

Economic Role of Agricultural Producers Cooperative Marketing Societies: A Study among Members in Tamil Nadu

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Abstract: Agricultural Producers' Cooperative Marketing Societies (APCMS) play a vital role in improving the economic well-being of farmers by ensuring collective marketing, fair price realization, and reducing the influence of intermediaries. This paper examines the economic role of cooperative marketing societies in Tamil Nadu, focusing on their impact on member farmers' income, market access, and participation in value-added activities. The study uses both primary and secondary data collected from selected members of cooperative marketing societies. Descriptive statistics, percentage analysis, and ranking methods were employed to assess members' economic benefits and perceptions. The study finds that cooperative societies contribute significantly to stabilizing farm income through collective sales, procurement services, and access to market information. Members associated with well-functioning cooperatives reported higher price realization, reduced transaction costs, and better access to credit and storage facilities. Additionally, societies engaged in processing and value addition activities such as turmeric polishing, groundnut oil extraction, and pulses grading created local employment and enhanced rural income. However, the research also identifies challenges, including inadequate working capital, delayed payment cycles, and insufficient modernization of infrastructure. Strengthening management efficiency, promoting digital record-keeping, and enhancing member awareness could improve the financial sustainability of these societies. The study concludes that Agricultural Producers' Cooperative Marketing Societies serve as essential institutions for inclusive rural economic growth and continue to play a crucial role in achieving equitable agricultural marketing in Tamil Nadu.

Keywords: Cooperative Marketing, Agricultural Economics, Member Participation, Value Addition, Tamil Nadu, Farmers' Income.

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I. INTRODUCTION

Agriculture continues to be the backbone of Tamil Nadu's economy, employing over 50 percent of the state's population and contributing nearly ₹2.9 lakh crore, or about 13 percent of the Gross State Value Added (GSVA) in 2024–25 (Government of Tamil Nadu, 2025; NITI Aayog, 2025). Despite its importance, the sector is dominated by small and marginal farmers, who constitute about 93 percent of total landholders, with an average landholding size of only 0.75 hectares (Department of Agriculture & Farmers' Welfare, Tamil Nadu, 2024). These farmers face persistent challenges such as price fluctuations, rising input costs, inadequate storage and marketing infrastructure, and heavy dependence on intermediaries (Institute for Financial Management & Research et al., 2024). Consequently, their share in the final consumer price remains disproportionately low, constraining both their income levels and rural capital formation. In this context, Agricultural Producers' Cooperative Marketing

Societies (APCMS) have emerged as vital institutional mechanisms to strengthen the economic position of farmers. Rooted in the principles of collective action, democratic participation, and mutual benefit, these cooperatives aggregate members' produce, undertake grading, procurement, warehousing, and marketing activities. Through such collective efforts, farmers gain improved price realization, reduced transaction costs, and better access to credit and market information. From an economic perspective, these cooperatives play a key role in enhancing bargaining power, ensuring price stability, and promoting equitable market access for small producers. The surplus or profits generated through collective marketing are often reinvested in local infrastructure or distributed among members, contributing to rural income generation and local capital accumulation. In this way, cooperative marketing societies not only serve as intermediaries between farmers and markets but also act as drivers of rural economic stability. They provide an organized platform for small producers to

market their produce collectively and obtain fair returns. However, many cooperatives continue to face constraints such as limited working capital, inadequate managerial efficiency, and low adoption of modern marketing technologies (Institute for Financial Management & Research et al., 2024). Therefore, assessing the economic role of Agricultural Producers’ Cooperative Marketing Societies in Tamil Nadu is essential to understand their contribution to members’ welfare and rural economic development. This study aims to examine how these societies influence members’ income levels, price stability, and market access, while also identifying the operational and institutional challenges they face. Strengthening these cooperatives through policy reforms, financial support, and capacity-building measures can enhance their effectiveness as engines of inclusive growth and sustainable agricultural development in Tamil Nadu.

II. DATA AND METHODOLOGY

➤ *Methodology*

The study was conducted in two districts of Tamil Nadu, namely Erode and Namakkal, which are well known for their active Agricultural Producers’ Cooperative Marketing Societies (APCMS). The Erode district was chosen for its strong base of turmeric while Namakkal district was selected for its vibrant groundnut and pulses. These districts represent distinct cropping patterns and marketing systems, making them suitable for analyzing the economic role of cooperative marketing societies in Tamil Nadu. A purposive sampling method was adopted to select the study areas. From each district, one active Agricultural Producers’ Cooperative Marketing Society was selected based on membership size, years of operation, and level of marketing activity. Thus, a

total of two cooperative marketing societies were included in the study. From each society, 60 members were selected using simple random sampling, resulting in a total sample of 120 respondents (2 societies × 60 members each). The sample covered a mix of small, marginal, and medium farmers to ensure diversity in farm size and economic background. Primary data were collected using a structured questionnaire, supplemented by personal interviews and field visits to capture both quantitative and qualitative insights. The questionnaire focused on the socio-economic profile of members, marketing practices, income generation, and perceptions regarding the economic benefits derived from cooperative participation. For analysis, percentage analysis was used to describe demographic and economic characteristics. Weighted ranking analysis identified the major economic benefits and constraints experienced by members. To understand the linkage between cooperative participation and income improvement, a simple correlation was applied between years of membership and change in income. Through this methodological framework, the study aimed to assess how Agricultural Producers’ Cooperative Marketing Societies contribute to the economic welfare and market participation of farmer members in Tamil Nadu.

➤ *Objectives*

- To examine the economic role of Agricultural Producers’ Cooperative Marketing Societies in Tamil Nadu.
- To analyze the economic benefits and services received by cooperative members.
- To identify challenges faced by cooperatives in enhancing members’ income and welfare.

➤ *Parameters*

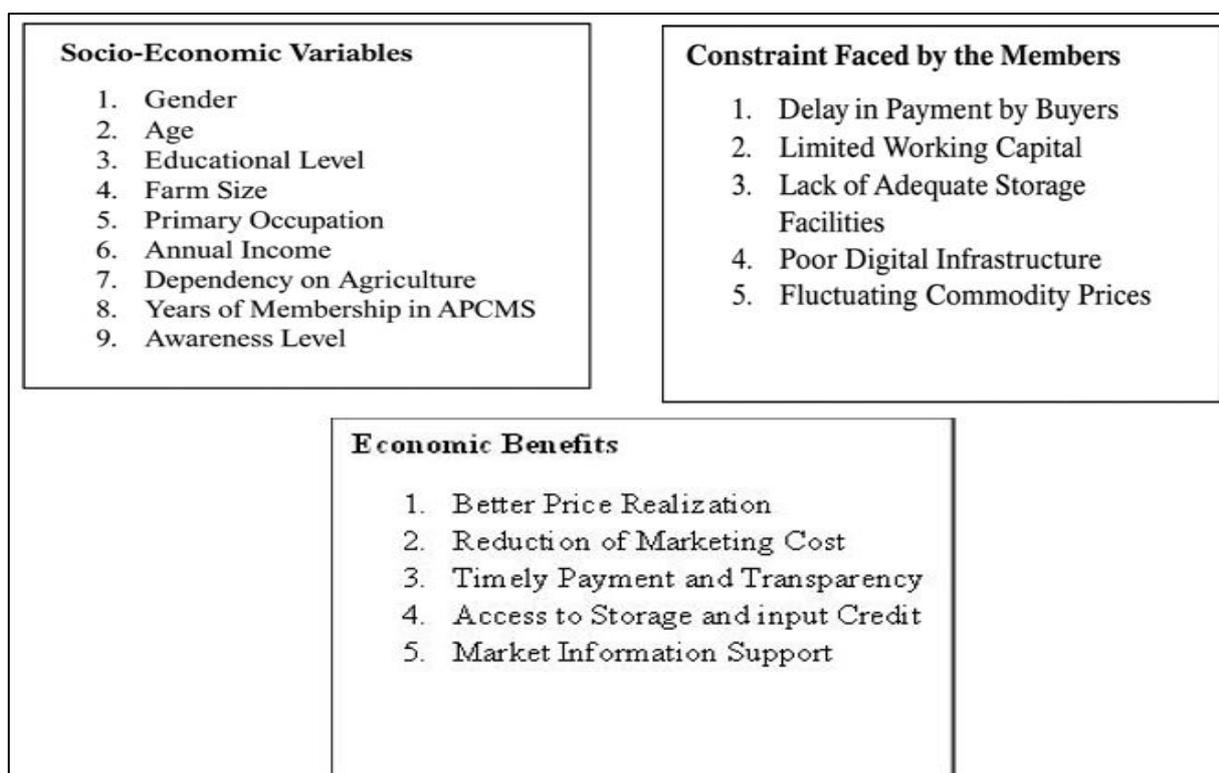


Fig 1 Parameters

III. RESULT AND DISCUSSION

➤ *Chi Square Test of Sample Farmers*

Table 1 presents the chi square test of the sample farmers. To examine whether members’ socio-economic characteristics have a significant influence on the economic benefits derived from cooperative marketing the Chi square test of association was employed. This test helps identify whether there is a statistically significant relationship between categorical variables, such as years of membership and perceived income improvement.

Table 1. Association Between years of Membership and Income Improvement (N=120)

Years of Membership	High Improvement	Moderate Improvement	No Improvement	Total
Less than 5 years	12	10	8	30
5–10 years	22	18	10	50
Above 10 years	25	12	3	40
Total	59	40	21	120

Chi Square

Value	Df	Sig.
11.85	4	0.019

Source: Computed from SPSS

The Chi square test result presented table 1 ($\chi^2=11.85$), ($df=4$), ($p=0.019$) indicates a statistically significant association between years of membership and income improvement among cooperative members at the 5% level of significance. Therefore, the null hypothesis (H_0) is rejected. This means that members who have been associated with the cooperative for a longer duration experience greater improvement compared to those with fewer years of membership. Longer association allows members to better understand cooperative functioning, benefit from collective marketing, and access consistent income opportunities. Thus, the analysis confirms that the duration of cooperatives membership plays a crucial role in enhancing members economic well-being.

➤ *Hypothesis*

- H_0 (Null Hypothesis): There is no significant association between years of membership and perceived income improvement.
- H_1 (Alternative Hypothesis): There is a significant association between years of membership and perceived income improvement.

➤ *Chi Square Test of Sample Farmers*

Table 2 presents the chi square test of the sample farmers. To examine whether members’ socio-economic characteristics have a significant influence on the economic benefits derived from cooperative marketing the Chi square test of association was employed. This test helps identify whether there is a statistically significant relationship between categorical variables, such as educational level and awareness of cooperative schemes.

➤ *Hypothesis*

- H_0 Null hypothesis: There is no significant association between educational level and Awareness of Cooperative Schemes
- H_1 Alternative Hypothesis: There is significant association between educational level and Awareness of Cooperative Schemes

Table 2. Association Between Education Level and Awareness of Cooperative Schemes (N=120)

Educational Level	Low Awareness	Moderate	High	Total
Primary	8	6	4	18
Secondary	10	24	16	50
Higher Secondary	4	14	16	34
Under graduate	1	5	12	18
Total	59	40	21	120

Chi Square

Value	Df	Sig.
9.24	3	0.026

Source: Computed from SPSS

The chi square test presented ($\chi^2= 9.24$), ($p= 0.026$) shows a statistically association between the education level of members and their awareness of cooperative schemes at the 5% significance level. Therefore the null hypothesis H_0

rejected. This indicates that members with higher educational qualifications tend to have better awareness and understanding of the economic programs, marketing activities and financial benefits offered by their cooperative

societies. Therefore, the result highlights that education plays a crucial role in strengthening the economic effectiveness of Agricultural Producers cooperative Marketing Societies.

➤ *Weighted Score analysis*

Table 3 shows the ranking of economic benefits as perceived by the respondents from their association with the cooperative Marketing societies

Table 3. Economic Benefits from Cooperative Marketing Societies (N=120)

S.No	Economic Benefited	Weighted Score	Rank
1	Better Price Realization	412	I
2	Reduction in Marketing Cost	384	II
3	Timely Payment and Transparency	362	III
4	Access to Storage and input credit	330	IV
5	Market Information Support	305	V

Source: Computed from SPSS

The Weighted Average Rank Method was used to identify the major economic benefits experienced by members of the Agricultural producer's cooperative marketing Societies. Each respondents ranked the listed benefits on their perceived importance, and corresponding weighted scores were assigned Rank1=5, Rank 2=4, Rank 3=3, Rank 4=2, Rank 5=1). The total weighted score for each factor was then computed and arranged in descending order to determine their relative ranks. Better price realization secured the first rank (Weighted Score=412), foremost economic benefit members obtain from the cooperative society is the ability to sell their produce at fair and improved prices compared to private traders or middlemen. This shows that cooperative marketing helps farmers gain higher returns and price stability through collective bargaining and transparent auction systems. Reduction in Marketing cost was

ranked second (384). This implies that members benefit from reduced expenses related to transportation, commission and intermediaries due to the cooperatives organized marketing channels. Timely payment and transparency ranked third (362) reflecting that prompt payments and transparent transactions enhance members trust and financial liquidity. Access to Storage and Input Credit occupied the fourth position (330). This highlights that Cooperatives provide essential facilities like warehouse and credit services, but members may not consider these as immediate benefits compared to price and payment advantages. Finally, Market Information Support was given the fifth rank (305) suggesting that while information dissemination is helpful it is not perceived as a primary source of economic gain among members.

Table 4. Constraints Faced by Members (N=120)

S.No	Major Problem	Weighted Score	Rank
1	Delay in payment by buyers	410	I
2	Limited working capital	398	II
3	Lack of adequate storage facilities	370	III
4	Poor digital infrastructure	332	IV
5	Fluctuating commodity prices	325	V

Source: Computed from SPSS

The table 4 were analyzed using the Weighted Average Rank Method to identify the major operational and economic problems encountered by members of cooperative marketing societies. Respondents were asked to rank each listed problem based on severity and reverse weights (Rank 1=5 points, Rank 2=4 points, Rank 4=2 points, Rank 5=1 point) were applied. The total weighted scores were computed and ranked accordingly. Delay in payment by buyers secured the first rank (410), indicating that delayed settlement of payments in the most critical problem faced by Cooperative members. This delay affects farmers cash flow and their ability to reinvest in subsequent cultivation cycles. Limited working capital ranked second (398), highlighting that cooperatives often struggle with insufficient funds to make prompt payments to farmers or to carry out large-scale procurement operations. This financial constraint limits their efficiency and competitiveness. Lack of adequate storage facilities obtained the third rank (370) suggesting that inadequate warehousing infrastructure leads to post-harvest

losses and compels farmers to sell their produce immediately at lower prices. Poor digital infrastructure ranked fourth (332). This reflects the emerging challenge in adapting to digital systems such as e-tendering, online payments and digital record keeping, particularly in rural cooperatives where connectivity and digital literacy remain low. Fluctuating commodity prices received the fifth rank (325) indicating that although price instability affects farmers' income, it is comparatively less severe than operational and liquidity related problems.

IV. POLICY IMPLICATIONS

One of the major constraints identified is the shortage of working capital that limits timely procurement and payment to farmers. Cooperative societies should be provided access to low-interest credit lines through cooperative banks and NABARD's refinance schemes. Establishing a Revolving Working Capital Fund exclusively for agricultural marketing

cooperatives could ensure liquidity during peak procurement seasons and prevent distress sales. The lack of adequate warehousing and processing facilities reduces farmers' ability to store produce and benefit from favourable market prices. Policy support should prioritize the development of scientific storage, grading, and value-addition units under schemes such as the Agricultural Infrastructure Fund (AIF). Encouraging public-private partnerships and integrating warehouse receipt financing would further enhance capital availability for small farmers. To strengthen transparency and competitiveness, APCMS should be integrated with digital platforms such as e-NAM and e-tendering systems. Investment in digital infrastructure, reliable internet connectivity, and capacity-building programmes on ICT use for cooperative staff and members are essential. The introduction of digital payment systems, online auctions, and real-time price dashboards can significantly reduce transaction delays and enhance trust among members. Delays in payment by buyers were ranked as the most severe constraint. Cooperatives should establish escrow-based or electronic settlement systems to ensure timely payment to members. State-level monitoring mechanisms may be introduced to oversee buyer performance and enforce transparency in payment practices. State and central cooperative agencies must coordinate to streamline regulatory frameworks, simplify reporting requirements, and enhance autonomy for APCMS. Introducing performance-linked incentives and periodic audits will ensure efficient functioning. Integration of cooperatives with Farmer Producer Organizations (FPOs) and agri-start-ups can also help in scaling operations and improving market competitiveness.

V. CONCLUSION AND WAY FORWARD

The study highlights that Agricultural Producers' Cooperative Marketing Societies (APCMS) play a pivotal role in improving the economic well-being of farmers in Tamil Nadu. Through collective marketing, fair price realization, and transparent transactions, cooperatives have significantly enhanced members' income, reduced marketing costs, and strengthened market access. The results further reveal that longer membership duration and higher educational levels positively influence both income improvement and awareness of cooperative schemes.

However, persistent constraints such as limited working capital, delayed payments, inadequate storage, and weak digital infrastructure continue to hinder the operational efficiency of cooperatives. These gaps underline the need for financial, infrastructural, and digital strengthening to make APCMS more responsive to members' needs and market dynamics.

Moving forward, cooperatives must adopt innovative financing mechanisms such as revolving working capital funds and access to NABARD refinance schemes to ensure liquidity during procurement seasons. Development of modern storage and value-addition units under the Agricultural Infrastructure Fund (AIF) can help retain greater value at the producer level. Integrating APCMS with digital

marketing platforms like e-NAM and e-tendering will improve transparency, expand market reach, and enhance competitiveness.

Capacity-building initiatives for cooperative staff and members in digital literacy, business management, and quality marketing practices are essential to sustain growth. Collaboration among APCMS, Farmer Producer Organizations (FPOs), and agri-tech startups can further drive innovation, value addition, and rural entrepreneurship.

By combining traditional cooperative strengths with digital and institutional innovations, APCMS can evolve into modern, self-reliant, and market-driven institutions, ensuring equitable income distribution and sustainable agricultural development in Tamil Nadu.

➤ Note

- The economic data presented for Tamil Nadu's agricultural sector (₹2.9 lakh crore and 13% GSVA contribution) were compiled from government reports such as the Department of Economics and Statistics, Government of Tamil Nadu (2024–25).
- The analysis of the economic benefits and constraints of cooperative marketing societies is based on the respondents' perceptions and weighted ranking scores. These rankings reflect members' subjective evaluation rather than absolute financial indicators.
- The Chi-square results signify associations, not causal relationships, between socio-economic variables (education, years of membership) and awareness or income improvement.
- The study focuses on selected APCMS in Erode and Namakkal districts; therefore, the findings cannot be generalized to all cooperative marketing societies in Tamil Nadu without further research.
- Policy implications proposed in this paper are interpretative, based on empirical findings and secondary sources such as NABARD reports, the Agricultural Infrastructure Fund (AIF) guidelines, and the Draft National Cooperative Policy 2025.

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