Chapter-II

OBJECTIVES AND METHODOLOGY

For convenience, this chapter is divided into 2 sections. Section-I presents the objectives and methodology of the study besides hypothesis and etc., required to carry out are indepth research with and Section-II discusses certain Reviews of Literature.

Section-I

Research in any science requires certain objectives and methodology to carry out the study in a systematic process, with its significance. So, this section deals with them along with the Hypothesis predicted. Further, the problem of the study, scope and limitations as well as plan of the study are also presented in this Section-I.

II.1.1 SIGNIFICANCE OF THE STUDY

The study assumes greater significance in the absence of similar study or studies pertaining to Primary Agricultural Credit Societies in Guntur District. This study is relevant particularly when the government aims at promotion and development of capital sharing and labour intensive societies. In spite of several ways of support extended to these societies by the government, these societies are not performing up to the expectations as they are cob webbed with manifold problems.

The importance of present study is to emphasize the fact that different problems are very much in store in these societies and that this study aims at the dissolving the varied problems of these societies. So far, many have conducted studies which are on place and the role of Primary Agricultural Credit Societies in a developing economy with reference to India. However, there has been little attention paid on these problems. Though there are certain studies which have probed into the problems of PACS Units they are conducted prior to enunciation of New Agricultural Policy & Economic Reforms, 2012. The present study endeavors to throw light on the varied problems of PACSs during the post implementation of New Agricultural Policy & Reforms. Further, this study facilitates the policy makers in the formulation of certain new policies in the light of changed conditions to resolve the problems of Primary Agricultural Credit Societies. The study also finds out certain new areas which are opened for future research.
II.1.2 PROBLEM OF THE STUDY

It is an established fact that the Primary Agricultural Credit Societies have been the hub for many economic activities in developing countries by virtue of their special features of capital sparing and labour intensiveness. In fact, the Primary Agricultural Credit Societies have a major role to play in developing nations which suffer from low capital formation and high growth of population. Realizing the important role of the Primary Agricultural Credit Societies, the Government of India has taken several measures for their promotions and smooth functioning, and allocated crores of rupees for its development during the plan periods. But to the dissatisfaction of many, including government agencies, the sector has not been working satisfactorily owing to different problems faced by the Primary Agricultural Credit Societies, both at the promotional and operational levels. Against this backdrop, the present study has been taken up to assess the working performance of PACSs analyzing the problems faced by them. To carry out the study on sound lines, it is hypothesized that the PACSs suffer from more than one problem.

Before carrying out an indepth survey, the researcher has conducted a pilot survey to understand the perceptions of the sample. Basing on the responses extracted from pilot survey, the researcher has predicted the following hypothesis.

II.1.3 HYPOTHESIS OF THE PRESENT STUDY

1. There is Negative relationship between the waiving of loan and mounting up of overdues.
2. The performance of the PACS has been increasing satisfactorily.
3. PACS lending sufficient amount of loan to the members to meet the agricultural needs.
4. All members of PACS are utilising the loans only for agricultural purpose.
5. The members of the PACS do not depend on non-institutional agencies for their agricultural credit.

To test the validity of the hypothesis, the Primary Agricultural Credit Societies, working societies of Guntur district are selected for study. To avoid any ambiguity in dealing with the hypothesis and to organize the survey comprehensively, the objectives of the study are adopted.
II.1.4 OBJECTIVES OF THE STUDY

The principle objective of the study is to identify the problems encountered by Primary Agricultural Credit Societies and to suggest suitable measures that would resolve the problems. The specific objectives of the study are:

1. To study the Evolution and Growth of Primary Agricultural Credit Societies.
2. To study the Reports and Recommendations of various Commissions.
3. To study the present status of Primary Agricultural Credit Societies in Andhra Pradesh and Guntur District.
4. To examine the Trends in the Lending and Recovery Performance of the sample PACSs.
5. To analyse various problems faced by sample units in Guntur District under reference.
6. To trace out the causes for unviability and loss of sample PACS, and;
7. To suggest such measures that deem fit based on the identified deficit areas to resolve the Problems of the Primary Agricultural Credit Societies.

II.1.5 METHODOLOGY OF THE STUDY

Statistical Data has been collected from primary as well as secondary sources. In order to collect primary data, a questionnaire has been canvassed. Before collecting the data, a pilot survey has been made and basing on it, slight changes are made in the questionnaire, than the data collected. The primary data is collected by the researcher personally. As the respondents do not have adequate knowledge to answer the questions in the questionnaire, many hardships are faced to collect the accurate data.

Secondary data has been collected from the records of Guntur District Co-operative Central Bank (GDCCB), Andhra Pradesh State Co-operative Bank (APCOB), and National Federation of State Co-operative Bank Limited (NAFSCOB).

The data for the study is as chronological data by taking 2004-2005 to 2011-2012 as study period because the year 2004-05 is the year of merging the unviable and viable PACS as one group in Guntur District. Whereas, the data taken for the
study related to the whole nation and state of Andhra Pradesh is from 2002-2003 to 2011-2012.

Statistical tools such as percentages, tables and diagrams are used to analyze the data. Further, in order to estimate the growth of different variables, simple growth rate are calculated by using the following format.

Simple growth rate = (current year - previous year / previous year) x 100

Advanced statistical technique, least square method is also used to find out the growth rate.

\[ Y = a + bT \]
\[ T = \text{Time, } T = T_1 - T_0 \]
Where \( T_1 = \text{Current Year} \)
\[ T_0 = \text{Base year (2004-2005)} \]
\[ Y = \text{Estimated value} \]
\[ a = \text{intercept} \]
\[ b = \text{Growth Rate} \]

In order to find out the trend by least squares methods, SPSS (Statistical Package for Social Scientists) in used. In order to find the least square equation the base year \( (T_0) \) is taken as 2003-2004.

II.1.6 SELECTION OF SAMPLE

The present studying is a sample study, Guntur District of Andhra Pradesh State in India has been selected for study. Guntur District covers three revenue divisions such as Tenali Revenue Division, Guntur Revenue Division and Narasaraopet Revenue Division. Altogether there are 167 PACSs in three revenue divisions. Our of 167 PACSs, 10 per cent i.e., 17 PACS are taken as sample by simple random technique, which cover 8 PACS in Tenali Revenue Division, 5 PACS in Guntur Revenue Division and 4 in Narasaraopet Revenue Division. The selected PACS are given in the following table.
Table-II.1
Sample PACS Villages in Guntur District, Andhra Pradesh

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Tenali Revenue Division</th>
<th>Guntur Revenue Division</th>
<th>Narasaraopet Revenue Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>8</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>

These 17 selected PACS which are random the selected cover the following percentage of their respective PACS in the respective revenue divisions.

Table-II.2
Percentage of sample of Revenue Division in the total sample in Guntur District

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Revenue Division</th>
<th>Total PACS</th>
<th>PACS selected as Sample</th>
<th>Percentage of Sample PACS in the total PACS (Sample PACS in Revenue Division / Total PACS Guntur District) x 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tenali Revenue Division</td>
<td>75</td>
<td>8</td>
<td>47.05</td>
</tr>
<tr>
<td>2</td>
<td>Guntur Revenue Division</td>
<td>48</td>
<td>5</td>
<td>29.41</td>
</tr>
<tr>
<td>3</td>
<td>Narasaraopet Revenue Division</td>
<td>44</td>
<td>4</td>
<td>23.53</td>
</tr>
<tr>
<td><strong>Grand total of PACS</strong></td>
<td><strong>167</strong></td>
<td><strong>17</strong></td>
<td><strong>100.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

Out of the total sample (17), Tenali Revenue Division covers 47.06 per cent, Guntur Revenue Division covers 29.41 per cent and the remaining 23.53 per cent are from Narasaraopet Revenue Davison. Sufficient cover has been taken to give respective priority in taking the sample.
Totally 250 respondents from the selected PACS of Guntur Division are selected as sample to get the primary information relating to performance of PACS. Sample are taken as per the weight age percentage relating to sample Revenue division in total sample of the district while selecting the respondents, sex, age, case, education, marital status, family type members of the family, land holdings, and economic parameters are taken into account.

II.1.7 SCOPE OF THE STUDY

The present study relating to the problems and prospects of Primary Agricultural Credit Societies in Andhra Pradesh with special reference to Guntur District, Andhra Pradesh is based on empirical analysis. Required data is obtained from the Primary Agricultural Credit Societies in Guntur District. The Present study is therefore, confined to the Primary Agricultural Credit Societies which are registered with GDCCB, Guntur by the end of the March 2011-2012.

The study covers a period of 10 years from 2002-03 to 2011-12. This period is chosen mainly to know the impact of Liberalized Agriculture & Economic Reforms 2012 on Primary Agricultural Credit Societies. Thus, the period from 2002-03 to 2011-2012 is considered to be a reasonable one to analyze the various problems faced by PACSs. To study the opinion of the Societies on various problems faced by them the basic year 2011-2012 is chosen.

II.1.8 LIMITATIONS OF THE STUDY

1. The study has not covered all the Societies of population.
2. A number of sample societies which have not been traced, the societies closed down and societies which were denied to give information were dropped from the analysis.
3. The information regarding their working, borrowing, share capital, financial aspects and Lending and Recovery position are from the vagaries of the memory as the societies have not maintained proper book of accounts. All efforts were made, however, to extract the correct information through informal discussions with the societies, and
4. The secondary data presented in different chapters have not been uniformed due to non availability of data.
II.1.9 PLAN OF THE STUDY

The study is organized into 7 Chapters;

Chapter-1 Presents the Growth and Evolution of Cooperation and Agricultural Cooperative Credit Structure besides the status of PACSs in India. Further the significance and role of PACSs in providing credit to the formers are also discussed.

Chapter-2 Outlines the objectives and methodology of the study as well as a brief survey of current literature and reports of various committees.

Chapter-3 Deals with growth of Co-operative Movement in Indian scenario, and International scenario.

Chapter-4 A brief review about Co-operative Movement in Andhra Pradesh.

Chapter-5 Presents the Performance of sample units of PACSs in Guntur District of Andhra Pradesh.

Chapter-6 Reviews the problems & opinions of the borrowers of Guntur Primary Agricultural Credit Societies.

Chapter-7 Outlines the Suggestions that deem fit to recognize and streamline the functioning of PACSs on sound lines in Guntur District of Andhra Pradesh.

Section-II

To carry out an indepth research in any area of any science, it is very essential to review various books, journals, magazines, research projects etc., and related to his/her area, so that the researcher may acquire comprehensive understanding of his work. Hence, the researcher has surveyed various books, journals, magazines etc., and by eminent authors, scholars and reviewed a few of those works and also Reports of various committees on co-operative movement are also discussed in this section.

II.2.1 REVIEW OF LITERATURE

Research in any social science is a continuous process. So, to acquire comprehensive understanding of credit structure particularly of PACSs previous studies, research projects, books and articles in magazines and journals worked out by eminent authors and writers are reviewed and a few of them are presented besides the reports of various committees.
Madhava Das, K. (1960)\(^2\) in his book, ‘Co-operative Movement in India’, observed since 1904, the Indian co-operative movement has sometimes faced ups and downs and the small percentage of even the credit needs of cultivators which it has so far met. Writer is confident in the possibilities of co-operation is unshaken and hopeful that once its technique has been mastered, cooperation in India will advance from strength to strength. Author suggested valuable suggestions to overcome the deficiencies or weaknesses founds in Indian co-operative movement to serve people of the country through the healthy growth of the co-operative movement.

Mohinder Singh (1967)\(^3\) article presented in the conference organized by the International Co-operative Alliance, Education Centre for South East Asia and had its main theme, “the problems of agricultural co-operative credit”.

Datar, D.R. (1969)\(^4\) in a paper discussed the Place of Co-operation in India’s Economy. Co-operative movement in India since independence has made a remarkable progress and it became the backbone of rural economic activities. Researcher intended to measure the contribution of co-operative movement in Indian economy in the context of independent India. In this paper, researcher made available statistical information for different years and for some of the sectors of co-operative activity such as credit, marketing, processing, sugar production, consumers and industrial co-operation etc., compiled and presented in tabular form along with corresponding information for the whole country. Percentage turnover of co-operative sector to total turnover of the country has also been worked out. This statistical information reveals the place of cooperatives in Indian economy, position, necessity and focus on trends of progress.


Dubhashi, P.R’s (1969) in his Paper “Strategy of Co-operative Development” explained that the stages of the evolution had always been thought of by social thinkers i.e., Karl Marx and Rostow. As the co-operative movement spread to different countries in the world displays different history. It is clear that cooperative movement has different origins and different lines of development. Under the impact of economic development, as a whole and under the pressure of economic events the co-operative movement found its own starting point. The Author also explained that the possibility of co-operative development originating in one of the sectors of the economy like the distributive sector or the marketing sector and spreading itself over through a kind of a general process to other sectors. As well as, possibilities of a fruitful inter-co-operative relationship depend on the development of internal economic strength within the particular sector. He opines that the progress of the co-operative movement in India measured with the increasing numbers of co-operative societies. Concern to Indian co-operative movement author discussed various aspects of the development i.e., leadership and administration.

Catanach, I.J.’s (1970) book emphasized primarily on historical development of the co-operative movement and drew on an extensive range of economic and anthropological materials. The book presents the rural credit and the co-operative movement in Bombay Presidency during the period of 1875 to 1930.

Bedi, R.D. (1971) in a comprehensive study of co-operative movement under the title, “Theory, History and Practice of Co-operation”, studied not only Indian co-operative movement but also gave some examples of success of other countries of the world where co-operative movement flourished.

Memoria, C.B. and Saksena, R.D’s. (1973) in their book, “Co-operation in India” is an analytical, comprehensive and more critical appreciation of the changing pattern of diverse aspects of Indian co-operative movement. The book is discussed under twenty three chapters to touch every aspect of the economy. Indian economy is
an agrarian economy where more than sixty per cent of population depends for its sustenance on agriculture. Authors think that there is still vast scope for the application of co-operative activities. They presented a brief concern to agricultural background and to rural areas. Authors focused on rural indebtedness and rural credit, and opined that to make free the cultivators from the clutches of money-lenders and to get them the best price for their product and to improve their living standard co-operatives can do best. In the present book, author discussed the history and growth of co-operative movement, co-operative credit structure (agricultural and non-agricultural), their functions, and progress and also mentioned some valuable suggestions. He endorsed this remark that if the face of rural India is to be changed, co-operation in its various phases must permeate deeply into the life of Indian villages for co-operation is very important for the very existence of Indian agricultural and their emancipation from the present situation.

Saxena, K.K. (1974)⁹ in his article, “Evolution of the Co-operative Thought” is a comprehensive study. It is a systematic attempt to understand and evaluate the theoretical consideration which influenced the evolution of co-operative thoughts. Author analyzes various trends which emerged as a result of the influence on economic and social factors. It is also illustrated the expansion of co-operatives from the developed and developing countries. In the study, author focuses the dynamic character of the principle of co-operation and assigns co-operation the status of an emerging economic system.

Author examines the progress of co-operative movement, managerial and operational aspects of the co-operative organizations at all levels. Author has given stress on the programme of co-operative training and education, supervision and inspection of co-operatives and community development programme. The study shows the correct path to follow on the previous historical background, which is necessary for the sustainable development of the co-operatives in India.

The study is concerned with the evolution of administrative history, policy and politics of time with the personal tricks of officials, but it reaches down to the grass roots. As well as he made a special study of non-official co-operative leadership in

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Western India at a time, when leadership was increasingly affected by nationalist politics of caste challenge. Author has presented the comparable study of development of three separate areas - Gujarat, Maharashtra, and Karnataka.

Author discusses a review of development in the countries of South-East Asia which brings out certain elements that may enable co-operatives to acquire necessary vitality for playing an important role in the growth of agriculture. These are there should be a well-developed extension service, supported adequately by research studies and working closely with the co-operative organization to create amongst the farmers a demand for improved agricultural requisites and implements. The co-operatives should be able to provide adequate and timely credit to cover the production as well as essential needs for consumption on the basis of the repaying capacity of the farmer. Multipurpose co-operatives combining credit, supply and marketing offer a possibility of dealing with these problems in an integrated way. Co-operatives should function in a favourable economic and legal environment. Finally, author gave importance to national level institutions of co-operative as they are responsible for assisting in the task of improving the operational efficiency of co-operatives.

According to Mamoria (1983)\textsuperscript{10}, the Primary Agricultural Credit Societies were started with the goal of cheap agricultural credit to the farmers. He also explained about the share capital, entrance fees, deposits, reserve funds and borrowings, the finance of society. He said that the societies were suffering from certain weaknesses, and also he gave some suggestions for improvement in the efficiency of the PACSs.

Navin Chandra Joshi (1984),\textsuperscript{11} in his article, “How to Improve Efficiency of Co-operative Banks” instructed that the efficiency of the co-operative banks showed is improved, with the help of reorganizing the entire banking sector. Banking habit is the very important weapon for changing frame work of rural economy. It requires systematic planning by its absence. It may be desirable to integrate the SCBs with SCDBS so that the Apex Organization will be needed for access to the money powers.

\textsuperscript{10}Mamoria, C.B. “Primary Agricultural Credit Societies”, \textit{Rural Credit and Agricultural Co-operation}, Kitabmahal, Allahabad, 1983, pp.147-175.

Sarada, V. (1986)\textsuperscript{12} in her article, “The Theory of the Co-operation – Co-operative Banking” gave wide information about the Co-operative banking with an example. Primary agricultural credit society is operated at the village level to obtain deposits and provide loans, to develop the saving habits, to take up education programmes for the benefit of farmer members. It comprises short term and long term loans but the amount sanctioned varies among members depending on their paying capacity.

Sadhu and Amarjith Singh in their article (1989)\textsuperscript{13}, “Fundamentals of Agricultural credit”, explained that there are two separate wings, one providing Short term and Medium term loans and secondly, long term loans to the agricultural farmers. These societies have been helpful in reducing the influence of money lenders by providing meaningful credit facilities.

Satish Manjula (1990),\textsuperscript{14} in his article “Co-operative Credit Position and Prospects” observed that agriculture occupies a key position in the Indian economy because of its contribution to overall economic growth through supplies of food, raw materials and exports. It is a source of livelihood for a majority of the population and provides a large market for non-agricultural goods and services.

Suresh, K.A. and Joseph Molly (1990)\textsuperscript{15} in their book made an attempt to analyze the different rural development programmes implemented by government of India. The role of the co-operatives under the five year plans and the major types of functional co-operatives as agents of rural development are enunciated by authors with historical background. Authors stated that rural development is a subject of determining the predominance rural population and their accentuating poverty.

Agarwal, A.V. (1994)\textsuperscript{16} has opined that, Cooperatives, inspired by the laudable principal of self-help and communal effort, are of great relevance and importance for the people of India, in particular for the rural poor. Such organizations

\textsuperscript{13} Satish Manjula, “Co-operative Credit Position and Prospects” Banking Operations, 1990, p.76.
put together men and their means of the fulfillment of social ends, otherwise unattainable individually.

Patel, A.R (1994)\textsuperscript{17}, in his study has requested the revamping of the credit system and improving the recovery positions of the rural masses. The rural credit structure is unique and has no parallel in the country. He concludes that it requires tremendous considerable efforts in field of institutional revitalized action with cooperation of various agencies.

Patel, A.R. (1994),\textsuperscript{18} in his brief discussion on the rural credit structure in India stated that it is unique and has no parallel in the world. It extends to cover every village in the country through its vast network of branches.

Nair, T.G. (1996)\textsuperscript{19} in his article “Rural Credit Agencies”, explains the importance of credit agencies. Since the nationalization of the major Banks, government has directed the bank credit to expansion of the rural credit needs of people.

Shah, U.M. (1998)\textsuperscript{20} in his article entitled, “Problems and Strategies of Co-operative Development”, summarized the government’s interaction with the Cooperatives. On the Other hand, it has brought out positive gains on Co-operative development in India, and has also reflected negative aspects. He viewed the long term strategies should enable Co-operative to adopt themselves to the dynamic of the change itself.

Guha, K.K. (1997)\textsuperscript{21} attempts to make a brief analysis of the existing character and pattern of the functional societies in the State of Orissa and identify the operational and other structural problems of these types of societies. In the course of discussion, on the present scenario attempts have also been made to mention some hard and specific factual position through available data from different sources in order to form an idea of the functioning of functional societies in the state.

\textsuperscript{17} Patel, A.R. “Revamping the Rural credit system”, Kurukshetra , Vol. XIII, No.10. 1994, pp.5-7 & 15.
\textsuperscript{19} Nair, T.G. “Rural Credit Agencies”, Kurukshetra, July 1996, Vol, XLIV, pp.5 & 6.
\textsuperscript{21} Guha, K.K. “Problems and Prospects of Functional Societies in Orissa”, Yojana, Vol.41, No.10, October 1997, p.34.
Murthy, C.S. (1998),\textsuperscript{22} attempts to state that there must be a strategy to improve recoveries of PACSs. In his study he states, if loans can’t be recovered in time, short term loans will be converted into medium term loans and one should consider the right to collect such dues to private agencies. It should be determined in an auction that the able penal charges should be paid by the defaulters.

Sasikumar M.V. (1998)\textsuperscript{23} in his article discusses the role of cooperatives in decentralized planning. He opines that the constraints and weaknesses of the cooperative sector also should be taken in to account. Though the cooperative sector has developed to a great extent quantitatively, one should not forget the lack of qualitative development in certain regions and sectors of the cooperative system.

According to Shah, U.M. (1996)\textsuperscript{24}, conceptually, the co-operatives can thrive best in a liberalized environment as they neither disturb the existing systems nor affect anyone’s interests.

Mazumdar and H.K.Baruah (1999)\textsuperscript{25}, in their article “Repayment Performance of Institutional Finance on Allied Agricultural Activities: A case study”, has observed that, effective functioning of certain institutions are associated with certain problems like misutilization of funds, poor repaying capacity vis-a-vis problem of over dues etc. Finally, they concluded to overcome them. The programme of agricultural credit may be made a viable proposition for agricultural growth and rural development.

Siva Kumar, S. (1999)\textsuperscript{26} discussed some measures for improving the financing of Co-operative services to backward areas and also to poor sections. Further, he said that, it is time to reappraise and reorganize the system so as to bring about integration in functioning of the various governmental credit agencies. In addition to it, also required seasonable investments in future for upgrading the technology and management of Co-operatives.

\textsuperscript{23} Sasikumar, M.V. “Cooperatives and Decentralized Planning in Kerala”, \textit{Yojana}, February 1998, p.39.
\textsuperscript{26} Kumar, S. “Financing of Co-operative Services”, \textit{Yojana}, April 1999, Vol.43, No.4, pp.40-41.
Debabrata Das (2000)\textsuperscript{27} on a brief discussion mentioned that institutional credit to the rural sector in India emerged in the shape of cooperative credit societies at the beginning of this century. These societies have been considered the best instruments for improving the socio-economic conditions of poor people and uplifting the tribals to the standards of the main-stream of national life.

Singh Balwinder’s (2000)\textsuperscript{28} work evaluates source-wise and farm stratum-wise the nature and extent of credit. The relationship between credit and area under cultivation, area under HYV, use of fertilizers, productivity and concentration of resources has been examined in the present study. Author observed that the Green Revolution has disappeared gradually in India. The peasantry is in crisis because of less remunerative nature of farming. As a result, the issue of indebtedness of the peasantry has risen. The book evaluates the nature and extent of rural credit along with the growth of agricultural production and the process of farm mechanization. It also explains that there is a big increase in loan per borrower and even after three decades of nationalization of banks, the main sources of credit for farmers is still the private money-lenders.

For sound development of co-operatives author stressed on improvement in administration structure i.e., better-qualified supervisors, auditors, bank managers etc. Author observed that the central banks in several states are weak and immediate transfer of supervision to them was not practicable. Author mentioned that for the development of the co-operative credit, sound arrangements of audit and supervision and for marketing, the existing of a strong and viable society of central and apex are needed. Without these prerequisites, it is impossible to achieve the objective that all members of the village community becoming members of the co-operatives and able to obtain loans from it.

The authors opined that Co-operatives are the best form of organization for the rural poor. They are capable of producing desired results and competent to compliment the decentralized political and economic system. But they can be


effective only, if the socio-economic and political contexts in which they are working are also ready to understand the spirit of cooperation.

Balishter and Roshan Singh (2001) in their article, “Rural Development and Cooperatives” has observed that the rural economy is the weaker sector of the national economy and even in the rural economy, a major segment is not only weak but in a miserable state. Cooperatives seem to be the only hope to inject strength and accelerate the growth of rural economy and ensure the development of the rural areas.

Goel, B.B. (2001) in his study “Role of Co-operatives in Rural Development” observed that rural prosperity can be achieved only through participatory development process. This would be possible only, if the individuals and the community become the focal point of development. Empowerment of people will enhance people’s participation in preserving, conserving and improving the productivity of natural resources and thus reduce the severity of poverty incidence on the poor. Such an empowerment calls for large scale promotion of strong and viable self-help groups. Community based interest groups, user groups and genuinely strengthening the civil society movement. In other words, strong organic structures of NGOs, and community based organizations like cooperatives on the other, have to be vigorously pursued and promoted.

Hota and Sharma (2001) made a primary study on Co-operative Credit and suggested their revamping. They have revealed that the financial reforms in Cooperatives are very essential in India. They found that the new economic regime introduced the financial sector reforms in our country and aimed at sustainability in Co-operatives. They also suggested necessary steps to strengthen the institutions in tune with financial sector reforms.

Kulandaiswamy, V. and Sri Murugesan, P. (April 2001), in their work entitled “Performance of PACS – an Empirical Evaluations” studied Performance of PACSs following eight variables, namely Working capital, Total loan outstanding,

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Total business turnover, Overdues, Network, Subsidies and Grants, and Net profit loan to weaker section. They concluded that, of the 30 PACSs studied, those showing good performance were only 7 (23.3%), while 12 units (40%) showed moderate performance and as much as 11 (36.7%) were found to be poor.

According to Sanjib Kumar Hota and V. Sharma (2001)\textsuperscript{33}, Co-operative credit revamping is needed. Co-operative has to adopt itself to the changing needs of the nation. In India, Co-operatives were set to reduce the importance of exploitative money lenders, particularly from agriculture sector. It has mainly aimed at increasing outreach and improving their viability, so as to enable them to serve an effective credit institution.

Sanjib Kumar Hota and Vinod Sharma (2001)\textsuperscript{34} in their article, “Cooperative Credit Revamping Needed”, have stated that the cooperatives in India were set up in response to the prevalence of exploitative interests. From this perspective, maximizing the welfare of the members and serving the economic ends were the responsibilities of these institutions.

Sukhdev Singh, Manindar Kour and Gill, S.S. (April 2001),\textsuperscript{35} in their work “Performance of Agricultural Co-operative Service Societies in Punjab: An Appraisal” opined that the PACS is the pin of the Co-operative structure. It has also helped in bringing the lenders and borrowers closer to each other. They concluded as most of these societies expressed their dissatisfaction with the supply of material made by marked/pushup is a need to consider about to linkage of these institutions with the PACS.

Government of Andhra Pradesh – Economic Survey (2002-20)\textsuperscript{36}, has examined overall performance of credit institutions through the progressive institutionalization for providing adequate credit to farmers. A cabinet sub-committee

\textsuperscript{33} Sanjib Kumar Hota, V. Sharma, “Co-operative Credit Revamping is Needed”, \textit{Yojana}, July 2001, Vol. 45, pp.13-32
was set up for restructuring the rural credit structure. It has given guidelines to all agriculture Co-operative societies which are being assessed for the other of viable.

Bhuimali Anil’s (2003)\textsuperscript{37} book discussed rural co-operatives and their impact on the rural economy. Author explained that the Indian farmers needed credit for agricultural purpose which was available from the private money-lenders, but the credit supplied by them was at a very exorbitant rate of interests. Author suggested that co-operative legislation should be made in such a form so that the co-operative movement would become free and democratic without any external disturbances in it and would guarantee economic development. The betterment of the condition of every member by full utilization of local resources through co-operative enterprises and everybody would think that the society is his own instead of thinking it as government society.

Kaveri, V.S. (2003),\textsuperscript{38} explains in her article the decline in the growth rate of credit to agriculture, particularly for small and marginal farmers and also bankers’ performance for crop loan to medium term loan to farmers is the main concerns. She opines that mere reducing interest rate to farmers will not ensure adequate supply of credit and that some concrete steps are required in this regard.

Mishra and Puri (2004)\textsuperscript{39}, in their primary study on Co-operative Credit Societies, observed that the Co-operative credit was almost negligible in the pre-independence period. However after independence, it has been quite rapid. They also identified major deficiencies in working of the Co-operative credit societies. Many PACS are at present dependent on Central Co-operative Banks and outside sources and have high level of over dues.

Nair, B.R. (2004)\textsuperscript{40} in his article, “Village Co-operatives - A Century of Service to the Nation” observed that the Cooperative Sector will complete a century of service to the Nation. Every Indian village is today covered by a village

cooperative. One lakh village cooperatives directly or indirectly impact more than seventy per cent of the rural households; those include small and marginal farmers, rural artisans, womenfolk, and segments of weaker section population.

Rais Ahmad made a study on “Growth and Development of Primary Agricultural Society in Jammu & Kashmir” (2004). He examined how developmental activities have been achieved during the period 1973-2002. It has direct contact with farming people. For the benefit of rural people, this state provides cheap credit and tried to improve saving deposits by collecting the deposits from members and offered quality seeds to their members.

Selvaraj Raj, V.M. and Gayatri, M. (2004) have analyzed in their article the importance of Deposit Mobilization, Lending and Financial Performance to Rural Masses. In this case study, they have collected data from the secondary sources. They have stated that the efficiency of a bank depends upon the effective mobilization of deposits. As the Society deals with savings and fixed deposits only, the progress of current deposit has not been analyzed in this study.

John Mugambwa (2005) explained in the article the ups and downs, reasons for the failure of the movement and current attempts of the Papua New Guinea Government to revive the cooperative movement. Author discussed the values, principles and organizational structure of the co-operative movement, as usual which form a pyramid shape. He described that the failure of the co-operative movement was due to overenthusiastic bureaucratic interference in the management of co-operative affairs, which the members do not like. Inability to attract large capital investment, co-operatives do not appeal large capital investors because they do not recognize capital as the key factor of production, mismanagement and competition from private companies. As well as cooperative principles and values prevent the

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distribution of profits, and control of the enterprise based on capital, which is the antithesis of most corporations.

Further, the author opined that it is necessary to encourage effective and meaningful participation of ordinary people in the rural communities and villages in the national development process to achieve economic prosperity, enhance progress on communal welfare and to restore dignity to individuals through the Co-operative Society Movement.

Mishra R.K and Pattanaik, S. (July 2005)¹, had carried out a study on Repayment Performance of Borrowers with respect to agricultural loans in Khurda Block of Khurda District, Orissa. They observed the problem of loan over dues is a matter of serious consent as it effected the recycling and credit expansion on the one hand and economic viability of the lending institutions specially the Co-operatives and the RRBs, on the other. Finally they suggested for: i) Measures for improvement in crop yield, ii) Remunerative price to crop produce, reasonable input price and crop insurance etc.

Mishra, R.K. and Pattanaik, S. (2005)⁴⁴ observed in their study, the problem of loan overdues in a matter of serious concern. As it affects the recycling of funds and credit expansion on the one hand and economic viability of the lending institutions, specially the co-operatives and the RRBs, on the other.

Tamuli, R. (2005)⁴⁵ gave wide information that the, Cooperative sector has played a significant role in the development of rural economy of out of country. The Royal Commission on Agriculture (1972) has also pointed out that if cooperative fail there will be a failure of the last hope of rural India. The operation of this sector during the last hundred years has proved that it can fulfill the dreams and needs of common rural people of India.

Valsamma Anthony (2005)⁴⁶, stated in her article titled Co-operative Banks in the Grip of NPAs, that Co-operatives are curtail inputs to providing agricultural credit

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and it plays predominant role in rural economy. Yet, they are suffering from NPAs. If cooperatives have not come out from the grip of NPAs it will be ceased by 2020. For example, SCBs have 13.61 per cent and DCCBS have 19.1 per cent of total NPAs.

Avinash, Rainkar., V, (July 2006)\textsuperscript{47}, in his work “Co-operative Credit Institutions in India: An Overview”, stated, that the Agricultural Committee Review 1989 (ACRC) the net margin at the level of PACS worked out of at a 3.21% point below, the margin required for viable operations and the volume of credit dispensation to the tune of 25 to 30 lakhs. But these do not provide an adequate margin resulting in losses, it is estimated that 65.5% of the PACSs are viable, 28.6% are potentially viable.

Das Banshree, Palai N.K. and Das Kumar (2006)\textsuperscript{48} in their paper discussed the problems and prospects of cooperative sector in India. India is basically an agrarian economy with 72 per cent of its total population residing in rural areas. The rural people need lot of services in daily life which are met with by village co-operative societies. Author explained that co-operative system in India has the capacity and potentiality to neutralize the adverse effects emerging from the process of globalization. Following economic liberalization under the new economic environment, cooperatives at all levels are making efforts to reorient their functions according to the market demands. Author presented the share of Co-operatives in National economy in percentage. Statistics indicate that modern cooperative movement has made a tremendous progress in India in every activity and occupies a major place in the share of the national economy.

The authors also explained that co-operation has a vast significance in India because; it is an organization for the poor, illiterate and unskilled. Co-operation is an institution for mutual help and sharing, it softens the class conflicts and reduces the socio-economic gap, it reduces the bureaucratic evils and follies of political factions, it overcomes the constraints of agricultural development and, creates conducive environment for small and cottage industries. This paper also explained the causes of


slow progress i.e., government interference, mismanagement and manipulation, lack of awareness, restricted coverage and functional weakness.

Goel, B.B. (2006) stated that the Indian co-operative movement is probably one of the largest, strongest and the oldest in the world with widespread spatial coverage, diversified business activities and plentiful success stories. The co-operatives structured around the Rochdale principles and Raiffeisen model. Forever, since the officially sponsored Act of 1904, the movement has passed through a number of phases such as speedy and hurried multiplication of societies, rehabilitation and amalgamation, functional and structural differentiation at all levels and in diverse area of social and economic interest. These have a tremendous role in harnessing natural resources (irrigation co-operatives in Maharashtra), physical and social infrastructure (education, health), technology upgradation (artisans, tools, bio-fertilizers, and pests), etc.

Understanding the keen role of the co-operatives in the economy author explained that co-operatives have been organized in areas like - credit, marketing, distribution, dairy development, industry, sugar, handlooms, labor, housing, poultry, farming fishery etc. Co-operatives also contributed a lot in the success of Green, White and Yellow Revolution. Author described that the co-operatives are working at various levels and the role of National Co-operative Development Corporation (NCDC) as the leading development financing institution with huge training infrastructure to promote sustainable development in India.

The book is a comprehensive volume, which systematically described cooperative scenario and administrative framework followed by an analysis of the genesis, growth, various provisions, drawbacks and limitations of Co-operative Legislation both at State and Union Level Co-operative Legislation. Trends and Dimensions this book fully traces the growth of co-operative law in backward survey, such as 1904 and 1912 Acts, recommendations of committees and commissions etc. Further, explained the rationality of traditional legislation. Model Act, Multi-State Co-operative Societies Act, Producer Companies and urges upon indispensability of a parallel legislation. The efficacy and certainty of subordinate legislation (Bylaws and

Amendments), restructuring of Urban Administrative Ministry and above all Reinventing Co-operatives in the New Millennium, has also been vividly portrayed.

Ramesh Mohan (2006) explain in his article, that the initiatives are needed in a disaggregated manner in many different segments of agriculture and agro-industry: horticulture, aquaculture, pisciculture, dairying, sericulture, poultry, vegetables, meat, food processing, other agro-processing and the like.

Swami H.R. and Gupta B.P’s (2006), book is a widespread study which examined necessity of the co-operatives in sustaining rural economy.

The authors opined that in India the solution of the socio-economic problems such as poverty, unemployment, indebtedness, population explosion, low productivity, disparities, illiteracy, etc., can be solved with understanding the significance of rural development and co-operation in India. Co-operation is concerned with all aspects of human life i.e., economic, social, political, moral and religious aspects, rather than any other. In the book author arrived at a conclusion that the country (India) can achieve the target of sustainable development only through rapid rural development with the help of cooperatives, particularly under the conditions of globalization. Co-operation had contributed in the success of economic planning. Government policies are implemented with the help of co-operative societies in rural areas. Through the co-operative societies government seeks public support and awareness.

Tangirala, H.S.K. (2006), in his article titled “Professionalism in Co-operatives”, gave suggestions to administrative staff of the society and members. The Board of Management must bring changes in decision making process with creativity and innovative ideas and also co-operatives had to move up and keep up the professional standards in the business with intensively trained staff and bring in awareness among members.

Chaudhari, R.R., Shinde, P.S. and Mohod, P.V. (2007)\textsuperscript{53} in their work entitled “Utilization and Repayment of Crop Loan by Members of Primary Agricultural Credit Society” stated that, the credit cooperative banks may constitute a cell called as “monitoring cell” and motivate the farmers towards proper utilization of crop loan which in turn facilitate the adequate recovery of crop loan and many prevent the cooperative financing agency from being bankrupt.

According to Gladstone, N. Joy and Sasikumar, K. (2007)\textsuperscript{54}, the operation efficiency of the Palmgur Cooperative societies in Tamil Nadu in not satisfactory. Lack of financial assistance to the industry is the main constraint for the activities of the PACSs. The Khadi and Village Industries Commission (KVIC) and the State Government should be providing sufficient financial support to strengthen the activities of the PACSs in Tamil Nadu.

Gursharan Singh Kainth (2007)\textsuperscript{55} in his article, “Rural Finance in India” opined that, rural credit system must be compatible with the goals of higher growth with better equity.

Mallika Kumar (2007)\textsuperscript{56} opined that there is an opportunity for the cooperatives to demonstrate that they are ideally suited to meet the societal challenges.

Muley S.S. (2007)\textsuperscript{57} in his paper, ‘Role of Co-operative Banks in Rural Credit’ argues that to uplift of rural population the financial support is necessary, it is an essential requirement of farm and non-farm sector. The paper presented the co-operative credit structure in India along with its progress. The PACSs and DCCBs provide short term and medium term loan and PCARDBs and SCARBDs provides long term loan in rural areas. The loan issued by PACS was increased from Rs.8474 crore in 1994 to Rs.33,996 crore in 2003. It is evident from the data that DCCBs, SCBs, PCARDBs and SCARBDs providing loan with increasing trend during the period 1991 to 2003. But the share of co-operative credit institutions in agricultural

\textsuperscript{53} Chaudhari, R.R., Shinde, P.S., and Mohod, P.V. “Utilization and Repayment of Crop Loan by Members of Primary Agricultural Credit Society”, \textit{Indian Co-operative Review}, Vol.44, No.4, p.305.
\textsuperscript{54} Gladstone Joy, N. and Sasikumar, K. “Operational Efficiency of the Palmgur Cooperative Societies in Tamil Nadu”, \textit{Indian Co-operative Review}, Vol.44, No.4, p.313.
\textsuperscript{55} Gursharan Singh Kainth, “Rural Finance in India”, \textit{Yojana}, Vol.51, February 2007, p.70.
credit was declined from 44% in 1997-98 to 34% in 2002-03. The study revealed that recovery performances of co-operative banks are not satisfactory. So the co-operative banks are facing the problems of recovery and others. For the rehabilitation of co-operative credit several commodities and taskforce made various recommendations. Considering the importance of co-operative credit the government should protect co-operative banks in rural competitive environment.

Murugesan, P. (Oct 2007)\(^5^8\) has carried out a study on Performance Indicators of PACSs. He finds that the need for evaluation has acquired grater relevance owing to the emergence of competitive environment and growing credit need in the rural section. Finally, he has suggested of measuring the performance of Co-operatives, they should be comprehensive to include the economic and social dimension.

Pagar Sudhakar K. (2007)\(^5^9\) study on the ‘Impact of Sugar Co-operative Industry on Rural Development’ is a version of author’s doctoral dissertation, which is submitted to the University of Pune in 2005. The thesis explains the effects of a co-operative sugar factory on the development of a rural area particularly on agricultural development. Agricultural development naturally deals with the development of farmers. Sugar Cooperative Industry plays a vital role to up lift their level of income and standard of living i.e., agricultural labor, non-agriculturists and of sugar factory workers.

Author in summing up with the opinion that the working and growth of sugar cooperatives in the State of Maharashtra made a significant contribution to the growth and development of entrepreneurial skills, technical knowledge, production and recovery of sugar, capital formation and employment generation etc. Their contribution had been vast in bringing about socio-economic development of the State.


Ramesh D. (2007) in his work, “the Performance and Challenges Before the Maharashtra District Central Co-operative Bank”, in rural credit delivery system. Observed that co-operation is a form of socio-economic organization which is an important instrument of overall rural development. The author remarked that the main issue in new millennium is to reorient the functioning and management of the cooperative institutions. There should be a well conceived action programme to provide specified guide points to co-operatives; obligation of professionalism and efficiency. Introduction of modern technology, systematic training through effective interplay of inter co-operative relationship, mobilization of resources, and enhancing participation of members in decision making process and reducing dependence on government assistance.

The author discussed the problems of co-operative banks, i.e., failed in mobilizing rural savings, outside interference, failed in linking credit to marketing and processing, movement took the form of a government department, lack of inter co-operative relationship both vertically and horizontally, etc. Further, the measures such as need for viable financial system, political appeasements, mobilization of deposits, restructuring of co-operatives, pattern of credit utilization, and linkage with self-help groups, government strategy for revitalization of co-operative banks, and the soul of professionalism, etc., are also discussed.

Vinayagamoorthy, A. (2007) paper discussed the ‘Globalization and Co-operative Sector in India’, Globalization means mutual global co-operation by way of reducing control and bureaucratic delays and steering the economy towards better market orientation. In India, year 1991 marked the beginning of a new era in economic policy. To encourage privatization, policy changes such as deregulation of state investment in infrastructure, manufacturing etc. provided for new direction and affected almost all the sectors of the economy including co-operative sector. But the reform measures under the economic policy, mainly concentrated only in removing the fetters on private enterprises and in stimulating higher economic growth by promoting industrial sector. The rural and agricultural sector remained somewhat

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neglected and also the effect of economic reforms on the economic fortunes of the common people was overlooked. Throughout the reform decade i.e., from 1991 to 2000, the role and relevance of the cooperative sector remained on the background, in spite of its predominant position in various fields of Indian national economy.

Author explained that in a developing economy like India with huge deficits in terms of quality and quantity, the state has to accept the primary responsibility of providing co-operative credit. Concern to socio-economical consideration like-low living standard, incomplete and imperfect markets, it is the primary duty of the government to ensure the easy access of co-operative credit. Author explained that it is the need of the hour that co-operative sector in the era of liberalized environment is to seize every opportunity available to it. Thus, the future vision of co-operative movement will have to be based on efficient parameters relating to promotion of excellence, improvement of operational efficiency and strengthening of financial resource base.

Kavitha, M. (2008) paper on the “Cooperative Movement in India” with future perspective., as the paper discussed the all aspects of the co-operative movement like - meaning, origin of the co-operative movement, co-operative movement in India, types (housing, building, retailers., consumers., etc.) with the co-operative approach as a model of sustainable development. The ideology of the approach based on principles of solidarity, mutual assistance, participation and interest in the community, implicitly signifies development that takes future generations into account i.e., sustainable development. Author stated that there is no doubt that the lead role that co-operatives played in building a viable model of development. Co-operatives not only seek to satisfy basic social and economic needs but also permit local development and sustainable use of resources. Future perspective is also underlined i.e., increased competition and regulation of local markets: co-operative associations enable their members to access markets under better technological conditions, which not only raise productivity and competitiveness but also reduce negative consequences on the environment.

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In conclusion of the paper, author stated that co-operatives have not really helped members to improve their position for fight against those who exploit the farmers and restrained their development. There are, however, several drawbacks, i.e. poor infrastructure, lack of quality management, over-dependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, neglect of professionalism, etc., are the limiting factors. Co-operatives are also unable to evolve strong communication and public relations strategies which can promote the concept of co-operation among the masses. The author suggested developing effective strategies to overcome existing weaknesses and, provide basic needs through public service co-operatives.

Krishna, S.M. (2008) observed in his study, that there is a still large gape persisting between the demand and supply of rural credit in India. These calls for a long range, careful and realistic planning taking into account the existing operational deficiencies and problems. Many, they say, failing to plan is almost planning to fail. Winners don’t do different things but they do things differently.

Umdor Sumarabin’s (2008) paper analyzed the behavior of rural household of Northeast uplands of India in the borrowing and use of credit. Researcher quoted that the role of credit is very critical in enabling the poor to overcome poverty. The paper explained that the people are mainly dependent on the formal credit needs. Overall, the maximum number of loans is supplied by the formal credit agencies, namely commercial banks. The failure of the co-operative banks/societies in meeting the credit needs of rural households in the uplands areas is supported by the findings of the baseline survey where none of the households identified co-operative societies as a source of credit. The survey shows that amongst informal sources, it is friends and relatives, and not the moneylenders that are a prominent source of credit for the rural households. The analysis of use of loans and the source of borrowing also has shown the significant association with loans from formal source being used more for productive purposes and loans borrowing from informal sources shown that mostly use for consumption purposes. Also, loans for productive purpose are significantly larger that loans borrowed for consumption purpose. This finding came supported the

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presumption that the informal sector is more effective in financing small borrowers than the formal sector, and also pointed out the importance of the informal sector in fulfilling the credit requirements of upland rural households for requirements other than productive activities.

Mahesh Kadam (2009)\(^{65}\) in his article explains that though the managing committee of a cooperative is vested with executive powers to carry out affairs of cooperative, the skilled employees are needed to perform the duty. The secretary of a Primary Agricultural Credit Cooperative Society (PACS) is the connecting link between ordinary members and the managing committee as well as between PACS and other agencies like government offices, district central cooperative bank, and local bodies under Panchayati Raj system, other cooperative organizations, etc.

**II.2.2 COMMITTEE REPORTS ON CO-OPERATIVE MOVEMENT**

Researcher has made an attempt to review the literature in respect of different committees like review committee, reports of the working groups, study teams on cooperatives etc., for detail study of the research work.

Various expert committees were appointed to study the development of cooperatives and to make the recommendations for the sustainable development of cooperative movement, from time to time, as and when the Government felt that something was wrong with the movement.

At the time of independence two major committee’s were established namely - Agricultural Finance Sub-Committee under the Chairmanship of D.R. Gadgil and Co-operative Planning Committee under the Chairmanship of R.G. Saraiya in 1945.

Agricultural Finance Sub-Committee (1945) under the Chairmanship of D.R. Gadgil, observed that, “the spread of co-operation would provide the best and the more lasting solution for problems of rural economy in general and that of agricultural credit in particular”. \(^{66}\) However, it was considered that it might not possible for the

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cooperative movement to supply the entire credit needs of agriculturists. Therefore, it was recommended that state aid should be given in much larger measure that was provided in the past so that the co-operatives might be enabled to supply better credit facilities.

Co-operative Planning Committee (1945) under the Chairmanship of R.G. Saraiya in 1945, recommended that primary societies be converted into multipurpose societies and that efforts should be made to bring 30 per cent of the rural population and 50 per cent of villages within the ambit of the reorganized societies within a period of 10 years, 25 per cent of the total marketable surplus or agricultural produce should come under co-operatives. Committee also recommended that Reserve Bank of India should provide greater assistance to co-operatives.  

All India Rural Credit Survey or Gorwala Committee (1954) committee was appointed by the Reserve Bank of India in 1951, to supervise a survey regarding facilities available in rural areas for providing agricultural loans to the agriculturists and to make necessary recommendations. The Committee submitted its report in 1954, after analyzing the various causes for unsatisfactory working of the movement, the committee concluded that “Co-operation has failed but it must succeed”. The committee recommended, A) an Integrated Scheme of Rural Credit. involving three fundamental principles, namely: i) State participation at different levels, ii) Coordination of credit with other economic activities especially processing and marketing in the co-operative sector, and iii) Administration through trained and efficient personnel responsible to the needs of the rural population. B) Suitable amendments were suggested in RBI Act and the establishment of a National Co-operative Development and Ware Housing Board at all India level. C) The establishment of three special funds under the RBI was suggested - i.e., i) The National Agricultural Credit (long-term operations) Fund, ii) The National Agricultural (stabilization) Fund, iii) National Agricultural Credit (Relief and Guarantee) Fund. D) A crop loan system was to be evolved. E) The economic viability of the cooperatives at the village level was essential. Each village society should be revitalized and reorganized and be made really effective. These

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recommendations were generally approved and were made the basis for the future plans for development.

Law Committee (1956)\(^{69}\), Law Committee was set up by Government of India, under the Chairmanship of S.T. Raja. The committee submitted its report in 1957 and prepared a draft bill, which was forwarded to all State Governments for simplifying and liberalizing the provisions of co-operative laws and procedures, with suitable modifications to their local conditions. The law related to co-operatives, their responsibility of enactment and administration rested in the State Governments. After the committee report, many State Governments passed their new Acts.

Policy Resolution of National Development Council (NDC) (1958)\(^{70}\) discussed in detail and recommended radical reforms in the pattern of organization of societies at village level in its policy resolution of 1958 about co-operative movement. As per their recommendations in 1959 Government of India pointed out to the State Governments the broad outlines of the policy to follow in respect of co-operative development. According to the resolution, the policy of organizing large-sized societies was given up and the scheme of service co-operatives, organized on the basis of village community as a primary unit with the object of helping the members increase their agriculture production was introduced. Policy emphasized on linking credit with marketing for strengthening the co-operative movement. Policy suggested coverage of all villages and all rural families within a short period as possible up to the end of third plan. Every agriculturist and rural worker should get advantage of co-operatives through the credit facilities.

Mehta Committee (1959),\(^{71}\) Committee on Co-operative Credit gave its report in October 1960, with many important recommendations, to determine the question of viability, providing adequate finance and state participation at the primary level. The Committee suggested suggestions to expand credit facilities for agricultural production as well as credit structure for strengthening co-operative movement. Organized service cooperatives on the basis of the village community as the primary unit and if villages are too small the number of villages to be covered by a society may be increased in the interest of viability, to encourage members to subscribe

\(^{69}\) Government of India, Law Committee, 1956.
\(^{71}\) Government of India, Committee on Co-operative Credit, 1959, (Mehta Committee, 1959).
sufficient share capital in the society as well as Government also contribute to share capital to service co-operatives. The committee also stressed on the co-operative societies to enlarge their internal resources, sound management, not only encourage the credit worthy people as member, but also the marginal and sub-marginal cultivators, landless tenants etc., and provide them adequate credit on the basis of their production requirement and paying capacity. The RBI liberalized its credit limits for the Central Co-operative Banks.

The pattern of organization of primary societies, which formed the base of the cooperative credit structure, was settled on the basis of the recommendations of the Mehta Committee on credit.

Committee on Consumers Co-operatives (1961)\textsuperscript{72} set up by National Cooperative Development and Warehousing Board to examine the promotional and organizational aspects of the consumers co-operative movement for ensuring sustainable development. Its main recommendations were organizing primary consumers stores, Government assistance for construction of godowns and contribution in share capital, cash credit from co-operative banks and establishment of National Federation of Consumers Stores etc.

Working Group on Industrial Co-operatives (1962)\textsuperscript{73} in 1962, the Ministry of Commerce and Industry appointed the second working group on Industrial Co-operatives, called as Working Group on Industrial Co-operatives, to review the present condition and to suggest targets during Third Plan. The report submitted in May 1963 with the recommendations that the setting up of new and revitalizing the existing industrial cooperatives strengthening weavers and handicrafts co-operatives and extension of credit facilities of Industrial co-operatives by co-operative banks and the formation of federations of industrial co-operatives. Special orientation of 2 to 3 weeks should be given to the officers in charge of providing technical, financial and other facilities to the industrial societies. The group estimated that 15,000 new societies could be set up with a membership of 15 lakhs during the third plan. It recommended utilization of 25\% of small scale industries provision in the plan for the development of industrial cooperatives.

\textsuperscript{72} National Co-operative Development and Warehousing Board, Committee on Consumers Co-operatives, 1961.

\textsuperscript{73} Ministry of Commerce and Industry, Working Group on Industrial Co-operatives, 1962.
Committee on Taccavi Loans (1962)\textsuperscript{74} the Ministry of Community Development and Co-operation, Government of India, appointed the Committee on Taccavi Loans in July 1961, under the Chairmanship of B.P. Patel, to examine the existing arrangements for the supply of taccavi loans to farmers and suggested measures as will ensure effective implementation of the policy of routing taccavi loans through co-operatives. Committee submitted its report in August 1962. As per National Development Councils recommendation in November 1958, was that taccavi loans and other facilities make available to agriculturists through co-operatives and make advantage to every agriculturists and worker to find it to join the village co-operative. Government of India therefore requested to the State Governments to route taccavi loans through co-operatives. The progress of implementation of this policy was not satisfactory as there were many organizational and administrative difficulties that stood in the way of its implementation. Patel Committee studied the problem and made recommendations. The Committee submitted its reports in September 1962. It recommended that co-operatives should keep their rate of interest within limits, i.e., about seven and half to eight per cent, depending upon the stage of development of the co-operative movement in the area concerned. It is also reported that there was very limited scope for the expansion of taccavi credit. Moreover, co-operative method of advancing loans was advantageous as it could command the local services and savings and allow opportunities for direct participation by beneficiaries. On the recommendation of the committee, Government of India decided to channel taccavi loans through the co-operatives. In the year 1960-61, the co-operative advanced about Rs.202 crore of short and medium term credit whereas the government advanced only about Rs.41 crore as taccavi.

On the basis of the recommendations of the Committee, the Government of India in September 1963, presented a future policy to the state governments that to accept cooperatives as the ultimate sole institutional agency for provision of agricultural credit, to implement the policy of routing taccavi loans through co-operatives in a phased manner, and to strengthen the co-operatives in areas where they

\textsuperscript{74} Government of India, Ministry of Community Development and Co-operation, Committee on Taccavi Loans, 1962.
are weak so that they may ultimately take over the entire responsibility for provision of agricultural credit.

Study Group on Transport Co-operatives (1962)\textsuperscript{75} in September 1962, under the Chairmanship of S.N. Bilgrami, the Minister of Transport, GOI, a study group was to examine the scope for transport co-operatives, draw up a pattern of organization for such co-operatives, assess their financial requirements and suggest pattern of financial assistance. Study group submitted its report in May 1964 with some fundamental recommendations that was government participation in the share capital upto 35% of the total share capital, government guarantee through co-operative banks, state and national level federation. It is also recommended that the organization of service co-operatives which may consist of at least ten different bus owners or fifteen truck owners with 25 vehicles in all, in order to undertake the work of booking agency, servicing, procurement and supply of spares, settlement of tax liability, co-operative insurance, training of drivers, attending of litigation of the members etc.

Study Group on Panchayats and Co-operatives (1962),\textsuperscript{76} it was appointed by the Government of India, under the chairmanship of Misra S.D.W. to study and suggest measures to achieve maximum co-ordination between the co-operatives and Panchayats. Concern to the State Governments participation in the share of cooperative societies, working group suggested that it should not be rated through the Panchayati Raj institution, whether they both have a close ideological link and aim at democratic decentralization. However, Panchayats should have an important role in the promotion and development of co-operatives in their areas especially in respect of service cooperatives, i.e. co-operative processing industries, fisheries, housing, labor, dairy co-operatives etc. It was also suggested that the panchayats should deposit their surplus funds with the service co-operatives having regard to local conditions. Panchayat should provide accommodation and adequate publicity for education programme of Co-operative Union. Generally, working group emphasized the necessity of these two institutions and their mutual relationship.

Committee on Co-operative Administration (1963)\textsuperscript{77} was appointed in April 1963, under the Chairmanship of V.L. Mehta. The committee appointed to review the

\textsuperscript{75} Government of India, Minister of Transport, Study Group on Transport Co-operatives, 1962.
\textsuperscript{76} Government of India, Study Group on Panchayats and Co-operatives, 1962.
\textsuperscript{77} Government of India, Committee on Co-operative Administration, 1963.
departmental set up and to suggest recommendations to make stronger the departmental administrative staffs at various levels. Committee recommended that the Registrar, Cooperative Societies, should be an IAS officer along with two years training. There should be Joint Registrar for audit, credit and banking, marketing and processing, industrial societies, forming societies and consumer societies. It is also recommended that suitable training should be given to the departmental as well as institutional staff and orientation training should be given after every five to seven years. The pattern of organization of primary societies, which formed the base of the co-operative credit structure, was settled on the recommendations of the Mehta Committee on Credit.

M.L. Dantwala Committee (1964)\textsuperscript{78} Government of India appointed a committee on co-operative marketing to review the pattern of organization of cooperative marketing and give recommendations for ensuring sound and speedy development of agricultural marketing on co-operative basis. The committee gave its interim report in 1966 with following major recommendations such as for the future pattern of organization two-tire structure of marketing societies, apex societies at State level and primary societies at mandi level. State Trading Corporation and Food Corporation of India should purchase their requirements of agricultural production through it. Committee endorsed the recommendations for Fertilizer Committee (Sivaraman Committee) that the chemical fertilizers should be distributed through co-op. marketing society. The State Bank of India should give priority to meet the requirements of marketing societies.

Mirdha R.N. Committee (1964)\textsuperscript{79} was appointed by Government of India to suggest measures for proper development of the co-operative movement by eliminating non-genuine societies and vested interests. Assessing the size of the problem of non genuineness in the co-operative movement, the report came to the conclusion that the movement was by and large moving in the right direction and that it would be wrong to magnify a few malpractices and come to a conclusion that the movement was replete with non-genuine societies. The committee however, gave certain suggestions to overcome a wrong type of tendencies i.e., co-operative training and education, regular audit of societies by an agency independent of Registrar,

Government assistance etc. The committee also examined the factors hitting self-reliance and self regulation in the cooperative movement. After examined all the issues the committee made many useful recommendations including setting up of National Co-operative Bank to make the movement self reliant.

All India Rural Credit Review Committee (1966)\textsuperscript{80} under the chairmanship of B. Vendatappiah, and the Committee submitted its report in 1969. This recommended the entry of commercial banks into the rural credit system stated clearly that this was being done to supplement, and not supplant. The co-operative credit structure, according to the committee, a large number of Primary Agricultural Credit Societies are neither viable nor even potentially viable and must be regulated as inadequate and unsatisfactory agencies for dispensing production oriented credit. The committee gave emphasis to integrity, efficiency and the sense of dedication, functioning based on democratic and egalitarian principles and effective supervision. The All India Rural Credit Review Committee had said, “The expanding area and scale of co-operative activity and its growing diversification made it necessary that co-operative banks should build up large resources by way of deposits”. The committee also prepared the ground for a multi-agency approach to agricultural finance.

All India Rural Credit Review Committee (1969)\textsuperscript{81} Government of India had appointed the committee under the chairmanship of B. Venkatappiah. Main objective of the committee was to suggest measures for the reorganization of rural credit. The Committee found that there is marked increase in the co-operative credit between 1951-52 and 1967-68 i.e., from Rs.24 crore to 500 crore. However, there was a lag in dispersal of co-operative credit in the backward states of Assam, Bihar, Orissa, West Bengal, Rajasthan and Jammu & Kashmir. In other parts of the country too, there were weaknesses in co-operative banking system by way of low deposits, high overdue and general lack of business, management etc. recognizing such weaknesses, but the need for increased requirement of finance for agriculture in the wake of green revolution technology. The Committee suggested the following points and recommendations: a) The establishment of Agricultural Credit Board, b) Setting up of

\textsuperscript{80} Government of India, All India Rural Credit Review Committee, 1966.
\textsuperscript{81} Ibid.
a Small Farmers Development Agency, c) Creation of Electrification Corporation for the benefit of underdeveloped areas, d) Formulation of a more active and much bigger role for ARDC, e) Adoption of various measures for ensuring the timely and adequate flow of credit for agriculture through co-operatives and through commercial banks. As per recommendations, small farmer’s development agencies were set up in selected districts as well as Rural Electrification Corporation was also established in 1969. Most of the recommendations of the committee were accepted by the government and included in the Fourth Five Year Plan i.e. SFDA, MFAL, were launched with active involvement of institutional credit agencies.

P.R. Dubhashi Committee (1972) the issues addressed by the Committee were: a) Adoption of professional management, b) Extension of deposits and insurance, c) Quality of working- litigation pending, adjournment, hundred percent audit, security of loan proposals, documentation, loan recovery plan, grant of membership, maintenance of records, revision of bye-laws, Registrar’s power, court procedures, nature of appeals in the court, a common law for all types of Co-operative Societies, etc.

M.K. Madhavdas Committee (1978), Reserve Bank of India appointed committee under the Chairmanship of M.K. Madhavdas, Executive Director of Agricultural Loan Department to examine and give recommendations on the working of Urban Co-operative Banks and examine as to which types of services they would be able to provide in future. The committee submitted its report in July 1978 with the recommendations that Composition of Model Bye-Laws, providing finance to small scale industries, managerial aspects and self-employment etc. The committee also remarked that to fulfill the requirement of credit in urban and semi-urban areas urban banks are a good channel. Compared to other banks urban banks are cheaper as well as working methods are also easier. The Committee observed that they maintain good relation in local areas, so, the committee recommended facilities about re-finance on low rate for providing cheaper credit to small scale industries, self-employment, traders, transport services and other small services.

82 Government of India, P.R.Dubhashi Committee, 1972.
Marathe Committee (1978)\textsuperscript{84} the Committee worked in to the issues of Development of Urban Co-operative Banks (UCB) as per their need, regional imbalance in development and the principle of one district one bank, branch expansion by the new UCBs instead of by the old established UCBs, encouragement of establishment of Women’s Co-operative Banks, utility of UCBs for non-agricultural loans in rural areas as the basis for future branch expansion, survey at the national level to be taken by the Federation and Co-operative Department of the state to suggest measures to develop UCB movement in backward areas, measures for developing local leadership and expertise in the non-bank backward areas, liberalization to open new bank branches in the underdeveloped areas and licensing, viability and licensing criteria to be determined on the basis of population served in urban, semi-urban and metropolitan areas, minimum share capital and membership and the jurisdiction of UCB’s rehabilitation of weak UCB’s and RBIs power to issue licenses, inspection, measures to limit external interference, computerization, consolidation, mergers and liquidation etc.

Ardhanarishwaran Committee (1987)\textsuperscript{85} pointed out towards the modern and professional management, financial discipline, human resource development, composition of Board of Directors, criteria for selection of the staff and General Manager.

Khusro Committee (1989),\textsuperscript{86} the Agricultural Credit Review Committee under the chairmanship of A.M. Khusro was appointed by the Reserve Bank of India in August, 1986 to undertake among others a review of the rural financial system and to assess the credit requirements of the agricultural sector during the next decade. Khusro Committee submitted its report in August 1989. The committee recommended ceiling on lending rate of commercial banks on agricultural lending at 15.5 per cent, whereas in case of Primary Land Development Banks, it was suggested at 5 per cent and for the RRBs 8.65 per cent.

\textsuperscript{84} Government of India, Marathe Committee, 1978.
\textsuperscript{86} Government of India. The Agricultural Credit Review Committee, RBI, Khusro Committee, 1989.
According to the committee demand for credit was limited and more realistic as it is based on agriculturist’s desire of borrowing from institutional and non-institutional sources. According Committee opined that the institutional credit has been extended to a very large number of borrowers, who are first generation members of the banking system with shifted loyalties from non-institutional money-lenders. But the money-lenders and other informal lenders have not yet gone away. The institutional credit system has still a long way to go. The Agricultural Credit Review Committee visualized that the direct demand for agricultural credit will rise from Rs.27,557 crore in 1989-90 to Rs.57,316 crore in 1994-95 and further Rs.1,10,873 crore in 1999-2000 (@ 1984-85 price level). The committee also estimated that the deficits which the credit system will have to find so as to meet the estimated demand will be of the order of Rs.5487 crore in 1994-95 and Rs.21,426 crore in 1999-2000. It is also suggested in areas where RRBs are no economically viable may be merged into sponsoring commercial banks. Committee made projections related to the credit demand from agriculture and rural sector by the turn of the century. It has visualized that the rural credit system has two borrowing categories to be served, the larger category of well specified and the low income and socially weaker sections. Concern to them, the surplus generated in the economy as well as in the credit system from the efficient operation of the larger category should go to meet some of the cost and, if and to the extent necessary, some specific subsidies for the low income category. It also recommended the creation of National Co-operative Bank to function as national apex bank for all co-operative institutions in the country, elimination of control and interference, well paid and qualified secretaries, business development plan, etc.

Pant Committee (1990),

The Ministry of Agriculture set up another Committee in October 1990 under the chairmanship of Pant J.C. (Additional Secretary, Department of Agriculture and Co-operation) to consider the implement of the recommendations of the Agricultural Credit Review Committee (1989) for strengthening the co-operative Credit delivery system on sound financial lines. To make each primary agricultural credit society viable the committee suggested some action programme. As the first step would be to train personnel working in co-operative banks in all aspects of preparation of Business Development Plans (BDP)

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for PACS, committee suggested that the personnel training will develop the total scope of activities necessary for increasing loan business, deposit mobilization, increase the range of profitable activities, etc. The committee advised that instead of five years period of the programme for restoring the viability of primary co-operative credit society to a minimum business of Rs.10 lakh per annum should be phased over a period of ten years due to heavy financial commitment required to overcome the problem.

Committee on Organization of Co-operatives for Rural Poor (1990)\textsuperscript{88} at the same time in October 1990 another committee was set up on organization of cooperatives for rural poor under the chairmanship of Sankam S.R. (Secretary, Department of Rural Development). The committee submitted report in June 1991. It explained that the co-operatives which engaged as organizations to protect the poor from economic exploitation were no longer helping them. As the result of that a bulk of the rural poor population was still dependent on private moneylenders for meeting their requirements. Concern to the supply of credit to rural masses committee suggested that the co-operatives should evolve a simple system of providing credit to the poor people, based on the repaying capacity of the poor the co-operatives should help them in organizing themselves into self-help groups. Committee suggested several measures for supplying credit to the rural masses in general and to help specially women, rural labor and tribal in particularly.

Brahm Prakash Committee (1991),\textsuperscript{89} it was appointed to revise the existing cooperative laws for co-operative development through voluntary participation of the people. The Committee recommended a Model Co-operative Law in 1991, in order to make co-operatives self-reliant, autonomous and democratic. It was circulated to all the states with the advice to incorporate the same, as it ensures more power to the members, more participation and less government intervention in the affairs of co-operatives. However, there were some bottlenecks in implementing the recommendations because of the state’s unwillingness to share in costs and their reluctance to dilute state powers. Only nine states enacted the Mutually Aided Co-operative Societies Act, 1995, i.e. Jammu & Kashmir, Uttarakhand, Orissa, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Karnataka, and Andhra Pradesh.

\textsuperscript{88} Government of India, Committee on Organization of Co-operatives for Rural Poor, 1990.
\textsuperscript{89} Government of India, Brahm Prakash Committee, 1991.
Central Government enacted the Multi-State Co-operative Societies Act, 2002 which was in line with the Model Act and came into force with effect from August 19, 2002. The main objectives of the Multi-State Co-operative Societies Act were to serve the interest of members in more than one state, to ensure the social and economical betterment of its members through self-help and mutual aid in accordance with the cooperative principles.

The Narsimhan Committee Report (1991)\textsuperscript{90} does not show concern to review the working and evaluating the performance of UCBs and did not make suggestions to how challenges in future should be met by the UCBs. Cognizance taken of the problem of banking in the various sectors is tilted more towards the nationalized and private sector banks than the co-operative sector. However, the recommendations made by the committee certainly influenced the RBI policy directives about functions in future and the policy adopted by the RBI keeping in view only the problems of nationalized banks, this will not necessarily be relevant but also detrimental to the interest of UCBs. Moreover, basic and urgent problems remain unnoticed e.g. the problem of declining profitability and viability owing to stringent SLR, CRR recommendations and interest thereon, priority sector lending, lending for housing, vehicles, loans to small traders, extension of consumption loan limits, permitting scheduled banks to open branches, outside state grant of foreign exchange dealership, merchant banking, etc.

Reforms in the financial sector were officially announced as per the recommendations of Narsimhan committee in the year 1991. The reforms, which covered structural, organizational and operational aspects of commercial banks, came into operation since 1992. The reform mostly covered commercial banks and Development Financial Institutions (DFIs) and left co-operatives out of the purview of recommendations by the committee. Committee did not show concern to review the working and evaluating the performance of co-operative banks and also did not make suggestions as to how challenges in feature be met by co-operatives.

The Narsimhan Committee Report (1998), the second part of the report of the Narsimhan committee was submitted on 24-4-1998. Committee recommended close up the branches which are under loss or percentage of NPAs over 2 per cent.

Capoor Committee (2000), the Government of India appointed the Jagadish Capoor Committee to recommend on the lines that co-operative societies must evolve as independent self-reliant, autonomous and member- driven institutions. Committee recommended several points concerned to professionalization, business diversification, recovery management, human resource development, fund mechanism and setting up of a co-operative rehabilitation and development fund. Capoor committee also mentioned that the co-operatives have lost their democratic character and have become the government controlled bureaucratic organizations. Committee suggested minimizing excessive control and regulation for the sound development of the co-operatives throughout its own principles.

National Policy on Co-operatives (2002), Government of India announced the wide-ranging National Policy on Co-operatives in April 2002. Under the policy, cooperatives would be provided necessary support, encouragement and assistance so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy. Due to the several internal and structural weaknesses of cooperatives, wide regional imbalances, and lack of proper policy support had neutralized their positive impact. This had necessitated the need for a clear cut National Policy on cooperatives. The policy aims at ensuring the functions of cooperatives based on the Manchester statement of International Co-operative Alliance 1995. While upholding the values and principles of Cooperation, the National Policy recognizes the Co-operatives as autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise; Upholds the preservation of the different identity of Co-operatives, its values and principles by providing an appropriate environment and taking the required administrative and

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legislative measures; Recognizes Co-operatives as a distinct economic sector and integral part of the socio-economic system of the country and an effective and potential instrument of socio-economic development. Government must accept the need to phase-out its share holdings / equity participation in the cooperatives. The Co-operative shall be enabled to set up holding companies / subsidiaries, enter into strategic partnership, and venture into futuristic areas like insurance, food processing and information technology etc., and shall be independent to take the financial decisions in the interest of the members and the furtherance of their stand. The role of the Government in ensuring, the benefits of liberalization and globalization in the rising special provision in the Cooperative Societies Act with regard to banking, housing, real estate development, processing, manufacturers Co-operatives, infrastructure development etc. Under the National Policy on Co-operatives Government has to set up and carry out suitable programmes and schemes to build and develop co-operative institutions in the under developed states / regions with particular reference to the North Eastern States including Sikkim.

A. Vaidyanathan Committee (2004), Government of India constituted a committee under the Chairmanship of A. Vaidyanathan, known as Task Force on Revival of Co-operative Credit Institutions, to reviving and revitalizing the rural Co-operative Credit Structure (CCS) and attributes high priority and urgency to it. Report of Task Force on Revival of Rural Cooperative Credit Institutions (in the Short Term Co-operative Credit Structure) was submitted in February 2005 and Report of the Task Force on Revival of Rural Cooperative Credit Institutions (in the Long Term Co-operative Credit Structure) was submitted in August 2006.

Committee was appointed to suggest: i) an implemental action plan for reviving the Rural Co-operative Banking Institutions, taking into consideration the main recommendations made by various committees in this regards. ii) to suggest an appropriate regulatory framework and the amendments which may be necessary for the purpose in the relevant laws. iii) To make an assessment of the financial assistance that the Co-operative Banking Institutions will require for revival, the mode of such assistance, it’s sharing pattern and phasing. iv) to suggest any other measures required

for improving the efficiency and viability of Rural Co-operative Credit Institutions. Committee discussed the reports of the previous committees such as task force to study the functioning of Cooperative Credit System and suggest measures for its strengthening (Capoor Committee, 1999), Expert Committee on Rural Credit (Vyas Committee, 2001) and Joint Committee on Revitalization Support to Co-operative Credit Structure (Vikhe Patil Committee, 2001). The committee recommended that the co-operative credit societies and banks should be free of state control and an Andhra-style act should be passed in every state. Committee recommended that the shareholding by the state in individual cooperative institution should be reduced. On the recommendations of the Brahma Prakash Committee and concern to Andhra Act, the committee advocated freedom to the primary credit societies, whether it may be a member of the three-tier structure and to associate with any other credit institution such as a commercial bank. The sub-group of Task Force headed by U.G. Sarangi, felt that the revival strategy needed to be premised on a strong legal and regulatory framework. Accordingly, a sub-group was constituted under Rama Reddy to suggest amendments deemed appropriate in the Banking Regulation Act, State Co-operative Societies Act, and Mutually Aided Co-operatives Societies Act. To create legal environment enabling co-operatives to function as autonomous and member driven institutions. These reforms will enable wider access to financial resources and investment opportunities, remove geographical restrictions in operations as well as mandated affiliations to federal structures, and provide administrative autonomy to cooperatives at all levels. Suitable amendments in the B.R. Act and certain provisions in the NABARD Act are also contemplated. NABARD has been designated the Implementing Agency for implementing the Revival Package in all the states. The Department for Co-operative Revival and Reforms (DCRR) has been constituted in NABARD for the purpose. NABARD is providing dedicated manpower at the national, state and district levels for implementing the Package. Government of India announced in the Union Budget 2008-09 that the Central and State Governments have agreed upon a Package to implement the Vaidyanathan Committee report on reviving the Long Term Cooperative Credit Structure (LTCCS).

The implementation has begun in 25 states, including Maharashtra, which has executed the Memorandum of Understanding (MoU) with Government of India and NABARD.
Radhakrishana, R. (2006) the Expert Group on Agricultural Indebtedness was set up in August 2006 under the chairmanship of Radhakrishana. The Group came out with detailed report which gave a large number of recommendations covering immediate credit measures, financial architecture, institutional architecture, risk mitigation and other measures. The Expert Group observed that as the indebtedness of farmers is largely because agriculture depends mainly on the monsoon, which ultimately affects the repaying capacity of the farmers. Second, though agricultural credit has increased manifold, most of the farmers depend fully/partly on non-institutional sources where the rates of interest are quite high and the terms and conditions often exploitative. Third, the dominance of middle-man often prevents the farmers from getting remunerating price for their produce. Fourth, the farmers do take loans for special functions or medical expenses from money-lenders which do not yield incomes and the interest rates are high leading to indebtedness.

The Expert Group recommended that rearrangement of loans in the case of natural calamities like - floods, cyclone, and drought. It suggested waiver of interest liability for the extended period of the loans. Construction of Price Risk Mitigation Fund at State Government level which help the States to take up market intervention quickly to response to collapsing prices of locally important crops. The Expert Group suggested constituting a high level committee to evaluate crop insurance scheme. As regards to crop insurance, the Agriculture Insurance Company (AIC) needs to increasingly rely on space imagery for village-wise crop data and consider using surveyors where necessary for assessing crop loss (village-wise) to make crop insurance a better product.

It was also observed that production co-operatives, federation of farmers SHGs (Self-Help Groups) and other forms of collective would enable the farmers, including the small and marginal farmers to participate in value addition activities like marketing and processing, there are no specific recommendations on how to implement this. However, national level organizations like NABARD, National Co-operative Development Corporation, Indian Farmer’s Fertilizer Co-operative to

support such formation in a big way establish a dedicated fund for the purpose and encourage formation of farmer’s organization in a proactive manner.

Expert Group noticed the decline in the share of co-operatives in total agricultural credit from 74.90% of short-term credit in 1975-76 to 33.2% in 2005-06 and from 61.2% of long-term credit to only 6% in the same period. The fact that the reach of the cooperative banks is much wider (in March 2003 against 1.64 crore borrower accounts with public sector banks, the co-operatives had 6.39 crore accounts), it is also noticed that the co-operative banks is a much higher risk profile as compared to commercial banks that are able to diversify in the whole country and across all sectors, where as co-operative banks by design have area and sectoral restrictions.

To sum up, according various studies and Reports of Committees in this chapter shows that many a PACS in India are unviable and unsustainable conditions due to lyses in management, and processing of lending besides the inability to recover loans from the formers.

Having studied the works of various authors and scholars as well as Reports of committees the researcher has felt that it is important to overview the cooperative movement in Indian content, along with a brief study on cooperative movement in International context, which are presented in Chapter-III.