CHAPTER-8

RESEARCH FINDINGS, SUGGESTIONS AND CONCLUSION
8.1. Summary of the Study

In India, nearly 80 per cent of the population lives in rural areas and agriculturists and agricultural labourers constitute about 70 per cent of the country's working population. The agricultural sector contributes nearly 40 per cent of national income and 70 per cent of employment. Further, it accounts for about 40 per cent of the total export earnings. As such, the role of agriculture in the country's economy need not be under-estimated. In fact, the progress of the country hinges on the performance and prosperity of agricultural sector.

The achievement of agriculture and rural development received utmost priority in the National Policy on Agriculture from time to time. Emphasis has been laid on enhancing the flow of funds to the agricultural sector both from the public and private sector to increase the agricultural productivity and enhance the quality of life of farmers. It is proposed by the planners and policy makers to achieve the goal of poverty alleviation through increasing the credit flow to the rural areas and strengthening the rural infrastructure. One such measure is the development of co-operative sector in the country.

Co-operation from early days of planning has been perceived as the most important form of people's institution for promoting of equity, social justice and economic development. The co-operatives have become pertinent to the people residing in rural areas in the context of globalisation and liberalisation of the Indian economy. Self-Help Groups, associations of workers, small producers, women, weaker sections, etc. need to be promoted and strengthened.

In India, the co-operative movement was basically organized against the exploitation of unscrupulous money-lenders to exonerate the farming community from the web of poverty and indebtedness. The government took several measures to improve the conditions of the farming sector and as such promoted Co-operative Credit Societies in the light of Raiffeisen model credit
societies on the basis of recommendation of Sir Fredrick Nicholson in 1889. The progress towards development of a viable structure at the level of the Primary Credit Societies and Central Co-operative Banks has been much below the expectations. Two factors have contributed to this situation. The first has been the slow progress in the programme of organising viable Primary Credit Societies by amalgamation of the non-viable Societies.

Agricultural marketing is another important area wherein the Co-operative Societies have achieved significant progress. In achieving the integrated rural development, the marketing Co-operative Institutions play a vital role as they ensure economic utilisation of the available resources in the rural areas by creating potential markets.

The Co-operatives in India have also entered several fields, such as marketing, dairying, processing and distribution. The network of Industrial Co-operatives are instrumental in promoting and preserving rural industrialisation and providing employment opportunities to the millions of artisans in different parts of the country. The benefits derived from such agencies lead not only to material gains but also enable to bring about a silent revolution in the mental make-up of its members, imbibing the spirit of self-help through mutual-help.

Co-operation raises the people’s standard both materially and morally. Because of these advantages, the roots of co-operation have spread widely and deeply both in the developed and developing nations.

Since agriculture is the prime activity and also an activity where co-operation can really support the poor and marginal farmers, these Co-operatives assume vast importance.

Co-operative banking and credit played a significant role in the rural economy of a number of States. Co-operative processing has contributed substantially to the growth of agro-industry in some States. The Co-operative marketing structure has proved as an important agency in implementing Government’s food policy in recent years. It remains true that most
developments have been partial and uneven and that Government has found it necessary to take powers to set up new Agricultural Credit Corporations in States in which the programme evolved after the report of the Rural Credit Survey Committee has failed to make a real impression.

Over the last one hundred years the Co-operatives have been making a substantial contribution to the economic development of the country, particularly to the rural areas and farming sector. Not withstanding their achievements and phenomenal growth, the Co-operatives are beset with several problems and confronted with challenges in the context of recent economic reforms.

Co-operatives have a strong potential to become a form of sustainable human development owing to their nature of social and economic structures. It implies that sustainable human development can only be achieved when both economic and social goals which are well defined are balanced.

The biggest challenge to the co-operative sector, especially in the area of Agri-Credit Co-operatives, is sustainability and relevance. As mentioned earlier, in the absence of any transaction cost advantages to the Primary Co-operative, the village level branch of a Commercial Bank/RRB may find it easier to access funds from its own headquarters than the PACS. There are no easy solutions to this dilemma of easy credit adversely affecting the relationships of Primary Societies with their members and their federal structures.

Co-operatives, which have the State governments as their members, are no longer Non-Governmental Organisations. Therefore, the power vested in the government to buy shares in Co-operatives should be revoked if a truly Co-operative is to set-up. Autonomy is very important and essential for the growth of the Co-operative movement. Its quality will depend upon the extent of autonomy which the people enjoy. If the government has no faith in the people and if people cannot be given a free hand, Co-operatives should not be organised and it would be better in that situation to have public sector undertakings rather than Co-operatives.
The co-operative movement has traversed a long way. Resources have been poured in a big way to create new co-operatives, especially in the developing countries like India. The socio-economic strength of a Co-operatives depends upon the context in which it operates. The role of Co-operatives has become all the more important for ameliorating the lot of millions of deprived masses in developing countries in the context of globalization because the globalization is being implemented through modern free trade. It is being termed by some economists as a "paradigm that involves the reduction of the power of the Co-operatives".

Co-operation is the very foundation of society. No Society can survive without the spirit of co-operation. At the policy level, it started as a movement of social reforms, particularly in the human economic domain. The aim was clear, in promoting self-reliance, self-help and self-government among members. It is said that it helps in the equitable sharing of gains and losses. The ideology is also clear about the upliftment of the economically weaker sections of the society. It aims to empower the weaker sections in the society to effectively contribute their meager resources in a co-operative venture to combat exploitation at the hands of the haves. This becomes possible owing to the member's participation in decision-making.

The Co-operatives also help them in stepping up bargaining power in trade and financial markets. It facilitates access to goods and services including the credit. It widens the scope of income generating activities by pooling resources. It also helps in enhancing local control over the means of production.

Co-operatives have provided employment in large number to the deprived rural population in almost every sphere of rural economy, i.e., primary, secondary and tertiary sectors. Besides facilitating agricultural growth by providing the credit and inputs, co-operatives have helped to improve the income-generation capacity of villages through special sector Co-operatives in fisheries, poultry, dairying etc.
In sum, it can be stated that the development of co-operative sector and rural progress are interwoven. The agriculture development is a vital input for the rural development. In this connection, Agricultural Co-operatives constitute the bedrock of a viable and non-exploitative rural development institutional system in terms of supply of credit, and input provision, providing marketing facilities to the farmers. The spectacular growth of credit co-operatives has been an instrumental for liberating the vast multitude of rural peasants and artisans from the stranglehold of traders and money lenders. Thus it can be said that co-operation since inception has been striving hard to usher in socio-economic development of our country. With this backdrop, the present study attempts to examine certain vital dimension of cooperative movement in India with special focus on the working and impact of the Primary Co-operative Societies on the rural economy. The study is conceived as a micro level study for the purpose of providing deep insights into the performance of facts and then contribution to the agricultural development in a particular region in Andhra Pradesh.

8.2. Factors responsible for successful working of PACS:

From the above discussion, it is clear that a Primary or Secondary Co-operative Society is basically the members-own organisation. It is an autonomous organisation owned and managed by its members for the betterment of their socio-economic conditions. The success of these institutions, therefore, depends basically on the following factors.

1. Active participation of all the members in the business activities of the Co-operative.

2. Active participation of all the members in the management of the Co-operative.

3. Increasing contribution of share capital and deposits by the members to the co-operative to strengthen its financial base.

4. Demonstration of dynamic Co-operative and management leadership by the managing committee members of the Co-operative.
5. Adoption of improved management practices including building a strong Co-operative Institution based on Co-operative principles.

6. Diversification of business activities in the light of business potentials of the area and members' needs and expectations, including proper linkage between production and marketing:

7. Effective functional integration between members and the primary Co-operative Society on one hand and on the other, between a Primary Co-operative Society and a Secondary Co-operative Society.

8. Organisation of regular co-operative education and training programmes for members, members of managing committee and employees of the Co-operative.

8.3. Findings of the Study

1. There is no representation to marginal farmers in the management committees.

2. There is a dis-proportionate representation to various size categories of farmers.

3. There exists a close nexus between land ownership and leadership in Co-operatives.

4. Effective coverage in terms of borrowing membership may be taken as an index of co-operative credit rating.

5. There is a heavy dependence on external sources for working capital.

6. Share capital serves as a buffer and absorbs the impact of over dues in providing additional security to the lending institutions.

   An analysis of the social characteristics of the respondents reveals that

7. The highest number of borrowers as well as non-borrowers was found in the age group of 41-50 years.
8. The literacy level was high among the borrowers when compared to non-borrowers.

9. Community, being a social variable, has an influence over the social and economic phenomenon in the society.

10. There is no much variation in the occupational category of both borrowers and non-borrowers.

11. Majority of the respondents felt that the rate of interest was reasonable.

12. Agriculture is the main source of income and majority of the respondents depend on agriculture for their livelihood.

13. Asset ownership provides the owners with an advantage in the financial markets both in terms of size and the cost of loans.

14. Agricultural developments can be assessed basing on the increase in the crop production and productivity, technological developments and crop diversification.

15. The average crop intensity is high among the borrowers compared to non-borrowers and it is high among marginal farmers compared to medium farmers.

16. The study indicates that the intensity of cropping has no relationship with the size of land holdings. The co-efficient of correlation between the size of land holding and the average current borrowings of Co-operatives is positive. Hence, the borrowings depend up on the size of the land holdings. This is also true if we analyse the current borrowings of different regions in the district. Through the number of borrower households are greater in respect of marginal farmers, the credit disbursed is the highest in the case of medium farmers.

17. There is a positive relationship between the size of the holdings and the farm capital expenditure and it also exists between farm size and operating expenditure.
18. The study recognizes Co-operatives as a distinct economic sector and integral component of the Socio-economic system of the country.

19. The study recognizes the support of co-operative movement to develop human resources.

20. The study undertakes to initiate structural reforms in order to improve the functioning of the Co-operatives at various levels to ensure greater efficiency and viability.

21. The study dealt with the share holdings/equity participation of the co-operatives.

22. Slackness in recovery of loans mounted overdues and led to the stagnation of Co-operative credit structure.

23. The PACS was observed as a major source of information as well as credit for the rural people living in remote scattered rural areas.

24. These rural as poor people were helped by the PACS to enable them to take up economic activities and in turn by providing credit through simple procedures at a lower rate of interest.

25. The PACSs credit has a significant contribution in the increase of annual income of the borrowers and generating employment in various activities.

26. The PACS also uplifted the borrowers to raise their living standards by creating major assets and increasing their annual income.

27. Though distant to PACS offices, political influence and inadequacy of lower amount the PACSs credit had stood on the way of balanced development of rural areas as revealed by the respondents.
The following suggestions are made basing on the sample study in Kadapa District of A.P.

1. Various segments of the co-operative movement should be encouraged for improving their operational efficiency and for promoting cost effectiveness and quality standards to face the daunting challenges of competitive culture.

2. Funding of the PACSs – they should be funded by other existing commercial banks so as to prevent co-operative credit access system from becoming an volatile and exhaust structure.

3. The pillars of co-operative solidarity and conformity are crumbling. To prevent this, the national policy on Co-operative Societies should be amended to tackle the present on going problems.

4. The spirit of co-operative movement itself is becoming a process of self-decay.

5. The concept of agriculture should include agro-related trade assortments thereby forming the structure of an industry leading to effective recovery of the advanced loans.

6. There is excessive administrative and ministerial staff creating more economic burden on the co-operative banking structure.

7. The technological diffusion in co-operative sector is very low and there is a need to adopt I.T. in the sector.

8. The funds are not properly accounted and audited. And there is a need for an effective mechanism to overcome this problem.

9. Keeping a check on the monotonous functioning of the administration, there is every need for the process of decentralization even going to the extent channelling funds directly from NABARD to PACSs.
8.4. Suggestions

Earnest implementaion of the following suggestions will enable DCCB and PACSs to improve their operational efficiency and prompt earnings, apart from rendering a better service to the rural poor and achieve the avowed objectives of PACSs.

The government should take care of the repayment of PACSs credit repaid by the borrowers when the repayment of the loan is waived.

8.4.1. Reorganisation of PACSs

In some of the mandals in the district, there is only one PACS. In such cases, there is no proximity to the members. Hence, some PACSs are to be reorganized to ensure proximity to the members, within the purview of the existing normal provisions of the Andhra Pradesh Cooperative Societies Act (APCSA) and Rules and without giving a go by to the norms of economic viability.

8.4.2. Economic viability

At present, some of the PACSs are economically non-viable with outstanding advances of less than Rs.10 lakhs. In order to make them viable, a special programme of action has to be implemented to cross the outstanding advances level of Rs.10 lakhs. Necessary steps are to be initiated to expand the volume of credit business and enlarge non-credit services. Emphasis may be laid to increase LT advances. To make the societies financially viable and socially productive, a special drive for deposit mobilization and stringent measures to keep overdues to the minimum are to be undertaken. If necessary, PACSs with below Rs.5 lakhs outstanding advances may be merged with neighbouring societies or if they are beyond revival, be wound up. The societies which are disabled beyond redemption on account of large scale misappropriation may be wound up and in their places new societies may be established to enable continued service to the farming community.
8.4.3. Membership

Of late, an unhealthy trend has set in the membership drive in PACSs. Keeping in view of elections, a large number of non-serious and passive members have been admitted to boost the membership with no discernible advantage for the society and on the contrary leading to unnecessary politicization. To arrest an unhealthy trend set in membership drive, the APCSA has to be amended with a provision that only those who had been members for at least one year before the notified date acquire the eligibility to vote in elections.

8.4.4 Share capital

The proportion of share capital in the working capital is very low and the PACSs are mainly depending on borrowings from external agencies. Hence, the share value has to be increased taking inflation into consideration to strengthen the equity base of PACSs. As to the development programme, the state Government has to provide additional share capital in time. The ratio of share capital to borrowings at the DCCB level for PACSs may be fixed at 5 per cent and in respect of cash credit one per cent. Presently, the share capital collected by PACSs should be deposited with DCCB. If the member leaves the society, the DCCB will not return the amount, but PACSs have to pay. Therefore, it is suggested that the share capital should be left to the PACSs to improve their financial position. In the case of ST loans, share capital on the borrowed amount has to be charged on the basis of landholding size. In regard to LT advances, the rate has to be fixed according to level of borrowing.

8.4.5. Deposits

The PACSs should try to boost the savings among members by offering attractive rates of interest as the deposits are meagre. They have to introduce small thrift groups so as to utilize the deposits so mobilized only for advancing funds to members of such groups. All the members of the
managing committee should take lead in depositing their funds with the society, besides canvassing others to deposit their surplus funds with the PACSs. The paid secretary has to develop a close rapport with villagers and dispel their misunderstanding that the PACSs may not repay the deposits in time. In order to instill confidence in the depositing public, deposits should be covered by the Deposit Insurance and Credit Guarantee Corporation of India to ward off risk. The DCCB should launch vigorous deposit mobilization campaigns to achieve a minimum growth every year by fixing up specific targets to branch managers and senior officers on the analogy of commercial banks. Failure to achieve targets must affect their career advancement, besides disciplinary action. The AP Government should declare its support to DCCB and PACSs unequivocally by reiterating that the public agencies should deposit their funds with them.

8.4.6. Loaning Operations

The lending procedure is outdated and cumbersome. The members who repay their loans are often not sure of getting fresh loans because of delays in the preparation of drawal applications or lack of funds with DCCB. In most of the cases, the loan amount sanctioned by the PACSs is inadequate or untimely. Moreover, the utilization of crop loans strictly for the purpose for which they are envisaged is seldom watched. Vertical and horizontal coordination between credit and marketing structures is conspicuous by its absence. Therefore, the following steps may be taken: (i) The lending policies and procedures need to be simplified and quickened enabling larger flow of funds to meet the growing demand; (ii) every member should necessarily be provided with a pass book containing all the socio-economic particulars. Such pass books have to be reviewed periodically and considered as basis for all decisions in regard to credit sanction. The insistence on encumbrance certificate, 10(1) Adangal, etc., may be dispensed with. This would avoid some of the expenses incurred by borrowers, besides eliminating a lot of
delay and inconvenience in the process; (iii) keeping with the objective of PACSs, the LT borrowers may be covered by the production loans to enable them to carry out their agricultural operations unhampered; (iv) in addition to LT advances, working capital loans are to be provided; (v) cash credit system should be introduced; (vi) where both khariff and rabi crops are raised, gold loans should be encouraged as a part of diversification; (vii) scale of finance has to be fixed on the basis of cropping pattern and capabilities of institutions, credit worthiness of members and tie-up arrangements available; (viii) the LT loans should be disbursed within the prescribed time limit of 30 days; (ix) the LT lending programme of the district should be allocated in terms of units to DCCB branches, which, in turn, should be allocated among PACSs based on sound criteria like previous loan performance, recovery and potential available. Once units have been allocated, loan applications should not come to DCCB for sanction. The DCCB should provide required funds for disbursement of sanctioned LT loans.

8.4.7. Multi functional Services

While there has been significant improvement under credit extension of both ST and LT, not much has been attempted or achieved on multi functional activities. To take up multi functional services on a large scale, well-trained and motivated officers may be attached to the DCCB branches as development officers to guide paid secretaries at the PACSs level.

8.4.8. Marketing

Though the functions of PCMSs were taken over by the PACSs covering input supply and distribution of essential consumer requirements, proper attention has not been bestowed upon the important aspects of processing and marketing of agricultural produce as envisaged under the single window system. Hence, it is necessary to earmark suitable senior staff, with necessary skills and experience to help PACSs to undertake marketing
functions, to guide and train the paid secretaries who by themselves are not equipped to handle such marketing activities. Credit linkage with marketing should be fostered to enable farmer members to repay in the shape of agricultural produce raised. Since marketing activities of PACSs are almost negligible in the state and absent in the district, efforts should be made to take up marketing on massive scale in the years to come.

8.4.9. Diversion of Credit

Diversion of credit is also one of the ubiquitous problems of co-operative credit. The ultimately disbursement of loan is the main cause for diversion by marginal and small farmers while low rate of interest for semi-medium, medium and large farmers. To reduce diversion of credit to other than the specified purpose, there should be strict vigilance and incessant inspection. Adequate loan amount for the stated purpose should be sanctioned and disbursed in time. Further, different rates of interest are to be charged on the basis of landholding size.

8.4.10. Non-borrowing membership

There is a rapid growth in the non-borrowing membership of PACSs. Most of the members did not borrow due to non fulfillment of conditions, easy accessibility to other sources etc. Further, some of the members have submitted their loan applications after the submission of credit limits to DCCB by paid secretaries. Hence, there is a dire need to inform members well in advance about the last date to submit loan applications and the formalities to be fulfilled by the applicants.

8.4.11. Management Committee

The large and medium farmers have grabbed a lion's share in the management committee of PACSs. To check this, proportional representation based on the categories of landholding size has to be devised and implemented effectively on the lines of communal reservations.
8.4.12. Recovery of loans

The repayment schedule should coincide with income generation so as to bring down overdues. The paid secretary should preach repayment ethics among the borrowers. He should see that the borrowers strictly adhere to repayment schedule with the help of social organizations. In order to gear up the recovery effort, the services of officers from the co-operative department are to be availed. The rephasing and rescheduling of repayment should be made after making a realistic study of all the factors that govern the economic viability of the scheme for which the loan is sanctioned. The window dressing at the primary level regarding recovery should be checked. To have a close monitoring of sticky overdue accounts and to exercise close follow-up of individual overdue loan accounts, a recovery and legal section has to be established for each mandal. It should make constant review of recovery position of individual PACSs and advice them to pay special attention to bring down the overdues. The willful defaulters should be checked forthwith. These are to be tackled by constant follow-up and persuasion. In the case of crop loans, recovery should start immediately after the harvest. The borrowers are to be informed in advance about the due dates. Whenever default arises due to natural calamities like drought and circumstances beyond the control of borrowers, these cases are to be considered sympathetically by rescheduling of loans through extension, conversion and rephasing.

A defaulter in loan repayment shall not have the right to vote in election. The advances for agricultural operations should, as far as possible, be tied up with processing units or marketing agencies so as to ensure remunerative prices to members and also assured recovery. To enforce recovery discipline institutionally, presidents of PACSs in which the share of overdues to demand exceeds 20 per cent, should be disqualified from being delegates to DCCB or on the general body of DCCB. Similarly, presidents of DCCBs with more than 20 per cent overdues to demand should be disqualified from being represented on the board of apex bank or on the general body.
8.4.13. Politicisation

Cooperative credit institutions have, of late, become highly politicized bodies. Whenever, there is a change in the government, certain changes too are taking place. One area in which politicization has brought about extensive damage to the system has been the tendency on the part of the government to announce general waive of dues largely to subserve the political interests. The tendency on the part of the State Government to grant rebate on the interest needs to be curbed if the profitability is not to be adversely affected. Secondly, such rebate brings down the interest burden far below the market rate, which in turn leads to misuse of credit.

It may be concluded that the organisaitonal system of PACSs is well designed with an avowed objective of serving farming community in a better way by supplying the ST and LT credit and non-credit services under one umbrella. But the new system appears to be paid more attention on the credit dispensation. The new system does not seem to be bothered much about the effective utilization of credit, recycling of funds and non-credit services. So it is to be noted that supply of credit in a coordinated manner without inconvenience to the borrowers will not serve the avowed objective, unless credit dispensation is followed by effective utilization of credit and proper recovery of dues.

When the aforesaid measures are implemented as a package and not in an isolation, they would result in an improvement in the financial viability of developed societies.

8.5. Hints for Future Research

Studies may be conducted in the direction of determining what proportion of loss could be considcred as being incurred due to non-availability of the benefits of the measures suggested in this study and what part could be attributed to improper management. An enquiry may be conducted on the impact of integrated co-operative credit on borrower members in terms of income generation, employment creation and asset formation. Under the present set up, an indepth case study may be taken up on
a top priority basis, on the economic viability of the DCCB, Kadapa inter alia covering the issues like financial performance; integration of the staff of the erstwhile PACS with those of it; human resource development; fixation of staffing and other norms for the level of business; avenues for diversification and proportion of farm and non-farm loaning; systems improvement and related matters so as to eventually render the DCCB viable on an enduring basis. A study may be organized on the performance of the DCMS, Kadapa. An independent work may be carried out on individual PACSs— one developed and other weak in terms of capital base; loan operations; recovery performance and overdues; non credit activities; business development plans; appointment and service conditions of paid secretaries; election to management committee etc., and thereon make a comparative analysis. As a sequel, remedial measures and corrective action may be suggested for the aforesaid in order to overcome the loopholes, if any, may be further plugged. Then co-operatives may become viable and earn profits and thereby contribute their mite in the matter of generating additional income and employment in the rural areas, step up the level of agricultural exports and economic development of the country in its own way. This is all possible by the provision of adequate and timely credit to agriculturists at reasonable rate of interest. Hence, it is suggested that research studies at micro-level may be directed in future on all the issues referred to. This will enable the researchers to throw a beacon light on these and more effective, meaningful and feasible ways and means can be found out to all the problems of co-operatives under single window system. This will tone up the efficiency of operations, serve the rural poor better, apart from stepping up their level of profitability.

8.6 Conclusion

To conclude, it should be borne in the minds of all those who are the members and officials of the PACSs that co-operation should not be an end but it should be a means to improve the quality of life of the rural people. To this end, the PACSs in general and the Kadapa PACSs in particular, should work effectively to achieve the main objective of developing rural areas.