CHAPTER-1

INTRODUCTION
1.1. Introduction

Rural Development is a process of mass mobilization and collective effort to change the living conditions of rural people. It is defined as a movement to promote better living for the whole community with the active participation of the people and if possible, with the initiation of community. Organisations created exclusively for providing rural development provide the impulse for stimulating growth in the rural economy and provide forum for participation of people in decision making. They help in producing group dynamics, identifying common needs of the people and provide prime contact point for transfer of technology. Further, they are designed to fulfill multiple goals both - organisational and individual - that could accelerate the process of rural development. The key elements in the rural organizations include building in the rural milieu are leadership, education and environment. After independence several attempts have been made in India to tackle the problem of rural poverty and backwardness through institutional approach. There is growing realisation now that the voluntary organisations promoted by people themselves can sustain the saga of rural progress. In this context, it can be stated that autonomous non-exploitative institutions capable of mobilising men and material alone could succeed in filling this vacuum. In this sense, Co-operatives alone have proven record of best performance on these lines. They have demonstrated their potential as an instrument for rural transformation in a variety of ways. They also facilitate the exchanging of ideas and experiences, mobilise people for collective action, arise group consciousness and uplift weaker sections like small farmers through joint efforts in the purchase and sale of goods. Lastly, rural organisations are the focal points for base level planning and decision making.

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In India, nearly 80 per cent of its population lives in rural areas while agriculturists and agricultural labourers constitute about 70 per cent of the total country's working population. The agricultural sector contributes nearly 40 per cent of national income and 70 per cent of the 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. John W. Mellor asserts that agriculture substantially influences the political system of our country and also the policy-making in the areas of food and population. The existence of substantial agricultural surplus is a precondition for industrial development. The All India Rural Credit Review Committee is of the opinion that the agricultural sector would alone act as a catalyst in breaking the vicious circle of poverty. In fact, the progress of the country hinges on the performance and prosperity of agricultural sector. Hence, agriculture tends to attain utmost attention in any policy or programme of rural development.

Agriculture and rural development continue to be the top priorities in all the National Policies on Agriculture evolved during different period. In these policies emphasis has been laid to enhance the flow of resources to agricultural sector both from public and private sources in order to increase the agricultural productivity and make improvements in the quality of life of farmers. In the opinion of experts if we have to revolutionize Indian Rural Economy, then making available cheaper credit are at right time and in right quantity is a must. Today, the demand for credit is extremely profound in spite of its high cost. Poverty alleviation programmes can be strengthened by way of increasing credit flow to the rural areas for undertaking agricultural

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3. Reserve Bank of India (1964), Report of the All India Rural Credit Review Committee, Bombay, P-55.
4. Ravindra Prasad, D. (1978), Co-operatives and Rural Development (Hyderabad: Osmania University), P-1
operation. One such measure is the development of co-operative structure in the country. As noted by an expert, the history of modern civilization is, in fact, the history of co-operation, for without it, the social and economic progress would not have been possible. According to a saying, man is considered to be essentially co-operative rather than aggressive.

Co-operation, from early days of the planning in India has been perceived as the most important form of people's institution for the promotion of equity, social justice and economic development. The Co-operatives have become very essential to the rural masses for their emancipation changed in the context of globalisation and liberalisation of the Indian economy. Along with Co-operative Self-Help Groups, associations of workers, small producers, women, weaker sections, etc. need to be promoted and strengthened. The Government would seek active participation with voluntary sector in organizing and promoting these groups. Legislative framework in respect of these institutions is also being modified in order to take care of the change in the economy and society.

Over the years, the Co-operative Institutions have become significantly impaired in the matter of management and funds. Due to financial constraints, the co-operative credit structure is steadily loosing its ability to meet the rapidly growing credit needs of the agricultural sector. Lesser flow of capital to agriculture is manifesting itself in terms of relatively slow growth rate of agriculture production. The need of the hour, therefore, is to shift from "economy of shortages to the economy of surpluses", as we have done in many other sectors in Indian economy in recent times. The key to sell the same is to create an environment for increasing competition in rural credit system.

6 Quoted by Dr. B.S. Mathur, (1977), Co-operation in India, (Agra: Sahitya Bhaban,) P.1.
7 Ibid.
1.2. Concept of Co-operative Societies

The word Co-operation is derived from the Latin word "Co-operari". 'Co' means 'with' and 'operari' means 'to work'. In other words Co-operation means working together with others for a common purpose. There is no common or uniform specific definition for the concept of Co-operation. Different scholars defined it in different ways at different times. The word Co-operation is widely defined. No two definitions are identical and alike. One important reason as to why the definitions differ so widely is that co-operative movement was developed in different countries in different forms and under different social environment. The dictionary meaning of term Co-operation is, an association of a number of persons for a common benefit especially in carrying on some branch of trade or industry, the profit being shared, as divided among the members.

Holyake defined Co-operation as a voluntary concept with equitable participation and control among all concerned in any enterprise.

According to C.R. Fay, a Co-operative Society is an association for the purpose of joint trading, organizing among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share its rewards in proportion to the degree in which they make use of their association.

Calvert described Co-operation as a form of organization, wherein persons voluntarily associate together as humanbeings, on a basis of equality, for the promotion of the economic interests of themselves.

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10 Webster Universal Dictionary, P. 308.
12 Fay, C.R. Co-operation At Home and Abroad, Vol. 1
13 Mathur, B.S., Op.Cit., P. 8
Co-operation can also be understood as a joint or collective action of people directed towards some specified goal in which there is common interest or hope of getting formal or informal, but there is always a combination of efforts towards a specific end in which all the participants have a stake, real or imagined\(^\text{14}\).

Paul Lambert asserts that a Co-operative Society is an enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and the community as a whole\(^\text{15}\).

A good explanation of organized cooperation is found in the report of an inquiry on Co-operative Enterprises in Europe, published by the Government of the United States. It states that a co-operative enterprise is one which being the people who use its services, the control of which rests equally upon all its members and the gains of which are distributed in proportion to the use they make of its services\(^\text{16}\). L.P. Jacke conceived Co-operation as the most difficult and beautiful art in the world\(^\text{17}\).

Thus, the word "Co-operative" means an association of persons united voluntarily to meet their common economic needs through a jointly owned enterprise. Co-operatives are autonomous, decentralised, democratic, self-help and mutual aid associations of persons effectively harnessing and fostering members' resources - in consonance with the Principles of Co-operation, as enunciated by the International Co-operative Alliance (ICA). Co-operatives acquire the right to autonomy as they function on the "principle of mutuality". The members of a Co-operative and the users of the services of that Co-operative are one and the same. Every stakeholder in a Co-operative is a member of the Co-operative and, thereby, has a voice in its over-all decision-making process.


\(^{16}\) *Mathur, B.S., Op.Cit.,*

\(^{17}\) *Ibid.*
Under the provisions of Section 5(ccii) of Banking Regulation Act, 1949 (AACS), a Co-operative Credit Society is defined as a Co-operative Society, the primary object of which is to provide financial accommodation to its members and includes a Co-operative Land Mortgage Bank. These types of institutions are thrift societies. The distinction between a Primary Credit Society and a Co-operative Credit Society is with reference to their nature of business. The primary object or principal business of a Primary Credit Society is the transaction of banking business. When its paid up capital and reserves attain the level of Rs.1 lakh, a Primary Credit Society automatically becomes a Primary Co-operative Bank. However, even after a Primary Credit Society becomes a Co-operative Bank, it has to apply to RBI for a licence to carry on banking business. But it can carry on banking business until it is granted a licence or notified that a licence cannot be granted to it.

1.3. Brief History of Co-operative Movement

The evolution of Co-operation in the world can be traced from times immemorial, beginning from the day individual first joined hands for the advancement of common pursuits in life. Modern co-operative movement is generally dated from the foundation of the Rochdale Equitable pioneers at the end of 1844. The structure and rules of the Rochdale Co-operative Society of Weavers formed the model for countless successors not only in England but also in other countries and continents.

While the co-operative movement in Great Britain and other Western countries was spontaneous, in India and in some other promoted developed and developing countries, it was promoted by the Governments. It was "not because it was desired but because it was desirable". Of course, in course of time, the co-operative movement came to be recognized as the best means of economic development. In India, it was conceived as a State policy. Indian 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 lot of 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 origin of the co-operative movement in India lead to the enactment of Co-operative Societies Act, as early as 1904 with a view to establish the agricultural co-operative credit societies. This Act created proper environment for the development of co-operative movement in the country.

The International Labour Organisation (I.L.O) study of 1933 noted that in some they are using co-operation as an instrument for developing a backward economic system; in other more advanced countries, it is considered as a highly developed and advanced form of economic activity and is, therefore, entrusted with new responsibilities in being associated with tasks of public importance.\[1\]

The importance of co-operative movement cannot be belittled as suggested by the findings of the All India Rural Credit Survey Committee of 1954. It reveals that "co-operation has failed but it must succeed" and the comments of Royal Commission on Agriculture "if the Co-operatives fail, this will be a failure for the best hope of India". This is why the planner of post-independence era gave thrust to the co-operative movement and the then Prime Minister Pandit Jawaharlal Nehru wanted India to be convulsed with co-operatives.

The Maclagan Committee observed that as a matter of fact, the crisis had a contrary effect and in most provinces, there was a movement to withdraw deposits from non-co-operatives and place them in co-operative institutions. The distinction between two classes of security being well appreciated and a preference being given to the latter owing partly to the local character and publicity of co-operative institutions but mainly to the connection of Govt. with co-operative movement.

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The historical evidence shows that the Co-operatives are rightly regarded as one of the most important instruments for the achievement of economic, social and cultural development and ultimately human advancement in both developed and developing countries. This viewpoint was supported and strengthened by many national and international organizations and institutions. The International Labour Organisation as early as 1966 emphasized that Co-operatives to be established and developed as a means of increasing national income, export revenues and employment by a fuller utilisation of resources. Co-operatives are expected to bring in unproductive areas into productive use and help in the development of modern industrial scenario. In India, the co-operative principle has developed and is being developed as a constructive instrument for economic and social upliftment of the rural masses.

In the cooperative sector, apart from quantitative progress, there were several organisational developments of significance during the recent period. One of them was the emergence of National Co-operative Federations. The formation of the national federations and the reorganisation of the National Co-operative Union of India at the apex, added a new dimension to the co-operative structure. Another important development was the re-organisation of the co-operative training programme. This had two main aspects. A new stress was laid on instruction in business management. The National Co-operative Union of India set up a special committee, called the Committee, for Co-operative Training to which the task of running the National Institute and the co-operative training colleges was entrusted. In a number of cases, the State Governments transferred the charge of their Co-operative Training Centres to State Co-operative Unions.

1.4. Areas of Progress of Co-operation at a Glance

To-day co-operative movement in India is one of the largest movements in the world. Initially it was started with a limited spectrum of activities or dispensation of rural credit. It has now entered in all fields of economic activity with social content.
The statistics here indicate that modern co-operative movement has made tremendous progress in every walk of its activities and occupies a major place in the share of the national economy.

The co-operative agricultural credit structure in India is a three tier structure characterised by a plethora of institutional segments. There are three types of institutions recognised by the Banking Regulation Act 1949 (as Applicable to Co-operative Societies).

(i) Primary Credit Societies, which virtually function like banks, but whose net worth is less than Rs.1 lakh; which are not members of the payment system and to which deposit insurance is not extended,

(ii) Primary Co-operative Banks, popularly called Urban Co-operative Banks, whose net worth is Rs.1 lakh and above and, which are recognised as banks, are members of payment system which enjoy deposit insurance

(iii) Co-operative Credit Societies, who confine their activities to their members alone and which do not perform banking functions.

Despite wide performance variations amongst states in India, the co-operative movement as a whole had recorded creditable achievements in terms of delivery of credit and allied agro-services to the farmers in the nook and corner of the country. The network of Marketing Co-operatives comprises 5,926 Primary Marketing Societies (including 3,290 special commodity/societies), 157 District/Central Co-operative Marketing Societies, 29 General Purpose State Co-operative Marketing Federations and National Agricultural Co-operative Marketing Federation at the National Level. The marketing arena of Co-operatives extends from primary marketing centres to most of the important secondary and terminal markets. They form a basis for comprehensive development in agriculture which in turn contributes to rural
development. They arrange to provide farm inputs, storage, transportation, pledge financing etc. to the needy farmers. The volume of agricultural inputs handled by co-operatives has been increasing year after year. These include seeds, fertilizers, pesticides and farm machinery. Obviously the first stage where the farmers need support is purchase of seeds, fertilizers insecticides, etc. Hence agriculture credit is the first and foremost priority. The co-operative movement has contributed a great deal in the development of rural economy in the State. While the country leads in terms of financial institutes in the co-operative sector, there are many other success stories like sugar industry, textiles, poultry, milk, agro-processing and marketing, etc.

In pursuance of the thrust areas, the Department of Agriculture and Co-operatives has supplemented the ongoing programmes with new schemes in respect of horticulture development in mission-mode, micro-irrigation, national bamboo mission, reforms in agricultural marketing, etc. In addition, the programmes relating to the (i) National Cotton Mission; (ii) Revival of Plantation Crops Economy; (iii) Institutional Reforms in terms of (a) decentralization; (b) simplification; (c) transparency; (d) accountability; and (e) e-governance; and (iv) Revamping Agriculture Extension have also been identified for focused attention.

Another area wherein the Rural Co-operatives have made a mark relates to their increasing share in storage and distribution of agricultural requisites and consumer goods in the rural areas. Presently there is a storage capacity of 84 lakh tonnes in the co-operative sector. The distribution of consumer articles by co-operatives in the rural areas has shown significant increase over the years especially since 1968-69 due to massive assistance given by the National Co-operative Development Corporation.

The Co-operatives in India have also entered in several fields, such as marketing, dairying, processing and distribution. The network of Industrial Co-operatives are instrumental in promoting and preserving rural industrialisation and in providing employment opportunities to the millions of
artisans in different parts of the country. The benefits derived from such agencies leads not only to material gains but also enables to bring about a silent revolution in the mental make-up of its members, imbibing the spirit of self-help through mutual-help. Co-operatives, like service organisations at the village level are catering to the various needs and requirements of the villagers. The essential inputs are being channelised through the Co-operative societies. They are supplying agricultural machinery at reasonable hire charges expanding the cold storage facilities for a variety of perishables. Inputs like fertilisers, improved seeds, implements, plant protection material, such as pesticides and insecticides make-up the principal activities of Co-operatives. On the other hand, Service Co-operatives are extending 'consumer services' in villages.

It is important for planned development to bring about growth of Co-operatives in all parts of the country and to ensure the coordinated operation of various types of co-operative organisations. It is only when co-operative organisations embrace all activities from production, through credit, sale, supply, processing and storage to consumer stores and act as an integrated system that they can fully discharge their social and economic responsibilities. This objective can be reached only through careful filling of gaps and by strengthening the primary and the district institutions and arranging for interactivity co-ordination at the state and national levels. The plan includes a variety of proposals such as strengthening and proper supervision of primaries, assistance to processing activity where it is economic, linking of the credit, marketing and consumer systems. It lays emphasis on better management and provision of management training and encouraging the autonomous functioning of State and National Federations.

It has to be recognised that with the utmost effort co-operatives may only partially meet requirements in many areas. When this happens, alternative institutional arrangements with the help of the public sector, where appropriate, the private sector organisations have to be devised, start a small
business, inculcate entrepreneurial culture among the rural people in order to utilise the resources available locally and help to create assets to weavers, fishermen, artisans, etc. Financial assistance extended by the Co-operatives raises assets for the beneficiaries which provide long term benefits to them directly. Farmers are given green card for speedy disbursement of short-term credit through Primary Agriculture Credit Societies.

1.8. Review of Literature

 Several research studies were attempted to examine the working of Co-operatives in various countries by several individual researchers, research institutions and governmental agencies. An attempt is made here to review briefly some of important research studies on the co-operative movement in various countries with special reference to India and Andhra Pradesh.

 The Central Banking Enquiry Committee (1931)\textsuperscript{19} reviewed the working of the Credit Co-operatives in India. The committee noted that some of the loans delayed their repayment of loans willfully even when they were in a position to repay and the members of the Credit Co-operatives could not understand the co-operative principles thoroughly.

 The Statutory Report of the Reserve Bank of India (RBI) (1937)\textsuperscript{20} exposed some establishing features of the Co-operative Banks functioning in the country. The report suggested certain remedial measures which include separation of short and long-term credit structures, building up of strong reserve fund, issuing of loans for productive purpose and reformation of Primary Societies. The Agricultural Finance Sub-Committee (1945)\textsuperscript{21} noticed that a number of Co-Operative Societies in India were found to be facing the problem of frozen assets.

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\textsuperscript{19} Government of India, \textit{(1931) Report of the Central Banking Enquiry Committee.}
\textsuperscript{20} Reserve Bank of India, \textit{(1937) Statutory Report, Bombay.}
The Co-operative Planning Committee (1946)\textsuperscript{22} opined that the laissez-faire policy of the state and the illiteracy of the farmers were the main reasons for poor performance of the Co-operative Credit Movement in the country. The Rural Banking Enquiry Committee (1949)\textsuperscript{23} recommended the re-organization of the Co-operative Banking structure as it was not strong except in Bombay and Madras.

Krishna Rao (1946)\textsuperscript{24} in his study reviewed the working of the Co-operative Credit Societies in the light of member's economic conditions. This study revealed that the members of the Co-operative Credit Societies were largely indebted to the private credit agencies.

The survey of the All India Rural Credit Survey Committee (1951)\textsuperscript{25} confirmed the dominance of the money-lenders in the rural credit market. It observed that agricultural credit fell short of the right quantity, was not of the right type, did not serve the right purpose and often failed to go to the right people. The committee summed up the poor performance of the Cooperatives. The committee strongly felt that in India 'co-operation has failed, but co-operation must succeed'.

J.A Banks and G.N.Ostergaard (1955), Scholars of England studied the working of Co-operative democracy in practice\textsuperscript{26}. There was an inverse relationship between the size of a society and the proportion of members attending meetings and voting. The larger the society, the smaller the proportion of members attending meeting and voting. The older style of pure co-operation has become rare and in its place the co-operation which is also active in politics has come into being.

\textsuperscript{22} Government of India, (1946) Report of Co-operative Planning Committee, New Delhi.,
\textsuperscript{23} Government of India, (1949) Report of Rural Banking Enquiry Committee, New Delhi.,
\textsuperscript{24} Krishna Rao, B., (1964)Six Agricultural Credit Societies - A Case Study in Madurai and Salem Districts, (Madras: Madras University).
\textsuperscript{25} Reserve Bank of India, (1954) Report of the All India Rural Credit Survey Committee, Bombay.,
\textsuperscript{26} Banks, J.A. and Ostergaard, G.N (1955) Co-operative Democracy- A study of Aspects of Democratic Process in Certain Retail Co-operative Societies (Stanford Hall (England) : Co-operative Union.,
The Evaluation Committee (1956)\textsuperscript{27} appointed by the Bombay State Co-operative Bank disclosed that many Co-operative Societies in the country excluded the small farmers and the crop sharers from obtaining loans and in several cases, membership was rejected on personal grounds.

The Programme Evaluation Organization\textsuperscript{28} of the Planning Commission (1965) conducted a study on the Utilization of Co-operative Loans. The study underscored the physical growth of the Co-operative Credit societies, but at the same time underlined the alarming growth of overdues.

V.T. Naidu (1968)\textsuperscript{29} reviewed the progress of the co-operative credit movement in India with main focus on their financial soundness and business efficiency. He noted that a large number of Primary Agricultural Credit Societies (PACS) working in the country were weak in functioning. Though the decade under review (1951-61) witnessed a significant rise in the value of loans advanced, the position with regard to their recoveries was not satisfactory and the credit was biased in favour of affluent farmers in the villages.

The All India Rural Credit Review Committee (1969)\textsuperscript{30} set up by the RBI in 1966 reported that while re-organization of co-operative credit should be pursued and the integrated scheme implemented vigorously and efforts should not be concentrated solely on the co-operative sector. Considering the magnitude of the problem of agricultural credit, the Commercial Banks, especially the nationalized banks, should be involved extensively in provision of agricultural credit. The committee also recommended the establishment of two new organizations, viz, the Rural Electrification Corporation for financing rural electrification schemes and the Small Farmers Development Agency (SFDA) for identifying the problems of small farmers.

\textsuperscript{27} The Bombay State Co-operative Bank Ltd. (1956.). Crop Loan Evaluation committee. Bombay.
\textsuperscript{29} Naidu, V.T.. Farm (1968) Credit and Co-operative in India. (Bombay Vora and Co Publishers Private Ltd.).
\textsuperscript{30} Reserve Bank of India. (1969.) Report of the All India rural Credit Review Committee, Bombay.

Ram Reddy's (1971)\textsuperscript{32} study brought out brilliantly how the role of credit co-operatives differed between the well developed and less developed regions. In the former, the returns from the investments were reasonable, adequate and fluctuated only within narrow margins and overdues were basically related to the break leadership in the Co-operatives.

Furubotn and Pejovich (1973) and Jensen and Meckling (1979) analyse the role that capital can play in a Co-operative using the property rights framework. Important in this framework is a recognition that, unlike in the capitalist firm where suppliers of capital are the residual claimants; suppliers of a commodity, or buyers of a Co-operative's output and sometimes even suppliers of capital are the residual claimants in a Co-operative.\textsuperscript{33}

The Study Team on Overdues (1974)\textsuperscript{34} constituted under the Chairmanship of Datey, concluded that the problem of overdues in the co-operative sector in the country was mainly due to institutional default.

The pattern of credit requirements was analyzed in detail in the report (1974) entitled "Credit Requirements for Agriculture."\textsuperscript{35} It was observed that the rates of interest on loans from all sources showed a decline over time.

L.R. Rao in his work on "Rural Co-operatives" (1974)\textsuperscript{36} dealt broadly with the functioning of co-operative movement in Andhra Pradesh, with

\textsuperscript{31} Government of India, (1972.) \textit{Report of the Banking Commission New Delhi.}
\textsuperscript{34} Reserve Bank of India., (1974). \textit{Report of the Study Team on Overdues in Co-operative Credit Institutions, Bomabay.}
\textsuperscript{35} National Council of Applied Economic Research (NCAER). (1974) \textit{Credit Requirements for Agriculture, New Delhi.}
\textsuperscript{36} Rao, L.R (1974) .\textit{Rural Co-operatives- A Study with reference to Andhra Pradesh, (New Delhi: Sultan Chand.}
regard to progress of Co-operatives institutions during the pre-planned era and planning era, financing pattern of Rural Co-operatives, management of credit Co-operatives, Co-operative law and its execution, prospects of rural co-operatives, their problems and remedial measures.

Hazari Committee (1976)\textsuperscript{37} recommended the integration of the three wings of the co-operative credit structure at all levels, i.e., the primary, the intermediate (District) and the apex (State) levels.

Krishnaswamy\textsuperscript{38} (1976) made a state-wide investigation of the working of co-operative democracy. He says that democracy in PACS exists only on paper but not in actual practice. The ignorance of members, their socio-economic disparities, the societies, dependence on Central Co-operative Banks (CCBs) for funds, robbing of vital matters of decision from their hands, lack of cordial relations among members and the mechanical way of conducting meetings led to the weakening of democratic control at grass root level and the dominance of the upper castes in the Co-operative Societies. The members in the Central Banks do not possess any knowledge about the co-operative movement.

Subrata Ghatak (1976)\textsuperscript{39} reported in his study that the PACs generally failed to satisfy the different criteria of financial viability so far as the composition of the financial structure and loan operations were concerned. Increasingly, greater dependence on borrowing, failure to mobilize deposits appreciably and mounting overdues became their chief problems.

The study of financing of the PACS (1976) by the commercial banks was a part of All India Debt and Investment Survey sponsored by the RBI in five states in 1970 where it was found that the co-operative credit system was


\textsuperscript{39} Subrata Ghatak (1976), Rural Money Market in India, (New Delhi: Macmillian Co.)
financially and administratively weak. The report observed that the high incidence of overdues, persistence of operational weakness of the PACS, low volume of medium-term loans issued to the members of societies and inadequate financing of small farmers were some of the problems confronted by the co-operative sector in India.

The National Commission on Agriculture (1976) emphasized the need for an integrated agricultural credit services covering all aspects of rural development including production, marketing, transport and processing and providing the requisite credit with the facility for its conversion into production inputs and investments in resource development. The Commission envisaged greater involvement of commercial banks in financing agricultural development. The Commission suggested greater weightage to the needs of small and marginal farmers and provision of credit to them on preferential terms.

Suryanarayana Raju’s (1977) study focused on different aspects of the performance of district Co-operative Central Banks (DCCBs) and PACSs and also on the nature of regional variations in the performance of credit Cooperatives. The study revealed that the overall performance of DCCBs, as seen through the composite index, was the highest in Kerala followed by Punjabi, Tamil Naidu, Gujarath and Maharstra. The weakest DCCBs were in the eastern part of the country. The study also disclosed that the performance of PACs especially in relation to advances was better in agriculturally well developed states. However, societies with better performance in relation to advances did not show equally good performance in recovery and there was no significant association between recovery rates and other aspects of efficiency.

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40 Reserve Bank of India, (1976) Financing of Primary Agricultural Credit Societies by Commercial Banks, Bombay.
Dodhich (1977)\textsuperscript{43} in his analytical study pointed out that there was no relationship between the size of land holdings and repayment capacity of the borrowing. No association was found between the literacy and repayment of dues. The borrowers having irrigation facility had more repaying capacity than those who did not have such facility. Further, no association was found between the amount borrowed and repayment. The cultivators were less defaulted.

Jain et al. (1977)\textsuperscript{44} observed in their research study that the co-operatives were catering to about 40 to 50 per cent of the total credit requirements of the farm sector of our country.

Choubey (1977)\textsuperscript{45} stated that the co-operative credit was meant for an improvement in agricultural production, income and to raise the standard of living, if properly utilized, the objectives of co-operation could be achieved.

Mehrotra et al. (1977)\textsuperscript{46} in their study found that the association between performance of Credit Co-operatives and promotions of small farmers was negative, whereas, big farmers borrowed the credit from co-operatives and utilized it in a better way as compared to small farmers.

According to Patel, D.M et al. (1977)\textsuperscript{47} the performance of PACSs in the provision of credit to the weaker section was not satisfactory.

Singh, J.P.\textsuperscript{48} explained that the co-operatives' credit helped the beneficiaries to change their cropping pattern and in raising their production, productivity and income to a large extent.

\textsuperscript{43} Dadhich, C.L., (1977). Overdues in Farm Co-operative Credit - A Study of Rajasthan (Bombay: Popular, Prakasham).
\textsuperscript{44} Jain, H C et al. (1977) "Utilization and Cost of Term Farm Credit provided by a Co-operative Banking in M.P" Indian Co-operative Review, Vol XIV, No. 4, PP 358-359.
Singh et al. (1978)\textsuperscript{49} expressed that the co-operative credit was positively correlated with the farm production and income of the farmers.

Pandey et al. (1978)\textsuperscript{50} disclosed that the position of overdues in the Co-operatives was very severe due to low recovery performance and willful default by the members of these societies.

Ravindra Prasad (1978)\textsuperscript{51} in his study found that while the Board of Directors of DCCB under study appeared to provide the leadership but in reality it was not the Board but the President who provided leadership. In the process of advancing and recovery of loans many procedures have been prescribed in the Co-operative societies which are causing undue delay in the flow of credit to the farmers killing the enthusiasm of the non-official leadership.

The Expert Committee on Co-operation (1979)\textsuperscript{52} studied the problem of over-dues in Co-operative Banks. It was concluded that the problem of overdues was mainly due to willful default.

Rajan et al. (1979)\textsuperscript{53} opined that the factors responsible for better utilization of credit were share holding, period of membership, value of cultivable land, knowledge of own Society and democratic participation and the factors affecting utilization of credit that include distance of the residence, income and satisfaction of the members.

C.R. Reddy (1979)\textsuperscript{54} in his work assessed the extent of credit provided by the District Co-operative Central Bank (DCCB) for different productive purposes.

\textsuperscript{52} Reserve Bank of India. (1979) Report of the Expert Committee on Co-operation, Bombay.
\textsuperscript{54} Reddy, C.R., (1979) Financing of Agriculture by the Cuddapah Central Bank, (Anantapur. S.K.University.)
Inter-regional as well as intra-regional disparities in the flow of credit have been examined in a study by Mukhopodhyay (1979) and others. Reasons influencing the demand for credit along with the supply of credit were noted to be crucial in explaining the inter-regional variation in the actual flow of credit per unit of land.

Rajput et al. (1980) believed that the Co-operatives were the dispenser of the credit to cultivators in the co-operative fields.

Venkateswarlu, U (1980) felt that the co-operative credit influenced cropping pattern, adoption of improving agricultural practices and intensity of cropping of the sample borrowers.

Sivaraman Committee (1979) appointed by the RBI revealed that there was a need for re-organization and recommended the establishment of National Bank for Agriculture and Rural Development (NABARD) (1981). The committee preferred to have more than one organization for different purposes and arrangements for co-ordination of those organizations instead of integration of different credit structures. The committee opined that a two-tier structure might be conducted in smaller states and union territories, whereas the three-tier structure could remain as the general pattern for bigger states.

Mohanan (1981) wanted the effective participation of all farmers for successful working of Co-operatives.

Singh (1981) et al. opined that the Co-operative loans helped the beneficiaries for investment and better production.

58 RBI-Report of the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), Bombay, 1981.
Chauhan, T.R. (1982) et.al. thought that money-lenders were still playing an important role in financing small farmers\(^1\). It was observed that small, marginal and medium farmers used loans both for productive and non-productive purposes, whereas large farmers availed for productive purpose only.

Kohinkar et.al\(^2\) (1982) made an attempt to investigate the impact of institutional finance on economic status of farmers. They observed that the borrowers' groups were better educated and had better welfare conditions for the family than the non-borrowers' group, the borrowers' groups were economically better off than non-borrower group; the borrowers had greater productive abilities.

Kalyankar, S.P. (1983)\(^3\) examined the nature and extent of overdues arising in crop loans disbursed by PACs. Mamat (1984)\(^4\) suggested that efforts should be made to reduce the overdues of the Co-operative by using different measures such as supervision, changing procedure and reducing willful defaults. Planning is necessary for strong growth of Co-operatives and for reducing the growth of overdues.

P.C. Bandhan and B.K. Ganguly (1983) say that as a matter of fact, "Co-operative dairying is injecting a new stimulus to rural development as it is one such programme which very cohesively interviews into the social fabric of our villagers, by allowing direct participation of the target population in the management of the various components of the programme. By integrating appropriate technology with the basic human desire to grow, Co-

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operative dairying is drawing the rural poor into the fold of modernisation, thereby providing opportunities for a better standard of living\textsuperscript{65}.

Dale W. Adams (1984) outlined that in the past several decades large amount of money was spent under various agricultural credit programmes in low income countries\textsuperscript{66}. Poor recovery, the rich grabbing most of the Co-operative loans and political instructions were some of the disappointing results of these efforts.

NABARD (1984)\textsuperscript{67} in one of its reports disclosed that the level of overdues was higher for investment credit (Long-term loans) than for crop loans (short-term credit). Large farmers defaulted more than small farmers.

Thirupalu, (1985)\textsuperscript{68} assessed the volume of co-operative credit disbursed by samples PACS to farmers of different categories. He also examined the causes for the problem of overdues and suggested certain measures for the effective working of Co-operative credit system in Nellore district of Andhra Pradesh.

Problems faced by small farmers in obtaining long-term credit from Primary Agricultural Development Banks (PABDs) and their opinions on the services rendered by PABDs were examined by Narayana (1985)\textsuperscript{69}.

Tripathi (1985) et.al. said that the growth of Co-operative Society depends on the position of overdues\textsuperscript{70}.

World Development Report (1986) reviewed the special programmes for providing credit to farmers generally at low interest rates\textsuperscript{71}. Cheap loans were, therefore, unsuccessful in redistributing income towards the rural poor.

\textsuperscript{66} Dale W. Adams et. al (1984)\textit{Undermining Rural Development with Cheap Credit (Boulder: West View Press)}
\textsuperscript{67} NABARD - (1984)\textit{Seminar on Repayment of Institutional Credit, New Delhi, 1984.}
\textsuperscript{68} Thirupalu, N.T. (1985) \textit{Co-operatives and Farm Credit in Nellore District, (S.V University, Tirupathi).}
\textsuperscript{69} Narayana, N.V., (1985)\textit{A Study of Co-operative Agricultural Development Banks in Ananthapur District in Andhra Pradesh with special reference to finance of small farmers, (Doctoral Thesis) (Ananthapur, S.K University.)}
\textsuperscript{70} Tripathi, V.P et.al (1985) "Rural Co-operative Financing Agencies", \textit{Productivity, Vol. 25, No.4
Satyanarayana, E. (1986) studied the capital structure, membership pattern, loan policies and procedures and operational efficiency of sample PACS in Chittoor district.\textsuperscript{72} He made a statistical analysis of the causes of overdues, repayment performance of sample borrowers and demand for credit.

Shah, V.M (1986)\textsuperscript{73} observed that the co-operative form of organization may, by and large, be the most suitable agency for bringing about a radical change in the condition of the tribal people.

Lal and Lavania (1986)\textsuperscript{74} made an attempt in this study to assess the impact of co-operative credit on production and income on different farm size groups of a village in Andhra Pradesh. The major findings of the study were: Major part of credit in agriculture was being met by co-operatives though its extent was not at satisfactory level, the farmers owning large holdings were generally the greatest beneficiaries of the co-operative credit, major part of the credit was utilized for productive purposes in agriculture and the members of Co-operative Credit Societies invested more on inputs and got better yield and returned as compared to non-members.

While delivering the Dr. Y. Nayudamma (1986)\textsuperscript{75} Memorial Lecture at the Administrative Staff College of India, R. Venkataraman, the then Vice-President of India observed that the people's participation would be forthcoming and we have to place in the hands of the common people not just new artifacts but scientific skills too. This is what the 'Anand Pattern' Dairy Co-operatives have provided to their members through artificial insemination, animal health cover services and individual quality testing of milk at the village society level. This is no mean achievement in the context of developing human resources trained in scientific temper.

\textsuperscript{73} Shah, U.M., (1986) "Tribals and Co-operative": Kurukshetra, 1986, Vol. 34 No.4
\textsuperscript{75} R. Venkata Raman (1986). Nayudamma Memorial Lecture delivered at Administrative college of India. The Hindu, June 24, 1986
Parikh (1987)\textsuperscript{76} was of the opinion that the success of co-operatives depends upon the atmosphere created by the members. They should feel that the society is theirs and they must put in their collective efforts to bring in success, which will ultimately mean a better life for them.

According to Narayanaswamy (1988)\textsuperscript{77} the objective of credit provided by PACS is to improve socio-economic condition of the borrowers.

According to Mathur (1988)\textsuperscript{78} the institutional credit will help farmers to come out of the vicious circle of poverty and debt. Further, it will help to stimulate the farmers to boost agricultural productivity. He also said that credit could be classified as period-wise, purpose-wise and loan-wise.

Mathur (1988)\textsuperscript{79} in his book “Co-operation in India” studies the different tiers of co-operation and their organization and structure. He also explained the functions of the credit societies. The main function of the credit societies is to provide short and medium term credit for the purpose of agricultural production. He also said that the large number of farmers did not borrow from the Co-operatives because of delay in the issues of loan amount, inadequate of loans and high rate of interest.

Hejela (1988)\textsuperscript{80} emphasized the importance of primary agricultural credit societies in India. These societies are working as agents of the agricultural farmers and also explained that the scheme of financing the Primary Agricultural Credit Societies by Commercial Banks was introduced in Andhra Pradesh in 1970. The main objectives of this scheme are to finance the production and investment gap and to improve the working of Central Co-operative Banks.

Mathur (1988)\textsuperscript{81} in his book "Co-operation in India" presented details on Central Co-operative Banks. The Co-operative Society Act was passed in 1904 and in this Act there was no provision for the formation of central banks and also said that the Central Co-operative Banks played an intermediary role between the apex bank and primary societies. The main objective of these Central Co-operative Banks was to finance agricultural credit societies for production purpose.

M.D. Doddey and J.S. Hanumashetti (1991)\textsuperscript{82} explain the National Bank for Agriculture and Rural Development, its role in rural credit that the National Bank for Agriculture and Rural Development is an Apex Development Bank of the country for promoting sustainable and quotable agriculture and rural development through effective credit support, related services, building institutions and other innovative initiatives. National Bank for Agriculture and Rural Development today is at the center of the development activities in the rural areas and bedrock of prosperous rural India. National Bank for Rural Development (NABARD) works as an apex body for development policy, planning operational matters, co-ordination, monitoring research, training and consultancy etc. relating to rural credit.

Reddy and Sekhar (1992) measured, among other variables, member-control in both co-operatives and other village-level organizations. Their instrument was designed to capture the members' perceived interest on liberal democratic decisions (elections), as well as on routine and non-routine managerial decisions. While the FAO/COPAC Draft Proposal emphasized the use of secondary measures of member participation (for instance, voting percentages) Reddy-Sekhar research contributed to the design of a robust instrument for capturing member-control and members satisfaction from individuals.\textsuperscript{83}


Phansalkar and Srinivasan (1992) provide an analysis of a range of possible property rights that can be vested with co-operative members and the appropriate property rights set for various market and technological contexts.\textsuperscript{84}

Bhadu (1994)\textsuperscript{85} in his primary study “Development – Co-operative Way in Meghalaya,” expressed that the co-operative movement in the state had to cover a long distance to become an effective means of co-operation. The Co-operatives in the state have failed to take into confidence the traditional institutions to involve them and to promote among the people the principles and philosophy of co-operation.

Shah (1995)\textsuperscript{86} observes that the Co-operatives are expanding in India both vertically and horizontally. It is embracing wider fields of action and it is considered as one of the biggest and most diversified movements in the world. The Co-operatives are providing not only credit but also other inputs like fertilizers, seeds and pesticides. The recovery performances of Co-operatives are very poor and already plagued with poor deposit mobilization and mounting overdues.

Kulwant Singh (1996)\textsuperscript{87} in his work entitled “Co-operative Agricultural Credit Utilization in Himachal Pradesh” analyzed and concluded that in recent years, the requirements of agricultural credit had assumed significant dimensions due to the increasing thrust in the development of new technology in the agricultural sector.


Shah (1996)\textsuperscript{88} observed that now the new economic policies affected not only trade and industrial growth but also co-operatives. He said that the government considered co-operatives as a very necessary instrument of planned economic development and particularly for the agriculturists and the weaker section of the society. Now there is an urgent need for a review of the government's role in co-operative development. He suggested that the government should ensure operational freedom and functional autonomy to the Co-operatives. By removing restrictions on co-operatives and giving more powers and responsibilities, government can make co-operative efficient.

According to Joshi (1998)\textsuperscript{89} the Commercial Banks have not been adequately effective in meeting the credit needs of the agricultural farmers in the rural areas. He said that the commercial banks provided direct agricultural finance to the farmers in the form of short-term, medium-term and long-term credit. He also explained that the Commercial Banks faced a number of problems. They had taken of a member of programmes for weaker section in rural areas but in practice have not provided effectively.

According to Shah (1998)\textsuperscript{90}, the government interaction with Co-operatives is very important. It will result in certain positive gains as well as certain negative results. He also gave some suggestions to improve viability in Co-operatives with the help of professional managers and well qualified trained persons. He also said that the state aid is necessary for co-operatives to lend a helping to the resources less poor community with a view to achieving the objectives of planned economic development.


\textsuperscript{89} Navin Chandra Joshi (1998) "Role of Commercial Banks in Rural Credit & Development" in \textit{Kurukshetra}, Vol.46, No.9, June, pp.21-22, New Delhi.

Katar Singh (2000)\textsuperscript{91} emphasized the reforms in Credit Co-operatives and also identified some organizational and managerial problems being faced by the Co-operatives. A package of reforms has been suggested with a view to enable the Co-operatives to solve their problems and help to improve their organization and management. He said that the Credit Co-operatives channellise subsidized credit from external sources of their members. This type of Co-operatives attract local leaders and political parties.

Hota and Sharma (2001)\textsuperscript{92} made a pilot study on the co-operative credit and suggested their revamping. They revealed that the financial reforms in Co-operatives are very essential in India. They said that the new economic regime introduced the financial sector reforms in our country and also aimed at sustainability in Co-operatives. They also suggested necessary steps to strengthen the institutions in tune with financial sector reforms.

According to Dr. Sanjib Kumar Hota and V.Sharma (2001)\textsuperscript{93} stressed upon to 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 up to reduce the importance of exploitative moneylenders particularly from agriculture sector. It has mainly aimed at increasing out-reach and improving their viability, so as to enable them to serve as effective credit institutions.

Gulab Singh Azad (2001)\textsuperscript{94} says that co-operative principles are broad guideline by which co-operatives put their values and ideology into practice. The Co-operative principles are the lifeblood of the movement, derived from the values that have infused the movement from its beginning; they shape the

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\textsuperscript{91} Katar Singh (2000) "Reforms in Credit Co-operatives" in Kurukshetra, Vol.49, No.1, October, pp.16-22, New Delhi.
\end{flushleft}
structure and determine the attitudes that provide the movement a distinctive perspective. The purpose behind these principles is to strengthen the co-operative movement in true spirit so that the Co-operative is owned, controlled and managed by the members. In respect of applications and practices in Indian Co-operatives, it is found that reformulated Co-operative principles are being used and practiced only by some of the successful Co-operatives mainly by national level society federations.

Government of Andhra Pradesh Economic survey (2002-03), examined over all performance of credit institutions through the progressive institutionalization for providing adequate credit to farmers. A cabinet sub-committee was set up for restructuring the rural credit structure. It has given guidelines to all the agriculture Co-operative Societies which are being assessed for the order of viable.

According to Purkayastha (2002)\(^9\), the co-operative movement was started in India by the Britishers during the early part of the nineteenth century as an administrative cum controlled programme. As a result, the Co-operatives could not acquire autonomy in thought and in action and have failed to develop strength to survive on their own. He also said that with the adoption of the new economic policy of liberalisation and globalisation in 1991, various threats are being faced by the Co-operatives as government protection aid and subsidies are being curtailed. Finally he concluded that the new economic policies are essential to develop a strategy and based on that action plan needs to be formulated, so that Co-operatives can become autonomous and can develop on their own.

Rajesh Agarwal (2002) examines the role of member-funds in multipurpose co-operatives in the state of Andhra Pradesh, India. The central thesis is that member-funds, both in terms of quantity and quality, can enhance the

control members exert on the Co-operative. The involvement of members through their capital stake could be at various levels – by the provision of permanent capital, long-term capital and short-term capital. We expect that each of these will have differing effects on control and on the culture and systems of the Co-operative. Such an effect on control is expected to directly drive co-operative performance and indirectly enhance co-operative performance through greater usage of the Co-operative by the members. Enhanced co-operative performance in turn would satisfy members and the loop will hopefully be completed; satisfied members would place more funds with the Co-operative. The research used data collected from 923 individuals and 30 multi-purpose co-operatives, as well as case-studies of four successful multi-purpose Co-operatives. The 'bottom-line' of this research is that member-funds have a central role in enhancing co-operative performance. Funds provided voluntarily, either as an outcome of collective co-operative level decision making or of individual level decisions are of high quality.96

Katar Singh (2003)97 emphasized the role of governance in co-operative banks. He highlighted government related issues in co-operative banks and also suggested some remedial measures. At the state level the State Governments are responsible for supervision, regulation and development of Regional Co-operative Banks, including Rural Credit Co-operatives, through registration and control. He also said that there is no formal system of corporate governance in Co-operative Banks. As a result a number of Co-operative Banks come to do dishonest financial practices and mismanagement and finally it goes into private hands. He also suggested some reforms for governance in Co-operative Banks.

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Shandilya and Prasad (2003) made a primary study on refinance operations of NABARD. They discussed various refinance operations through various institutions for different purposes and different terms. They also said that NABARD disbursed refinance facilities to the eligible institutions like State Co-operative Banks, Regional Rural Banks, State Land Development Bank and Commercial Banks. They analysed various types of refinance facilities provided by the NABARD namely, the short-term refinance (which does not exceed 18 months), the medium term refinance (does not exceed 7 years) and long term refinance (do not exceed 25 years).

V.S.Kaveri (2003) in her article observed the decline in growth rate of credit to agriculture, particularly for small and marginal farmers. She further felt that bankers' preference for crop loan to medium term loan to farmers declined. Merely reducing interest rate to farmers will not ensure adequate supply of credit. Some concrete steps are required in this regard.

In his exclusive column on co-operatives, Dr. Katar Singh (2003) welcomes the National Policy on Co-operatives announced by the government. He feels that the Co-operatives practically looking for new direction for their survival in the changing economic scenario and would find new strategies for their rejuvenation in this policy. Dr. Singh hopes that the new policy will be implemented faithfully and its commitment to action translates into reality.


V.M. Selvaraj and M. Gayatri (2004)\textsuperscript{101} analyzed the importance of deposit mobilization, leading and financial performance to rural masses. In this case study, they collected data from secondary sources. The efficiency of banks depends upon the effective mobilization of deposits. While this society deals with savings and fixed deposits only, the progress of current deposit has not been analyzed in this study.

According to Ashok Bandopadhayay (2004)\textsuperscript{102}, Rural Credit Co-operative in our country with its vast network and wide economic activities must perform and compete to reach its vision and mission by harvesting the potential and exploiting the opportunities with firm determination and implementing realistic planning and programme. Good Co-operative Governance, modern information technology, enlightened members and their involvement, committed work force and social capital(trust) shall be the tools in the hand of leadership of the Co-operative movement to derive the benefits. Co-operative leaders are the key players to reach the vision and the mission.

Samwel K. Lopoyetum (2004)\textsuperscript{103} accounts for the largest proportion of the total institutional credit to agriculture and allied activities in rural sector. Globalization has unquestionably opened up new challenges, prospects, opportunities and potentialities in the economic system. The author suggests that the “Co-operative Banking System” should use the latest knowledge and skills in financial engineering, information and communication technologies, maintenance of the interest of the consumers and users of Co-operative banking system. The Co-operative Banking System must respond and strengthen its infrastructural facilities to compete in the globalized financial system.


Dr. Amrit Patel explains (2004)\textsuperscript{104} that the co-operative movement in India despite its long existence, has not been able to keep pace with contemporary rural financial institutions. Credit Co-operatives have neither remained 'member driver' enterprises nor their leadership. Quite a large number of cases have proved to be professional, transparent, accountable and functionally effective. Most of them have been small in size to be economical and viable and a large number of them dormant and moribund. They suffer from infrastructure weaknesses, operational inefficiencies and structural flaws. They do not appear to be inspiring confidence in their existing and potential members, depositors and borrowers. An attempt is made in the article to appreciate the evolution of co-operative banking in terms of co-operative credit structure. The article examines its performance/weakness and the challenges it has to face in rural areas in the present context of market driven economy.

Misra and Puri (2004)\textsuperscript{105} 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 Primary Agricultural Credit Societies are at present dependent on Central Co-operative Banks and outside sources and have high level of overdues.

Katar Singh (2004)\textsuperscript{106} studied the growth of Co-operatives in India. The author strongly feels that bad governance, political interference, pleasurable managements and tax regulation have turned Co-operative Banks into sitting targets for scamsters and free leaders. And also said that there is an urgent need to reforms the existing system of governance in Co-operative Banks.

\textsuperscript{104} Dr. Amrit Patel, (2004) Co-operative banking achievements and challenges, Kurukshetra, Vol.52 No.12, October, PP.18-22


This article aimed at critically examining certain issues and challenges confronting Co-operatives with special reference to Co-operative Banks and suggested practicable strategies for coping with the challenges.

Amrit Patel (2004)\(^{107}\) co-operative credit structure examines performance and the challenges the co-operative credit structure has to face in rural areas in the present context of market driven economy. He observes certain weaknesses of Co-operatives in India. He suggested that Co-operatives must change their methods of working and attain qualitative, competitive efficiency to face the challenges ahead and to remove overlapping of controls and to give functional and operational freedom to Co-operatives. He also said that credit can become an instrument of creating a large scale self-employment opportunities.

M. Altaf Khan and D. Gochhayat (2004) felt that "With the increasing industrialisation, urbanisation and globalisation the problem of rural development has achieved a new dimension. It is the general impression that the rural undevelopment is getting heavier day by day because of a number of problems. The rural development is needed for the socio-economic development of India. Under these circumstances, the book 'rural development through co-operative' is making an attempt to focus light on rural development with the help of co-operative sector in India in general and in the backward state of the country, Orissa in particular."\(^{108}\)

B.S.Gowtam (2005)\(^{109}\) studied of Co-operatives in the development of rural credit during the period from 1980-90. He says that the basis of their functions and objectives, these Societies can be classified into 5 categories and have representative of 8 different types through the functional classification. The main objectives of these Societies were to provide farmers short term and medium term loans.


According to G.V.Chalam and A.Prasad (2005), the need for quality is felt more in our country than anywhere for a long time. We have been victims of poor quality goods and services. The Japanese spent their money on designing operating system that produced products/services with extremely small margins of errors and mistakes. In order to study the quality of services provided by the Primary Agricultural Co-operative Societies, it is examined and analyzed through the perceptions of the members. The Primary Agricultural Co-operative Societies (PACs) were entrusted with the vital role of providing agricultural credit, distributing critical agricultural inputs, facilitating the marketing of agricultural produce and domesticating in the farmers and practice of thrift and saving.

A.Subbaiah and M.Selva Kumar (2005) made a study of Regional Rural Banks in agricultural credit. They said that Regional Rural Banks play a significant role in financing the target groups in rural sector. They also said that R.R.Bs are financing agricultural credit under the three different categories they are (i) Direct agricultural advances (ii) Advances for allied activities (iii) Indirect advances. They concluded that the Commercial Banks are closing down their rural branches and are concentrating on profit rather than service. Organized lending by Government institutions is necessary to recover the villages from debt and poverty and improve employment opportunity and productivity.

V.K. Chopra (2005) says that the proposals on reforms in co-operative banking system show that the recommendations of A.Vaidyanathan Committee, constituted to look into co-operative banking system, may be accepted. States might bring down their holding in Co-operative banks.

C. Ranga Rajan (2005) felt that the subject of providing credit to support people in rural areas has been explored extensively from time to time in India. The Indian Rural Credit System, as it has emerged, is a product of

110 Dr. G.V.Chalam, Mr. A. Prasad, (2005) Quality of Services of Co-operatives societies perceptions of the Member farmers an Assessment, Indian Co-operative Review, Vol.42, Jan, No3,PP203-204
both evolution and intervention. The broad objectives of policy intervention have been: (a) to institutionalize credit, (b) to enlarge its coverage and (c) to ensure provision of timely and adequate finance at reasonable rates of interest to as large as segment of the rural population as possible. The institutional innovations have been a continuous process with changes occurring, depending on experience.113

According to R.Narasaiah (2006)114 the Primary Agricultural Co-operative Credit Societies have been considered to be stable and vital. Despite all the virtues of co-operative banking it suffers from a serious problem called overdues. The problems of mounting overdues disturb and destroy both the defaulterers and system of credit as a whole. It hampers and demands the supply of agricultural credit flows. The problems of overdues affect adversely the profitability of Co-operative Banks as they cannot book profits on non-performing assets and they are compelled to make provisions for bad debts.

According to Rakesh Mohan (2006)115, agricultural credit has played a vital role in supporting farm production in India. Though the outreach and amount of agricultural credit have increased over the years, several weaknesses have crept in which have affected the viability and sustainability of these institutions. Following the shifts in consumption and dietary patterns from cereals to no-cereal products, a silent transformation is taking place in rural areas calling for diversification in agricultural production and additional processes in order to protect employment and incomes of the rural population. In the changed scenario, strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutions and marketing infrastructure.

113 C. Rangarajan (2005) Inaugural Address “Micro Finance - The Road Ahead” Conference and Microfinance in India, New Delhi, April 12th.
A special article on the “Co-operative Credit Structure” (2006) reveals that co-operative credit was expected to play a significant role in understanding credit structure. However, the structure role is this undertaking. However, the structure was too weak. Nearly, half of the Primary Agricultural Co-operatives Societies and one third of the Primary Agricultural Co-operatives Societies and one third of the District Central Co-operative Banks are incurring losses. Recovery rates are very low. Accumulated losses are huge and the incidence of “non-performing assets” is high. The share of Co-operatives in total ground level credit flow has declined from 62 per cent in the early 1990’s to 2003-2004. The only hope for these classes lies in genuine democratic and self-governing Co-operatives based on the principles of mutual help and thrift.

Rama Reddy (2006) advocated to give people a liberal, but effective, legal and regulatory framework for promotion and development of their self reliant Co-operatives. Get off their backs. They will fend for themselves. This is the only way for genuine Co-operative thrift and credit systems to evolve themselves into vibrant, viable and sustainable systems.

V. Subrahmanyan (2006) in his press note to Hindu on “Vaidyanathan panel proposals will hurt Co-operative Banks” states that the National Federation of State Co-operative Banks (NAFSCOB) has objected some of the recommendations of the Vaidyanathan Committee, set up to study the problems of the Co-operative Banks, saying that it will have some adverse impact on the functioning of Co-operative Banks in the country. Some of the proposals will give sweeping powers to the Reserve Bank of India and take away the freedom of autonomy of the Co-operative Banks. It fails to recognise the democratic character of Co-operative banks.

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117 Rama Reddy (2006) op.cit rama.reddy@ahavikasa.coop

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Manmohan Singh (2006) felt that the recent sagas of failures of high profile Co-operative Banks are not exactly a shining example of good management, efficient supervision and effective regulation of Co-operative banks.¹¹⁹

Y.S.P. Thorat (2006) urged the State Government to make co-operative banking institutions as competent as regular banking institutions by giving them more autonomy and instilling professionalism in their running.¹²⁰

According to the study of Sharmistha Deb and Meenakshi Rajees (2007)¹²¹, the marginal farmers in rural west Bengal in the Hooghly District are increasingly relying on the traders class as a major source of credit for working capital, as opposed to traditional money lenders or the formal sector. The repayment rates by these farmers are also better than that of the comparatively better off farmers. Since the District of Hoogly comprises a large percentage of marginal farmers, they are well represented in both the samples. As far as the agricultural credit is concerned, the Primary Agricultural Co-operative Societies are the principal agencies in the study area. They met the credit needs almost 79 per cent of the marginal farmers, 35 per cent of the total households depended on commercial banks of credit. All these studies highlighted several dimensions of the performance and of the role of Co-operative Societies in agriculture development in India. Hence, the present study indeed motivated by these studies has undertaken in an in-depth manner of the functioning of co-operative movement and its impact in a neglected region of Andhra Pradesh.

¹¹⁹ Quoted in Rama Reddy (2006) "Rural Co-operative thrift and credit system" rama.reddy@sahavikasa.coop
1.9. Need for the Present Study

In India, Co-operative movement in its modern form started in the year 1904 with the advent of Co-operative Credit Societies Act on 25th March 1904. Since then the co-operative movement has been moving forward on the path of progress in achieving its avowed aims and objectives. The movement has been acknowledged as an efficient instrument achieving the socio-economic transformation of rural economy with special focus on the peasantry. Despite its creditable achievements, the co-operative movement has been facing formidable challenges in the present scenario dominated by the processes of globalization and consequent liberalization initiatives. These emerging trends prompted the need for scholarly research on the various dimensions of contemporary co-operative movement in the country and the prospects of its sustainability in the changed context.

Against this backdrop, several scholars belonging to different social science disciplines are conducting numerous studies to examine the working of Co-operative Societies working at different levels and their role in the economic development in the context of fast making process of globalization resulting in the privatization of different sectors of economy. These studies have generated huge mass of literature on the various issues reflecting the reality of the present co-operative movement in the country. Despite of this, there still exists imperative needs for more scholarly research on the emerging trends in the co-operative movement in the country. The needs for micro level studies are still more formidable to promote a thorough understanding of the changing scenario of co-operative movement and its relevance to rural development in the present context.

Accordingly, the present study is attempted to examine the working of Co-operative Societies from different dimensions. Keeping in view of the changed context, the present study adopted a micro analysis approach for
gaining deeper insights into the role of cooperative sector in the rural development at the grass roots. Consequently, the present study is confined to the cooperative working in a particular District in Andhra Pradesh, namely Kadapa District with a special focus on the selected Primary Co-operative Societies.

1.10. Objectives of the Study

The specific objectives of the present study are as follows:

1. To study the genesis and role of co-operative sector in India in general and Andhra Pradesh in particular.

2. To analyse the functioning of co-operative sector with particular reference to the PACS's in Andhra Pradesh.

3. To analyze structural and functional aspects of PACSs, selected for the present study.

4. To study the socio-economic profile of the leadership of the Co-operatives under study.

5. To assess the performance of PACSs in serving the credit needs of the farmers in the study area.

6. To examine the views and perceptions of the members of the selected PACSs in the study area.

7. To estimate the overall role played by the PACSs in the rural development in the selected district.
1.11. Methodological Frame Work

The present study is carried out basing on the approaches adopted in analyzing the selected problem. Basically, the present study has adopted both analytical and empirical approaches to project an in depth, critical and realistic picture on the working of cooperative sector at the gross root level, i.e., village level. In view of this, the data necessary for the study is collected from primary and secondary sources by applying appropriate research techniques.

1.11.1. Secondary Data

The secondary data needed for the study was collected from books, journals, websites, etc. The information collected from the various reports by NABARD and RBI, also constitutes the major source of information for the study. In addition, the data were collected from various other documentary sources such as Acts, Reports of the Central and State Governments. International agencies. Further the various documents of the selected Central Co-operative Banks and PACSs such as the Annual Reports, Budget Estimates, Audit Reports, Office Manuals, By-Laws etc. were extensively used for the purpose of present study. The various official records and other documents of State Co-operative Bank, Hyderabad were another important collection of relevant study.

1.11.2. Primary Data

In view of its empirical orientation, the present study is mainly based on the primary data collected from the field by using different techniques of empirical research. The main tools used are questionnaire, interview, participant observation and discussion.
1.12. Selection of the Locale of the Study:

The Kadapa district is purposively selected for the present study. The district is broadly divided into three revenue divisions namely Jammalamadugu, Rajampeta and Kadapa Revenue Divisions. There is a vast network of co-operative institutions working at different levels credit in this District. As such, the co-operative movement is well developed in this District. The co-operative sector in the District consists of various types of Co-operative agricultural credit and marketing, societies, urban cooperative banks and so on.

1.13. Selection of Sample Societies and Respondents:

There are 25 Primary Agricultural Credit Societies (PACSs) in Kadapa Division-20 PACSs in Rajampeta Division and 17 PACSs in Jammalamadugu Division. Out of this total number of 62 PACSs in the District, 2 PACSs from each of the 3 revenue divisions were selected randomly for the study. There are 26,137 members in the selected six PACSs in the district who formed the universe of the present study. Out of these members, 6,200 are borrowers while the remaining 19,937 non-borrowers. On the basis of random sampling technique, 5 per cent of the borrowers and 1 per cent of non-borrowers were chosen from the selected PACSs for the present study. Thus 310 borrowers and 200 non-borrowers were covered under the present study as sample respondents for the collection of required data. The following table 1.1 shows the profile of borrowers and non borrowers selected for the study from the three regions of the district.
Table- 1.1.

The profile of borrowers and non borrowers selected for the study

<table>
<thead>
<tr>
<th>Name of the Revenue Division</th>
<th>Name of the PACS</th>
<th>Borrowers/Non Borrowers</th>
<th>Total/samples</th>
<th>Marginal Farmers</th>
<th>Small Farmers</th>
<th>Semi Medium Farmers</th>
<th>Medium Farmers</th>
<th>Total / Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td>(8)</td>
<td>(9)</td>
</tr>
<tr>
<td>Jammala madugu</td>
<td>Lingala</td>
<td>Borrowers</td>
<td>Total</td>
<td>1136</td>
<td>586</td>
<td>163</td>
<td>125</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>57</td>
<td>29</td>
<td>8</td>
<td>7</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-Borrowers</td>
<td>Total</td>
<td>1525</td>
<td>786</td>
<td>219</td>
<td>168</td>
<td>2698</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>15</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vaddirala</td>
<td>Borrowers</td>
<td>Total</td>
<td>380</td>
<td>208</td>
<td>74</td>
<td>36</td>
<td>680</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>18</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-Borrowers</td>
<td>Total</td>
<td>4007</td>
<td>2226</td>
<td>890</td>
<td>446</td>
<td>7568</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>40</td>
<td>22</td>
<td>9</td>
<td>5</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Rajampeta</td>
<td>Mannur</td>
<td>Borrowers</td>
<td>Total</td>
<td>593</td>
<td>386</td>
<td>205</td>
<td>106</td>
<td>1300</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-Borrowers</td>
<td>Total</td>
<td>2965</td>
<td>1980</td>
<td>1025</td>
<td>530</td>
<td>6500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>5</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Siddavatn</td>
<td>Borrowers</td>
<td>Total</td>
<td>242</td>
<td>139</td>
<td>71</td>
<td>29</td>
<td>481</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>12</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-Borrowers</td>
<td>Total</td>
<td>290</td>
<td>167</td>
<td>85</td>
<td>34</td>
<td>574</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alamkhan patli</td>
<td>Borrowers</td>
<td>Total</td>
<td>268</td>
<td>487</td>
<td>90</td>
<td>49</td>
<td>602</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>14</td>
<td>9</td>
<td>5</td>
<td>2</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-Borrowers</td>
<td>Total</td>
<td>624</td>
<td>436</td>
<td>228</td>
<td>114</td>
<td>1402</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kadapa</td>
<td>Borrowers</td>
<td>Total</td>
<td>526</td>
<td>374</td>
<td>151</td>
<td>76</td>
<td>1127</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>27</td>
<td>18</td>
<td>7</td>
<td>4</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Veerballi</td>
<td>Borrowers</td>
<td>Total</td>
<td>556</td>
<td>396</td>
<td>180</td>
<td>80</td>
<td>1192</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-Borrowers</td>
<td>Total</td>
<td>1890</td>
<td>3125</td>
<td>762</td>
<td>423</td>
<td>6200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>158</td>
<td>93</td>
<td>37</td>
<td>22</td>
<td>310</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non-Borrowers</td>
<td>Total</td>
<td>9967</td>
<td>5991</td>
<td>2807</td>
<td>1372</td>
<td>19937</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sample</td>
<td>99</td>
<td>80</td>
<td>26</td>
<td>15</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Data

Note: Marginal farmers (0-1 Hec.); Small Farmers (1-2 Hec.),
Semi Medium Farmers (2-4 Hec.), Medium Farmers (4-10 Hec.) as per the classification provided by Ministry of Agriculture, 1995.

A specific number of borrowers who belong to the Lingala and Vaddirala PACSs of Jammalamadugu Division, Mannuru and Siddavatam PACSs of Rajampeta Division and Alamkhanapalli and Veeraballi PACSs of Kadapa Division were selected for the present study. These sample borrowers are selected using the simple random sampling technique. The following table 1.2 shows the size of the Sample Borrowers and Non-Borrowers selected from the PACSs located in three different revenue divisions.

**Table - 1.2.**

Sample Design of Borrowers and Non-Borrowers

<table>
<thead>
<tr>
<th>Name of the Revenue Division</th>
<th>Name of the PACS</th>
<th>Total members of the PACS</th>
<th>Borrowers in the PACS</th>
<th>Sample selected</th>
<th>Non-Borrowers in the PACS</th>
<th>Sample Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jammalamadugu</td>
<td>Lingala</td>
<td>4,708</td>
<td>2,010</td>
<td>101</td>
<td>2,698</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Vaddirala</td>
<td>8,249</td>
<td>680</td>
<td>34</td>
<td>7,569</td>
<td>76</td>
</tr>
<tr>
<td>Rajampeta</td>
<td>Mannur</td>
<td>7,800</td>
<td>1,300</td>
<td>65</td>
<td>6,500</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>Siddavatam</td>
<td>1,057</td>
<td>481</td>
<td>24</td>
<td>576</td>
<td>6</td>
</tr>
<tr>
<td>Kadapa</td>
<td>Alamkhanapalli</td>
<td>2,004</td>
<td>602</td>
<td>30</td>
<td>1,402</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Veeraballi</td>
<td>2,319</td>
<td>1,127</td>
<td>56</td>
<td>1,192</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26,137</td>
<td>6,200</td>
<td>310</td>
<td>19,937</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Field Data

The above sample borrowers and non-borrowers were also selected to serve as a control group for the purpose of comparison and evaluation of the selected PACSs. The sample borrowers and non-borrowers have been drawn from different socio-economic backgrounds but all of them are borrowers of credit from the sample PACSs selected for the study. As already mentioned, the sample respondents were restricted to 310 borrowers and 200 non-borrowers due to certain factors like time, resources, manpower and such other factors which prevented the researcher in handling large number of members as the sample.
1.13. Methods of Data collection:

The present research was carried out in three different stages. The first stage included the survey of the socio-economic profile of individual member working in the selected Primary Societies broadly. In the second stage, the relevant data was collected from the sample respondents through administering a questionnaire which consists of both open ended and close ended questions. This data was supplemented with the data collected by means of techniques of interview, observation and discussion. In the final stage, the data collected through various means was analysed and interpreted.

1.14. Limitations

As the study is of micro level in nature, it is limited to the few PACSs working in a single district. Further, the study focuses on certain key aspects of the working of these societies. Since the respondents are vast in number, a meagre number of them were selected for the purpose of the study. Hence the study does not claim to be an in-depth and comprehensive study that provides a total understanding of the co-operative movement in the District.

1.15. Tools of Analysis

In the analysis of data, certain statistical techniques like analysis of variance test (ANOVA), casual path model, co-efficient correlation, factor analysis etc., were applied for the purpose of ensuring accuracy and scientific vigour for eliminating errors of various types.

1.16. Organisation of the Thesis:

The present thesis is divided into 8 chapters.

The first chapter being the introductory chapter explains the different aspects of the co-operative movement in India which is selected as the main problem of the study. This chapter also includes the objectives of the study, the sources and techniques of data collection and sampling techniques. A brief survey of the existing literature in the specific field is also presented in this chapter.
The second chapter traces the history of the co-operative movement in India, and vividly explains the growth of the sector during all the periods of the Five Year Plans till date and the role played by the sector in rural development.

The third chapter examines the administrative and organisational structures of the co-operative sector in India, wherein, the growth, performance and the reforms initiated in co-operative sector are thoroughly discussed.

The fourth chapter describes the socio-economic profile of Andhra Pradesh and narrated in brief, the co-operative movement that took place in the state through different periods of time. This chapter also attempted to present the organizational pattern of co-operatives and their performance.

The fifth chapter evaluates the operational performance of sample PACSs in Kadapa District.

The sixth chapter deals with the socio-economic profile of the selected respondents such as age, sex, literacy level, distribution and land holding pattern of the respondents in sample PACSs in the study area.

The seventh chapter explains the use of cooperative credit, borrowing and repayment behaviour and the perceptions of the sample respondents of the PACSs. This chapter also identifies the impact of co-operative movement on rural development and the transformation of the living standards of the members of the Co-operative Societies under the area chosen for the study.

The last chapter (chapter eight) highlights the summary of the findings of the study and also contains suggestions for improving the performance of the cooperative credit system so as to enable the cooperatives to emerge as economically viable entities and achieve its avowed objectives along with the issues indicated further research in future.

A schematic diagram of the structure of the thesis is given in Figure 1.1.
Chapter 1
Introduction

Chapter 2
Co-operative Movement in India: Its Growth and Role in Rural Development

Chapter 3
The Administrative Pattern of Co-operative Sector in India: It's performance

Chapter 4
Co-operative Movement in Andhra Pradesh: An overview

Chapter 5
Performance of PACSs in the Sample Area

Chapter 6
Socio-Economic Profile of the Selected Respondents

Chapter 7
The Impact of Co-operatives in Rural Development in the Study Area: Orientations and Perceptions of the Sample Respondents

Chapter 8
Research Findings, Suggestions and Conclusions

Bibliography
Annexures
Questionnaire