant Director (H&T).

VI. Details of supervisory arrangements made to oversee the working of weavers' cooperative societies.

c) Credit limits should not be considered in respect of societies which have not completed the issue of identity cards and pass books to the members. A certificate to the above effect by the Assistant Director (H& T) should be appended to the credit limits (Annexure – IV).

8. The Assistant Director (H&T) should take action for recommendation of credit limit to the Primary Weavers Cooperative Societies / Handloom Weaver Groups through DCCBs. They should also take action for recommendation of credit limits through Commercial Banks, where the financial health of the DCCB is weak.

CHECK MEMO

Sl.No	Name of the WCS	Production During the Year	Sales during	9 times of NDR of the Society	Eligibility of the society on 50% of anticipated production	Higher of Col No.5 or 6	Remittances made	%of remittance
1	2	3	4	5	6	7	8	9

Cash credit limit sanctioned during the previous year 2009-10	Cash credit recommended by the AD(H&T)		Total (11+12)	Audit classification as per latest Audit Report		Amount recommended by AD(H&T) to DCCB	Remarks
	Production basics	New looms/Activation of dormant societies		Year	Classification		
10	11	12	13	14	15	16	17

PROFORMA FOR RECOMMENDATION OF IDLE/NEW LOOMS PROPOSED FOR ACTIVISATION FOR.

Name of the Weaver Member	Full address & location of loom/s. House No. Street No. Village	Type of loom	Date from which idle	Reasons for idle	Variety of production	Per loom scale of financing as per NABARFD	Remarks
1	2	3	4	5	6	7	8

Indication: ' Certified that the looms of the members
of -----

Society proposed for activation have been physically verified and found to be available and in working condition and also certified that the society is capable of providing work for activation as soon as credit limit is sanctioned. I recommend that cash credit as proposed may be sanctioned to the above society as per loom scale of finance basis as proposed for activation.

President

Manager

A.D.O(H&T) /D.O.(H&T)

Assistant Director (H&T).

