Cooperative Sector Grading – A Social Innovation in Finance

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The **NSEL scam** is a systematic crime and premeditated fraud perpetrated in the commodity market of the National Spot Exchange that is based in Mumbai, India. The NSEL is a company promoted by the Financial Technologies India Ltd and the NAFED.

The NSEL scam is estimated to be a Rs. 5600 crore (around US$ 0.9 billion) fraud that came out to light after the National Spot Exchange failed to pay its investors in commodity pair contracts after 31 July 2013.

There was a need of rating of NSEL and or NAFED or their members in order to prevent the loss of Rs. 5600 crores to trading members including the farmers, brokers and other 13000 investors.

Objective of the rating programme:

In the current economic scenario, there is a need to create awareness amongst co-operatives about the strengths and weaknesses of their existing operations and to provide them an opportunity to enhance their organizational strengths. The Rating Scheme would encourage co-operatives in improving its contribution to the economy by way of increasing their productivity, since a good rating would enhance their acceptability in the market and also make access to credit quicker and cheaper and thus help in economizing the cost of credit. Besides, the rating would also infuse a sense of confidence amongst the buyers for taking a decision on the options of sourcing material from co-operatives.

This problem is further exacerbated by the existing credit rating processes of both grading, that focus on a ‘promoter’ family or parent with deep pockets and do not factor in the strength of the individual members. Hence the grading methodology discussed here is being developed to ensure that the grading explains and align the cooperative sectors features and characteristics, in a manner that can be understood by the financial sector.

The rating exercise is very crucial in matters like taking up of big projects. In such cases a number of services are required to be rendered – approvals relating to designs, drawings and specifications for all of the sub-systems, monitoring of works progress, assurance to quality, approvals related to maintenance and operations, system safety plan, conduct of various tests and trials, as well as other duties and responsibilities. For the purpose, the competencies are to be vetted – be it an individual firm, consortia, or joint ventures and international level-playing position is to be looked into viz., whether having the necessary expertise / relevant experience / capability. Adequate information / data are, thus, required to be inquired before the green signal is given. Risks are to be appropriately assessed before entrusting the job to the really eligible. For example: the credit risk refers to the conventional counter party risk – the risk the counter party may fail to fulfil his obligation as per the terms of the contract – thereby putting the other party to a financial loss. Again, the legal risk refers to the risk associated with unenforceability of contracts due to defective documentation or due to various laws or any other lacunae. Side by side, the operational risks cannot simply be neglected – the risk arising out of inadequate system and procedures, internal control, computer failures or frauds by employees. Movement in market variables leads to market risks. In the financial markets interest rate is virtually the single most important variable. Currency risk, commodity price risk, equity price risk, etc. call for definite attention. These aspects, thus, call for adequate insights. Possibility or probability of loss is the thing which the very term “risk” wants to specifically and categorically indicate.

Overview of the Industry

Indian cooperative industry has grown substantially since independence. They operate in various areas of activities while some of the areas like dairying, sugar and handlooms they are quite successful however the failures are mainly attributable to dormant membership, political pressures, lack of active participation of members in management, policy processes as well as knowledge on operations by members. Mounting overdues in cooperative credit institution, lack of mobilisation of internal resources and over-dependence on Government assistance, lack of professional management. bureaucratic control and interference in the management, political interference have proved harmful to their growth. Predominance of vested interests resulting in non-percolation of benefits to a common member, particularly to the class of persons for whom such cooperatives were basically formed, has also retarded the development of cooperatives.

Legal and tax treatment - In some countries, government support is based on the important role of the agriculture industry as a source of exports and hard currency. Government support often comes in the form of import restrictions, tariffs, and quotas. In India however, there is no threshold limit for taxability of income of a cooperative society. Some deductions are available when a cooperative is engaged in any of the specified activity like cottage industry, marketing of agricultural produce grown by its members, supply of milk, oil seeds, fruits or vegetables grown by its members to a federal cooperative or to the Govt or local authority or a Govt Company or a statutory corporation

– the whole of the amounts of profits and gains of such business is deductible. Further, income by way of interest or dividends are also fully deductible. However, it is seen that none of the State Cooperative Acts specify appointment of CFO with prescribed qualification and the cooperatives also do not follow a strong process for Tax Management to ensure Tax Compliance as well as Tax Reduction. Hence low governance structure is one of the key reason for misappropriation of funds.

Limited reach to equity capital: Cooperatives in India have not benefitted from broad access to the capital markets as they are fragmented and their limited size. In addition to that unprofessional management structure along with complex operating procedures make it difficult to access public finance.

Volatility in membership- members of cooperatives who are both suppliers as well as customers remain with the same cooperative as long as its economically beneficial to them. There is volatility in membership and people keep on changing cooperatives. Since this change in number of members could leave the cooperatives without sufficient volume of profitable business to service its debt, hence stability of membership is a key rating factor. This risk may be reduced if there are few other outlets for the profitable sale of the members' produce, making it impractical for members to leave the cooperative. In addition, cooperative members if bound by multi-year exclusive marketing agreements and bylaws then it would be more difficult or costly for members to leave.

Highly political nature. - Cooperatives are often very political organizations in which the owners are also the suppliers and customers of the organization. The same cooperative could be comprised of members representing different constituencies (e.g. grain farmers and livestock producers) and from different producing regions. Management and boards of directors often consist largely of members, since there tends to be an inability or unwillingness to have outside directors on the board. Such conflicting interests can impede board oversight, as well as make it more difficult to achieve management consensus and to institute necessary changes. The quality of board governance and management execution, as well as their ability to react to market forces, are important credit considerations.

Operational complexity- The businesses and markets in which cooperatives compete can be very diverse. Some cooperatives have relatively focused operations while some combine very different kind of businesses. In addition, many cooperatives routinely enter into joint ventures with one another and with non-cooperative firms. Some cooperatives regard joint ventures as a way to gain efficiencies without the political challenge of combining entire cooperative structures. However, they also result in complex operating structures that provide limited control and may be difficult to manage. For example, when a joint venture takes on debt, its cash flows must be used first to service its own debt before cash is upstreamed—and often only then by agreement among the joint venture partners.

Management quality and experience - Cooperatives often face stiff competition from organised players who have the experience of marketing, distribution and other aspects of business in a large scale. Experienced and professional people are usually not there because of compensation packages as well as unprofessional management.

In India fragmentation of cooperatives is a big challenge as they are relatively small in size with continuous churning of members. As a result, processing efficiency decreases and it is more difficult to implement change or manage member dissent.

Cooperative Gradings:

Presently Coperative Gradings are prevalent in the market though not as popular as it should be. It tries to bring in evaluations of cooperatives. For doing Cooperative Sector gradings, technology plays a key role in facilitating the data collection and number crunching needed to generate sector gradings.

Cooperative Grading are coming of age in a time of rising levels of consumer literacy. Surveys consistently show that farmers/ consumers rely heavily on friends and family when making decisions. With social networking and global connectivity, some of these family and friend referrals will include a wider network and will increasingly rely on quality grading retrieved from multiple sources. Government, non-profit and private organizations are building public-private collaborations focused on the development of a nationwide system.

Multi-disciplinary projects' implementation essentially calls for scanning of appropriate skills and expertise. Reaching out to the unreachable is still a challenge. It, therefore, emerges as a necessity to ensure last mile connectivity by reaching out to the Co-operative Sector. There is a need to help them to reap the benefits of the economic growth of our country i.e for real and genuine financial inclusion to materialize these vulnerable groups should also be sharing the prosperity and wealth of our economy. Financial inclusion is an instrument of prosperity shared equitably and justly. Financial inclusion is for building economic democracy and for providing economic justice.

In the present context Cooperative rating is important because it can:

- Bring co-operative sector in main financial frame work of economy.
- Helps Developers in positioning the project in a crowded unorganized market and benchmark themselves against competition.
- Helps Investors & Lenders of the project to access an independent opinion about the risks involved in the members' ability to deliver as per the agreed timelines and quality standard
- Helps Alliance Partners, such as contractors find easy acceptance among various stakeholder.
- Facilitates pricing and credit decisions
- Improved availability of credit at better terms and conditions.

The main factors to focus on are:

- Financial and Non-financial analysis.
- People.
- Resources and asset quality.
- Organization structure.
- Value creation.
- Efficiency in operational and financial management.
- Nourishment for growth.

Methodology

This paper is an attempt to develop the rating methodology. At the beginning the rating factors are being identified and then a scoring methodology is being developed. A detailed discussion follows:

The rating methodology has been derived based on four major factors. These are:

1. Scale and diversification
2. Franchise strength and growth potential
3. Financial flexibility
4. Financial policy and financial ratios

Any change in one or more of these factors is likely to influence the overall business and financial risk assessment incorporated into a rating.

Measurement of key rating factors

In order to gauge performance on each of the four factors we refer to the measurements on each of the four factors. The measurements can be referred as sub-factors or metrics. In total 18 sub factors are derived and then we map the range of potential outcomes for each sub-factor to the possible rating outcome. In addition, analytical adjustments are also made. After identifying the measurements for each factor mapping is done on the range of potential outcomes for each sub factor to a rating category (like AAA, AA, A, etc.). There can be some cases where an extra-ordinary performance can make one sub-factor score much higher than others making the cooperative an outlier. These are special cases where case on case basis adjustments are necessary. To determine the final rating a scoring methodology is used. Each of the 18 sub factors are converted to a numeric value based on a particular scale. The lowest numeric value is assigned to the highest rating AAA while the highest is assigned to the lowest rating scale D. Then a sub-factor weight is derived which is then multiplied with the numeric value to arrive at a weighted score. Sum would give the total score. And accordingly, rating is assigned.

Since it's an eight- point scale with three categories in each scale upto B hence scoring is marked with the following numbers:

Sub- factor Rating	AAA (+ to -)	AA (+ to -)	A (+ to -)	BBB (+ to -)	BB (+ to -)	B (+ to -)	C	D
Value	1	3	6	9	12	15	18	20

The following weights are given based on the subfactors. A weighted average will give the final score.

	Rating Factor	**Sub- factors**	**Weightage**	**Cumulative sub-factor weighting**
1	Scale & Diversification	Total sales	5%	25%
		Geographic diversification (in sales)	5%	
		Geographic diversification (in raw material)	5%	
		Segmental diversification	10%	
2	Franchise strength & growth potential	Market share	5%	20%
		Organic volume growth	5%	
		Qualitative assessment of portfolio	10%	
3	Financial Flexibility	Willingness to give member payments and impact	5%	10%
		Liquidity under stress	5%	
4	Governance, Financial policy & ratios	Financial policy	5%	45%
		FFO/ Net debt (3 year average)	5%	
		FFO/ Net debt (3 year worst)	5%	
		Debt/ EBITDA (3 year average)	5%	
		Debt/ EBITDA (3 year worst)	5%	
		RCF/ Net Debt (3 year average)	5%	
		RCF/ Net Debt (3 year worst)	5%	
		EBIT/ Interest (3 year average)	5%	
		EBIT/ Interest (3 year worst)	5%	
		Total	100%	

FFO- Funds from Operations
RCF – Retained Cash Flow
EBIT – Earnings before Interest & Tax

The total score will be derived on weighted average and then overall rating will be assigned based on the range where the final score falls. Table below illustrates that.

Rating Category	Indicated score range
AAA	≤1.50
AA	≥1.50-4.49
A	≥4.50- 7.49
BBB	≥7.50- 10.49
BB	≥10.50- 13.49
B	≥ 13.50-16.49
C	≥ 16.50-19.49
D	≥ 19.50-20

The key rating factors

1. **Scale of operations (measured by total sales)**

A higher sales volume helps any cooperative to leverage costs. It also encourages relatively more clout with suppliers and customers.

Diversification has three main issues- (a) diversification of products and product segments, (b) geographic diversification which always helps to manage risk better and (c) geographic diversification of raw material supplies which helps in times of crisis as well as bring price advantage.

These together help the cooperative to mitigate demand risk and to take care of unseen circumstances. Diversification in product varieties help in distributing product revenues however expansion into products just for the sake of diversification and where the cooperative doesn't have strength will not help in the long run. Hence care needs to be taken while diversifying.

2. **Franchise strength and growth potential**

In the long- term franchise strength leads to greater earnings stability, higher profit margins and better debt-service capacity. Strong market share gives a cooperative better pricing power and more favourable cost and margin conditions. Along with that it's important to see the market share trend. In more mature markets, a growth rate of just a few percentage points may be considered a sign of relative strength; however, in developing markets, organic growth rates are likely to be much higher if the product category is expanding. Moody's focuses on organic volume growth rather than on revenue growth, since the latter is likely to reflect the volatility of commodity prices. It is important to note that strong volume growth is not always a positive indicator as it may imply volatility in demand or high price elasticity that could jeopardize profitability and member. Image building or brand building is a continuous process and it takes time to establish a brand. It is to be seen due to brand building exercise how much of recall is there and whether in times of crisis sales of the product can maintain sustainability.

Government Protection and Support

In some circumstances, cooperatives may benefit from a favorable business environment because of government protection from competition through import tariffs or quotas, for example. Where they exist, such protections can help generate higher and more stable earnings and cash flow. The degree of benefit created by natural and regulatory barriers to competition can be a critical component of a cooperative's franchise strength.

Qualitative assessment also plays a significant role in carrying out the rating exercise. These sub factors in total carry 20% weightage with more weight towards qualitative assessment of portfolio.

3. Financial Flexibility

The fundamental to credit worthiness remains in the ability to generate cash as well as retain it in sufficient amount so that debt service obligations are met. However, it is seen that cooperatives do not try to retain cash. They instead sell inputs to members at the lowest price and try to sell as much product as possible to return cash to its members. Because a cooperative board can often legally dictate how much it will pay for members' produce, a significant portion of many marketing cooperative's cost of goods sold—and indirectly its cash flow—is theoretically a variable under the cooperative's control. Additionally, because these member payments are generally subordinated to other debt service obligations, a reduction in member payments can materially increase the amount of cash flow available to service debt. Hence at times of financial stress it is important to see the cooperatives' ability to retain cash by reducing member payments. It is also seen that most of the times cooperatives are not being able to pass on the price volatility to consumers. Instead the producers suffer more. Change in input cost also affects the working capital cycle as well as the requirement. Also, information availability to members in most of the case is an issue. Hence raw material price fluctuation is not expected by members and no hedging measures are also taken. All these together make it difficult for cooperatives to sustain business as well as service debt. Hence the two most important factors to understand financial flexibility are:

a. Willingness and ability to pay back members and its impact on liquidity
b. Ability to manage liquidity under stress

Both together a weightage of 10% is given.

4. Governance Structure, Policy and Financial Ratios

Most of the times cooperative societies have weak governance structure and policies are not laid down properly. The representation on boards are mostly questioned and financial policy mostly looks at maximization of members return. But due to unprofessional way of managing things and unclear policies most of the time cooperative accounts are not handled properly. Hence it is important to lay down the policies on member income distribution, growth through acquisition or joint venture and financial matter handling at times of crisis. Positive rating factors would be:

a. Financial policy that safeguards interests of debt holders and members
b. Conservative leverage policy to yield healthy cash-flow to debt ratios
c. Stable financial ratios
d. Commitment to repay debt after acquisitions / expansion.

The major measurement criteria for financial ratios are:

a. FFO/ Net Debt
b. Debt / EBITDA
c. RCF/ Net Debt
d. EBIT/ Interest

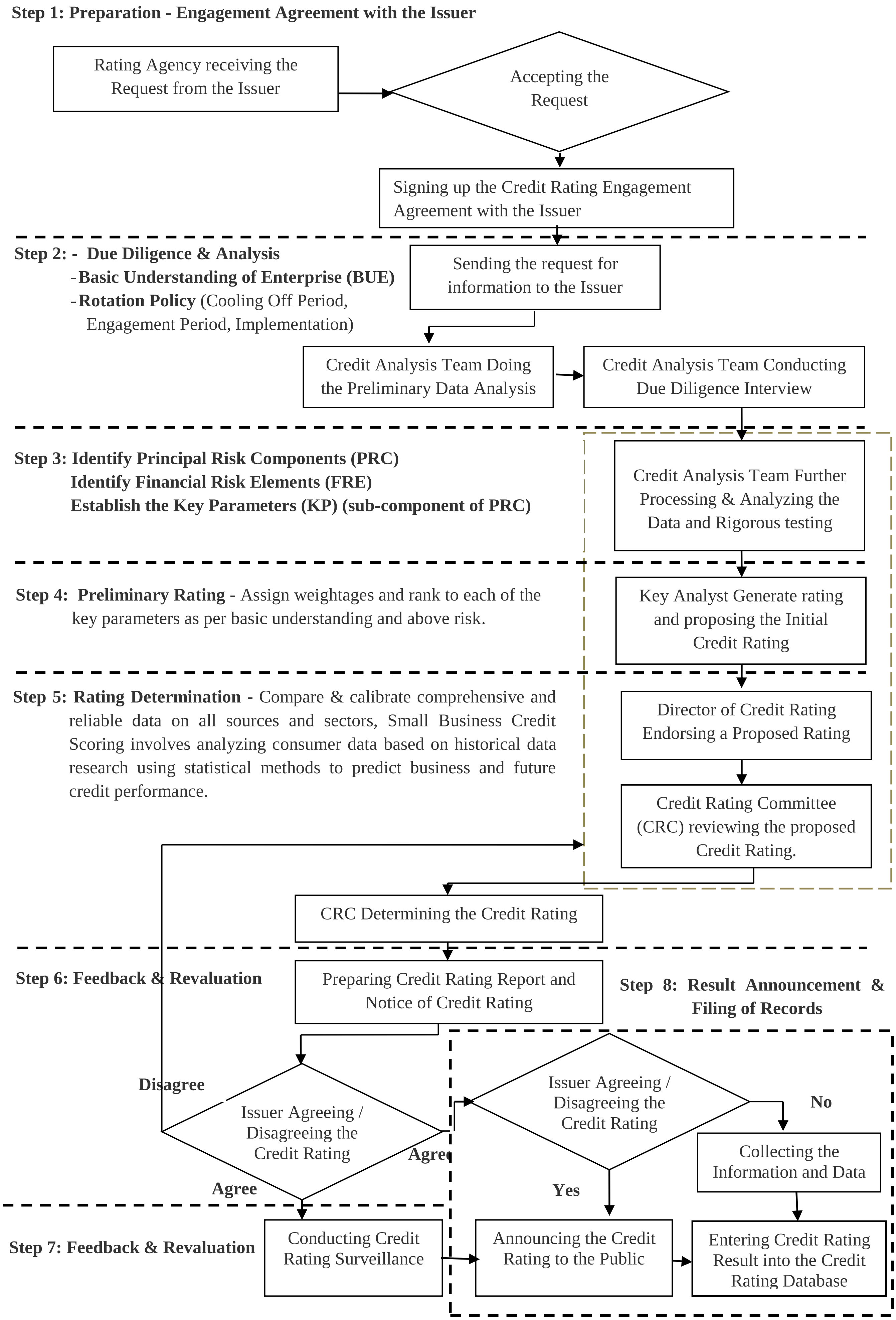
The range of the ratios need to be decided while working on a number of cases and most importantly financial policy and governance need to be looked into in details. Each of the ratios carry a weight of 5% making total to be 45%.

Other than these major 4 factors there are some more factors which also need to be seen. Rating is not only a function of looking into only the financial ratios but also to judge various internal factors and to understand the intention of the management. Hence not only quantitative factors need to be taken into account, but also qualitative factors are to be considered. Sometimes cooperatives are seen to do over- advancing to its members. Usually whenever in need members take advances and there is hardly any policy to repay on time. Hence repayments are irregular leading to extended debt cycle. Plus, most cooperatives do not have processes laid down to codify the advance practices. Cooperatives often use bank borrowings to finance timing differences between produce payment advances and the receipt of proceeds from the sale of products.

The weights assigned to various factors have been divided into quantitative and qualitative issues which has been determined by looking into different cases prevalent across the globe. However qualitative factors always take more weightage than quantitative factors.

Now, once we know the key rating factors and after developing the scoring methodology we summarise the rating process and look at the flow diagram. The process is given in the following diagram. Post that Internal Control mechanism of the rating company is also discussed in order to comply with the regulations prevalent in India.

CREDIT RATING PROCESS



Internal Control Mechanism

Credit Rating Committee

- **Credit Rating determined by a rating committee.**
- **Position and Responsibility of Credit Rating Committee (CRC).**
  - CRC is the highest authority to approve credit ratings.
  - Credit Rating committee have a chairman. The role of the chairman includes ensuring that the rating committee:
  - The CRC should ensure the rating process is rigorous, independent and that the assigned credit rating is objective and fair.
  - Endorse the credit rating system, rating policy and rating principles.
  - Endorse the credit rating methodologies, index systems, rating procedures and standards of the company.
  - Endorse the original rating and surveillance rating.
  - Review rating results to ensure accuracy and stability of the credit rating assigned.
  - Rating are based on information obtained from sources and believed to be accurate and reliable.
  - Rated entities or related third parties to provide information that is true, accurate, timely, complete and not misleading.
- **Composition of the CRC**
  - The CRC is composed of a minimum of five members.
  - The CRC chairman is elected by the board of directors for a term of three years and can be re-elected.
    - Is properly constituted;
    - Appropriately applies rating criteria.
    - Reviews all relevant information and materials.
    - Complies code of conduct, related policies and procedure.
    - Reaches rating decision absent extraordinary circumstances.
  - The CRC members are appointed by CRC Chairman for a term of three years and can be re-elected on a rollover basis.
  - CRC members may resign, and can be added, replaced or dismissed by the CRC chairman.
  - The CRC Secretary is nominated by the CRC chairman. The CRC secretary is the contact person for CRC members, responsible for issuing meeting notices, taking meeting minutes and the filing of CRS documents.
- **Qualification of CRC members**
  - The responsible Officers, senior credit analysts and external experts are eligible candidates for CRS Members.
  - CRC members should have solid working experience in credit rating and the ability to make independent, objective and fair judgment. CRC members should understand the credit determinants, credit rating procedures and methodologies.
- **Major Responsibilities of CRC Members.**
  - Show credit rating directions, advise on policies and approve working procedures of credit rating activities.
  - Express independent views and cast votes to determine the final credit rating of a Rating Target at CRC meetings.
  - Discuss and determine credit rating results at CRC meetings.
  - Keep all information of CRC meetings and of any rating target confidential.
  - Confidential information obtained to carry out any illegal and insider dealings.
  - Disclose and avoid conflict of interest situations.
  - Should read with due care the meeting papers and credit rating reports prior to the respective CRC meeting.
  - Exercise due diligence to carry out the CRC duties.
- **CRC Meetings.**
  - Mode of CRC meetings.
  - Matters to be discussed at CRC meetings.
  - CRC voting mechanism
    - Credit Rating will ultimately be determined by CRC members by way of voting.
    - The voting result is based on the simple majority rule. The final voting result of a Credit rating will announced by the CRC Chairman who will sign off the voting result paper.
  - Re-evaluation system

Conflicts Avoidance System

- **Measures of Conflicts Avoidance.**
  - Before signing an engagement letter with a rated entity, check if any of the following conflict of interest situations may exist.
    - Rating agency and Rated entity are under common control
    - Rating agency and Rated entity have common shareholder(s) or director(s).
    - Rated entity or its ultimate holding company directly or indirectly owns shares of Rating agency
    - Rating agency or its holding company directly or indirectly owns more than 5% in the shares capital of a rated entity.
    - Rating agency buys or sells shares of the rated entity within three months before the commencement of the rating service provided by the Rating agency.
    - Rating agency's director or analyst holding any amount of the respective rated entity's shares.
  - Any of the foregoing disclosures or conflict avoidance situations exists, the connected Rating agency's directors and staff who are involved in the Credit Rating project should by their own initiatives report to the MD. As for those who are involved in a credit rating project as Project Approver, Credit Rating Committee member, Responsible Officer or Compliance Officer, it is their responsibilities to report to the Managing Director on the existence of any situations requiring disclosure or avoidance.
  - Any conflict of interest existing and cannot be avoided, Rating agency should decline the engagement request. And at the time during a credit rating engagement, If a conflict of interest situation arises with the rated entity, Rating agency should immediately halt the rating work, explain to the rated entity, take remedial actions and depending on the circumstances, may terminate or suspend the rating engagement.
- **Staff Conflict Avoidance Management Measures.**
  - Holds shares in the rated entity or its ultimate holding company when rating of the rated entity is under way.
  - Is the Managing director, supervisor, responsible person, auditor, legal counsel, financial consultant or financial services provider of the rated entity.

Rotation Policy

To comply with the Code of Conduct for Persons Providing Credit Rating Services and Futures Ordinance for the avoidance of any actual or potential conflicts of interest between a rating analyst and a rated entity or its related third-party due to a long-standing working relationship. Gradual rotation of credit analysts on a rated entity rating is carried out according to the following defined periods:

- **Cooling Off Period :** a continuous 2-year period during which a rating analyst did not:
  - In relation to a rated entity, engage in credit rating activities with respect to the applicable rated entity; OR
  - In relation to a related third party, have Interaction with such related third party.
- **Engagement Period / Time On Period:**
  - Each key analyst in relation to a rated entity, The current Time On Period begins:
    - The effective date OR the date after the effective date that such persons initially becomes a key analyst or, after a Cooling Off Period, recommences as a key analyst; and ends:
    - On the date such person ceases to be involved in credit rating activities in any capacity with respect to that rated entity.
  - Each key analyst in relation to a related third party, the current Time On Period begins
    - The effective date OR the date after the effective date that such persons initially has or, after a Cooling Off Period, recommences Interaction with the related third party as a key analyst; and ends:
    - On the date such person ceases to have interaction with such rated third party.
- **Implementation:**
  - **Key Analyst:** Each rated entity, a project team of credit rating analyst is setup, and at least one key analyst is assigned to be in-charge of and is involved in the credit rating analysis of the respective rated entity. The maximum Engagement Period of a Key analyst with respect to the rated entity or the related third party is four year.
  - **Quality Assurance Analyst :** An analyst involved (maximum 5 years) in rating the respective rated entity, takes up the role of measuring rating, results, assessing rating processes and choose rating standards.
  - **Director of Credit Rating :** Person who approves the initial credit ratings proposed by the key credit rating analyst before the final credit ratings are approved by the Credit Rating Committee. The Director of Credit Rating is neither a key analyst nor a quality assurance analyst.
- **Rating Methodology reviewer.**

  Non-executive Directors or external experts such as relevant university professors will be invited to help review the existing rating standards and methodology regarding their validity and effectiveness in a changing market from time to time.

Record Keeping Policy

All records should be maintained by the Rating agency and strict confidentiality agreement should be maintained. Things to be disclosed to the regulatory commissions should be strictly complied with.

Press releases should be given in website. All communication details are to be maintained.

The cooperative societies which can be covered by the rating process are:

Credit Societies

- State Cooperative Banks (SCBs);
- Central Cooperative Banks (CCBs);
- Industrial Cooperative Banks (ICBs);
- Primary Agricultural Credit Societies (PACS);
- Grain Banks (GBs);
- Primary Cooperative Banks (PCBs);
- Primary Non-Agricultural Credit Societies (PNACS);
- State Cooperative Agricultural and Rural Development Banks (SCARDBs) and
- Primary Cooperative Agricultural and Rural Development Banks (PCARDBs).

Non-Credit Societies

- All Marketing Societies (National & State, Central and Primary);
- General Purpose Marketing Societies;
- Fruits & Vegetable Marketing Societies (Primary);
- Arecanut Marketing Societies (Primary);
- Coconut Marketing Societies (Primary);
- Sugarcane Marketing Societies (Primary);
- Tobacco Marketing Societies (Primary);
- Cotton Marketing Societies (Primary);
- Other Specialised Commodities Marketing Societies (Primary);
- All Processing Societies (National & State, Central and Primary);

- Processing Societies:Sugar Factories, Cotton Ginning and Pressing, Oil Crushing, Paddy Processing,Rice Mills, Milk Supply, Poultry, Live Stock, Fisheries, Weavers;
- OtherIndustrial Societies;
- Spinning Mills;
- Sugar Mills; etc.

Cooperative Banks

Despite grading been prevalent in India for close to 40 years, and the Urban Cooperative banks accounting for 10% of the banking sectors deposits, grading agencies have ignored Cooperative banks and Agricultural Credit Societies etc. This severely impacts their ability to access credit and provide services to their members.

Benefits of Performance and Credit Rating

- An independent, trusted third party opinion on capabilities and credit-worthiness of co-operatives
- Availability of credit at attractive interest
- Recognition in global trade
- Prompt sanctions of Credit from Banks and Financial Institutions
- Subsidized rating fee structure for co-operatives
- Facilitate vendors/buyers in capability and capacity assessment of co-operatives
- Enable co-operatives to ascertain the strengths and weaknesses of their existing operations and take corrective measures

This paper is an attempt to develop the rating / grading methodology and brings forward the benefits which in turn facilitates financial inclusion as well as promotes discipline in the system.

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Keywords:

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