CHAPTER II- REVIEW OF LITERATURE

2.1- INTRODUCTION - Co-operatives works for the sustainable development of the overall economy through various policies. Co-operative societies serve their members most effectively and strengthen the co-operative movement by working together through local, regional, national and international structure.

The place of co-operatives in Indian economy and its role in social and economic affairs has developed a new dimension with the beginning of the planning. India emphasized the process of planning stemmed partly from the urge of backwardness and partly from line which gave an force to achieve social justice, equality and a decent livelihood for all citizens, the promotion of co-operative thought of not merely as an extension of state action but as a step towards the realization of the best of the co-operative widespread prosperity.

India adopted a socialistic pattern and pursued the policy of a mixed economy with features of both capitalist and socialism. The Planning Commission which was established in 1950 set the social and economical targets based on equity and justice. With the objective of self-sufficiency public sector recognized key of development under the direct control of the State. The second sector of the economy i.e. private sector came under the regulatory mechanism of the State. The third sector of the Indian economy which would act as a balancing factor for the limitations of the public and private sector was the co-operative sector. Co-operative institutions recognized as an important agents of rural development, social justice and equity. The co-operative movement must be financially strong, organically integrated, professionally managed and forward looking. New economic policy since 1991 brought into focus the important issues related to the organizational and business restructuring, adoption of modern technology, new ways of mobilization of resources and measures to upgrade the standards of productivity. Co-operation is able to survive competition form private sector and public sector rivals, particularly in areas of marketing, technological innovations, and mobilization of resource and development. Strength and flexibility of the co-operative movement tackle the various issues effectively which opened up with globalization in matters of trade, agriculture production and financial services.
Man is a social animal imbued with desires and aspirations and which can be fulfilled within society. Co-operation is basic to the development of human beings and ultimately to the progress and prosperity of society at large. Human body system is a good example of perfect co-ordination among the different organs. Similarly, human beings have to co-operate for the happier and healthier life.¹

Basically the concept of co-operation is derived from a Latin word ‘co-operari’, means working together with another or others for a common purpose or an association of persons who unite to do some work together in order to achieve some purpose. Generally speaking ‘Co-operation’ means, ‘living, thinking and working together’.

Co-operation is a joint or collective action of people directed towards some specific goal in which there is common interest or hope of getting some reward. Such co-operation may be voluntary or involuntary, direct or indirect, formal and informal but there always is a combination of efforts towards a specific end in which all the participants have a stake, real or imagined.²

From the most primitive to the most sophisticated community throughout the world we come across some or the other form of co-operation among the people living in a particular area or region be it for some agricultural operations or of social, economic or political activity. Co-operation has rightly been regarded as one of the least noticed economic miracles of the last century.³

Co-operation is as old as humanity and co-operation is older than the co-operative movement. The co-operative movement is only one example of human co-operation among others. The meaning of co-operation varied from thinker to thinker and from one sphere of human activity to another. To the sociologists, it is a social economic movement, for the socialists, it is a social order in which man is free form class struggle, economists believe that, it is a form of business organization in which there is no scope of being exploited by middlemen. The lawyers take it to be an organization in whose membership one enjoys the special privileges and concessions conferred by law.⁴

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Nourse E.G. observed, “that the co-operative movement grew out of the circumstance of the industrial revolution, capitalism and the attendant irrational equality and was a reaction against early abuses or at least rigors of the capitalistic industrial system”.¹

Arnold Boner wrote in “British Co-operation”, ‘that a new moral world based on principles of co-operation and human fellowship which according to Boner was to supersede the old immoral world of ruthless competition and merciless exploitation and usher in a millennium of universal benevolence and content”.²

Although the idea of co-operation is basically the same all over the world, its form and content varies from country to country. Co-operation emerged in different countries among people with different economic interests and for performing different economic functions. Everywhere, however, it originated as a defensive bulwark against exploitation of the weak by those in a stronger economic position. Co-operation has rightly been regarded as one of the least noticed economic miracles of the last century.³

Co-operation implies that a well differentiated and specialized society with diversified human needs and activities may be so organized that ‘Each may work for all and all for each’. Co-operation involves all aspects of human behavior- political, religious, economic and cultural. Co-operation is the very life and it is the foundation of all human conducts and is the mortar which cements various parts of the body that is called society.

It is difficult to convey the correct meaning of co-operation in its technical sense because the term co-operation has assumed different shapes in different countries, according to the circumstances obtaining there which gave birth to co-operation. Even then, some of the familiar definitions of co-operation are given below-

“Co-operation is a form of organization, wherein persons voluntarily associate together as human being on the basis of equality, for the promotion of economic interests of themselves”. H. Calvert.⁴

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³ Dr.Smith; Quoted by Dr.B.B.Mathur, “Co-operatives in India”, Shivala Agrawal & Co., Agra,1987,P.5.
“A co-operative society is an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit, on such terms that all, who are prepared who assume the duties of membership, may share in its rewards, in proportion to the degree in which they make use of their association.”¹

“Co-operation occurs when, by emitting activities to one another, or by emitting activities in concert to the environment, at least two men achieve a greater total reward than either could have achieved by working alone.”²

“Cooperation is a way of life whereby people unite democratically in the spirit of mutual aid to get the largest possible access to things and services they need”.³

“Co-operation is a joint or collaborative behavior that is directed towards some goal in which there is common interest or hope of reward.”⁴

“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 member and the community as a whole.”⁵

“Co-operation is a special form of economic organization in which people work together for definite business purpose under certain definite business rules.”⁶

Mr. W. P. Watkins, a former director of the International Co-operative Alliance, defined co-operation as a “system of social organization based on the principles of unity, economy, democracy, equality and liberty”.⁷ The International Labor Organization defines co-operative society as “an association of persons usually of limited means who voluntarily joined together to achieve a common economic end and through the formation of a democratically controlled organization making equitable contribution of the capital required of accepting a fair share of rights and benefits of the undertakings”.⁸

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⁶. Gorden and O’Brien, “Co-operation in Many Lands”.
⁷. Quoted by Dr.B.B.Mathur, Co-operation in India, Sahitya Bhawan, 1990, P.8.
International Co-operative Alliance, Geneva (1995) - has defined that- “A co-operation is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly owned and democratically controlled enterprise. Co-operatives are expected to function based on the value of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring others”.

Thus, co-operatives are better than private and public enterprises to serve the common goal due to their commitments to the values and principles in handling their business. After all, effective functioning of these co-operatives depends on the effective utilization of their resources.

From the above definition it can be concluded that-
A] Co-operative is a voluntary and organized association of a number of individuals, dominated by a common need for the purpose of carrying collectively and independently an economic function which will provide specific economic benefits.
B] It is enterprise and not a charitable association.
C] The co-operative organization functions on the basis of equality.
D] It is for self-help as well as mutual help.
E] It is an association of persons and not of capital.

2.2. PRINCIPLES OF CO-OPERATION -

There is no doubt that there is something in the ‘co-operative movement’ that makes a universal appeal. When inaugurating an International Seminar on Co-operative Leadership in Nov. 1960 at New Delhi, Pandit Nehru stated that- ‘The co-operative principles are not something which is a way of credit or marketing. It is a way of life. If you make it a way of life, you not only attempt to solve the country’s problems, but also help in the solution of International problems’.

According to Prof. Karve D.G., “A co-operative principle is a way of organizing and conducting the cooperative activity which is an inherent and indispensable corollary of the ideal or the objective to the co-operative movement”.1

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The base of co-operatives is the “co-operative values” and “co-operative principles”. They are the main features that differentiate co-operatives from other forms of business organizations. At the 1995 Manchester Congress of the International Co-operative Alliance, the Congress adopted an Identity Statement on Co-operatives, which with authority stated the co-operative values and co-operative principles. The co-operative values are self-help; self-responsibility; democracy; equality; equity and solidarity.

It is the claim of the co-operative movement that it can be the principle means of bringing about in a peaceful manner a social change of a fundamental nature, ushering a social order non-exploitive, equalitarian, tolerant that harmonizes the dignity of the individual with the well being of the community.1

The principles of co-operation have changed from time to time to cover the changing environment and conditions so that the co-operative movement may become more meaningful and purposeful. However, the modern formal co-operative movement dates back to Rochdale principle, a set of rules which they adopted even today effectively guide the philosophy and conduct of co-operative societies all over the world.

2.3- COMMITTEE REPORTS AND CO-OPERATIVE MOVEMENT -

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

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

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

Agricultural Finance Sub-Committee (1945) - Under the Chairmanship of Prof. D.R.Gadgil, observed that, “the spread of co-operation would provide the best and the

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more lasting solution for problems of rural economy in general and that of agricultural
credit in particular.\textsuperscript{1} However, it was considered that it might not possible for the co-
operative movement to supply the entire credit needs of agriculturists. Therefore, it was
recommended that state aid should be given in much larger measure that was provided in
the past so that the co-operatives might be enabled to supply better credit facilities.

**Co-operative Planning Committee (1945)** - Under the Chairmanship of
R.G.Saraiya in 1945, recommended that primary societies be converted into multi-
purpose societies and that efforts should be made to bring 30 per cent of the rural
population and 50 per cent of villages within the ambit of the reorganized societies within
a period of 10 years, 25 percent of the total marketable surplus or agricultural produce
should come under co-operatives. Committee also recommended that Reserve Bank of
India should provide greater assistance to co-operatives.\textsuperscript{2}

**All India Rural Credit Survey or Gorwala Committee (1954)\textsuperscript{3}** - Committee
was appointed by the Reserve Bank of India in 1951, to supervise a survey regarding
facilities available in rural areas for providing agricultural loans to the agriculturists and
to make necessary recommendations. The Committee submitted its report in 1954. After
analyzing the various causes for unsatisfactory working of the movement, the committee
concluded that “Co-operation has failed but it must succeed”. The committee recommended-
A) an ‘Integrated Scheme of Rural Credit’ involving three fundamental
principles, namely- i) State participation at different levels, ii) Co-ordination of credit
with other economic activities especially processing and marketing in the co-operative
sector, and iii) Administration through trained and efficient personnel responsible to the
needs of the rural population. B) Suitable amendments were suggested in RBI Act and
the establishment of a National Co-operative Development and Ware Housing Board at
all India level. C) The establishment of three special funds under the RBI was suggested-
i.e. i) The National Agricultural Credit (long-term operations) Fund, ii) The National
Agricultural (stabilization) Fund, iii) National Agricultural Credit (Relief and Guarantee)

\textsuperscript{1} Report of the Agricultural Finance Sub-Committee, 1945, P. 47.
\textsuperscript{3} All India Rural Credit Survey Committee Report, Vol. II, 1954.
A crop loan system was to be evolved. E) The economic viability of the co-operatives at the village level was essential. Each village society should be revitalized and reorganized and be made really effective. These recommendations were generally approved and were made the basis for the future plans for development.

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

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

**Mehta Committee (1959)** - Committee on Co-operative Credit gave its report in October 1960, with many important recommendations, to determine the question of viability, providing adequate finance and state participation at the primary level. The

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Committee suggested suggestions to expand credit facilities for agricultural production as well as credit structure for strengthening co-operative movement. Organized service co-operatives on the basis of the village community as the primary unit and if villages are too small the number of villages to be covered by a society may be increased in the interest of viability, to encourage members to subscribe sufficient share capital in the society as well as Government also contribute to share capital to service co-operatives. The committee also stressed on the co-operative societies to enlarge their internal resources, sound management, not only encourage the credit worthy people as member but also the marginal and sub-marginal cultivators, landless tenants etc. and provide them adequate credit on the basis of their production requirement and paying capacity. The RBI liberalized its credit limits for the Central Co-operative Banks.

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

**Committee on Consumers Co-operatives (1961)**: Set up by National Co-operative Development and Warehousing Board to examine the promotional and organizational aspects of the consumer’s co-operative movement for ensuring sustainable development. Its main recommendations were- organizing primary consumer’s stores, Government assistance for construction of godowns and contribution in share capital, cash credit from co-operative banks and establishment of National Federation of Consumer’s Stores etc.

**Working Group on Industrial Co-operatives (1962)**: In 1962, the Ministry of Commerce and Industry appointed the second working group on Industrial Co-operatives, called as Working Group on Industrial Co-operatives, to review the present condition and to suggest targets during Third Plan. The report submitted in May 1963 with the recommendations that the setting up of new and revitalizing the existing industrial co-operatives strengthening weavers and handicrafts co-operatives and extension of credit

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facilities of Industrial co-operatives by co-operative banks and the formation of federations of industrial co-operatives. Special orientation of 2 to 3 weeks should be given to the officer’s in charge of providing technical, financial and other facilities to the industrial societies. The group estimated that 15,000 new societies could be set up with a membership of 15 lacks during the third plan. It recommended utilization of 25% of small scale industries provision in the plan for the development of industrial co-operatives.

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

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

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

**Study Group on Panchayats and Co-operatives (1962)** – It was appointed by the Government of India, under the chairmanship of Misra S.D.W. to study and suggest measures to achieve maximum co-ordination between the co-operatives and Panchayats. Concern to the State Governments participation in the share of co-operative societies, working group suggested that it should not be rated through the Panchayati Raj institution, whether they both have a close ideological link and aim at democratic decentralization. However, Panchayats should have an important role in the promotion and development of co-operatives in their areas especially in respect of service co-operatives i.e. co-operative processing industries, fisheries, housing, labor, dairy co-

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operatives etc. It was also suggested that the panchayats should deposit their surplus funds with the service co-operatives having regard to local conditions. Panchayat should provide accommodation and adequate publicity for education programme of Co-operative Union. Generally, working group emphasized the necessity of these two institutions and their mutual relationship.

**Committee on Co-operative Administration (1963)** - was appointed in April 1963, under the Chairmanship of V.L.Mehta. The committee appointed to review the departmental set up and to suggest recommendations to make stronger the departmental administrative staffs at various levels. Committee recommended that the Registrar, Co-operative Societies, should be an IAS officer along with two years training. There should be Joint Registrar for audit, credit and banking, marketing and processing, industrial societies, forming societies and consumer societies. It is also recommended that suitable training should be given to the departmental as well as institutional staff and orientation training should be given after every five to seven years. The pattern of organization of primary societies, which formed the base of the co-operative credit structure, was settled on the recommendations of the Mehta Committee on Credit.

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

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1. GoI, Committee on Co-operative Administration, 1963.
Mirdha R.N. Committee (1964)

was appointed by Government of India to suggest measures for proper development of the co-operative movement by eliminating non-genuine societies and vested interests. Assessing the size of the problem of non-genuineness in the co-operative movement, the report came to the conclusion that the movement was by and large moving in the right direction and that it would be wrong to magnify a few malpractices and come to a conclusion that the movement was replete with non-genuine societies. The committee however, gave certain suggestions to overcome a wrong type of tendencies i.e. co-operative training and education, regular audit of societies by an agency independent of Registrar, Government assistance etc. The committee also examined the factors hitting self-reliance and self regulation in the co-operative movement. After examined all the issues the committee made many useful recommendations including setting up of National Co-operative Bank to make the movement self reliant.

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

2. GoI, All India Rural Credit Review Committee, 1966.
**All India Rural Credit Review Committee (1969)** – Government of India had appointed the committee under the chairmanship of B.Venkatappiah. Main objective of the committee was to suggest measures for the reorganization of rural credit. The Committee found that there is marked increase in the co-operative credit between 1951-52 and 1967-68 i.e. from Rs.24 crore to 500 crore. However, there was a lag in dispersal of co-operative credit in the backward states of Assam, Bihar, Orissa, West Bengal, Rajasthan and Jammu & Kashmir. In other parts of the country too, there were weaknesses in co-operative banking system by way of low deposits, high overdue and general lack of business, management etc. recognizing such weaknesses but the need for increased requirement of finance for agriculture in the wake of green revolution technology. The Committee suggested the following points and recommendations- a) The establishment of Agricultural Credit Board, b) Setting up of a Small Farmers Development Agency, c) Creation of Electrification Corporation for the benefit of underdeveloped areas, d) Formulation of a more active and much bigger role for ARDC, e) Adoption of various measures for ensuring the timely and adequate flow of credit for agriculture through co-operatives and through commercial banks. As per recommendations, small farmer’s development agencies were set up in selected districts as well as Rural Electrification Corporation was also established in 1969. Most of the recommendations of the committee were accepted by the government and included in the Fourth Five Year Plan i.e. SFDA, MFAL, were launched with active involvement of institutional credit agencies.

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

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1. GoI, All India Rural Credit Review Committee, 1966.
**M.K.Madhavdas Committee (1978)**¹ - Reserve Bank of India appointed committee under the Chairmanship of M.K.Madhavdas, Executive Director of Agricultural Loan Dept. to examine and give recommendations on the working of Urban Co-operative Banks and examine as to which types of services they would be able to provide in future. The committee submitted its report in July 1978 with the recommendations that- Composition of Model Bye-Laws, providing finance to small scale industries, managerial aspects and self-employment etc. The committee also remarked that- to fulfill the requirement of credit in urban and semi-urban areas urban banks are a good channel. Compared to other banks urban banks are cheaper as well as working methods are also easier. The Committee observed that they maintain good relation in local areas, so, the committee recommended facilities about re-finance on low rate for providing cheaper credit to small scale industries, self-employment, traders, transport services and other small services.

**Marathe Committee (1978)**² – The Committee worked in to the issues of : Development of Urban Co-operative Banks (UCB) as per their need, regional imbalance in development and the principle of one district one bank, branch expansion by the new UCB’s instead of by the old established UCB’s, encouragement of establishment of Women’s Co-operative Banks, utility of UCB’s for non-agricultural loans in rural areas as the basis for future branch expansion, survey at the national level to be taken by the Federation and Co-operative Dept. of the state to suggest measures to develop UCB movement in backward areas, measures for developing local leadership and expertise in the non-bank backward areas, liberalization to open new bank branches in the underdeveloped areas and licensing, viability and licensing criteria to be determined on the basis of population served in urban, semi-urban and metropolitan areas, minimum share capital and membership and the jurisdiction of UCB’s rehabilitation of weak UCB’s and RBI’s power to issue licenses, inspection, measures to limit external interference, computerization, consolidation, mergers and liquidation etc.

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Ardhanarishwaran Committee (1987)\(^1\) – Pointed out towards the modern and professional management, financial discipline, human resource development, composition of Board of Directors, criteria for selection of the staff and General Manager.

Khusro Committee (1989)\(^2\) – The Agricultural Credit Review Committee under the chairmanship of A.M. Khusro was appointed by the Reserve Bank of India in August, 1986 to undertake among others a review of the rural financial system and to assess the credit requirements of the agricultural sector during the next decade. Khusro Committee submitted its report in August 1989. The committee recommended ceiling on lending rate of commercial banks on agricultural lending at 15.5 per cent, whereas in case of Primary Land Development Banks, it was suggested at 5 per cent and for the RRBs 8.65 per cent. According to the committee demand for credit was limited and more realistic as it is based on agriculturists’ desire of borrowing from institutional and non-institutional sources. According Committee opined that the institutional credit has been extended to a very large number of borrowers, who are first generation members of the banking system with shifted loyalties from non-institutional money-lenders. But the money-lenders and other informal lenders have not yet gone away. The institutional credit system has still a long way to go. The Agricultural Credit Review Committee visualized that the direct demand for agricultural credit will rise from Rs.27,557 crore in 1989-90 to Rs.57,316 crore in 1994-95 and further Rs.1,10,873 crore in 1999-2000 (@ 1984-85 price level). The committee also estimated that the deficits which the credit system will have to find so as to meet the estimated demand will be of the order of Rs.5487 crore in 1994-95 and Rs.21,426 crore in 1999-2000. It is also suggested in areas where RRBs are not economically viable may be merged into sponsoring commercial banks. Committee made projections related to the credit demand from agriculture and rural sector by the turn of the century. It has visualized that the rural credit system has two borrowing categories to be served, the larger category of well specified and the low income and socially weaker sections. Concern to them, the surplus generated in the economy as well as in the credit

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system from the efficient operation of the larger category should go to meet some of the cost and if and to the extent necessary, some specific subsidies for the low income category. It also recommended the creation of National Co-operative Bank to function as national apex bank for all co-operative institutions in the country, elimination of control and interference, well paid and qualified secretaries, business development plan, etc.

**Pant Committee (1990)**

- The Ministry of Agriculture set up another Committee in October 1990 under the chairmanship of Pant J.C. (Additional Secretary, Department of Agriculture and Co-operation) to consider the implement of the recommendations of the Agricultural Credit Review Committee (1989) for strengthening the co-operative Credit delivery system on sound financial lines. To make each primary agricultural credit society viable the committee suggested some action programme. As the first step would be to train personnel working in co-operative banks in all aspects of preparation of business development plans (BDP) for PACS, committee suggested that the personnel training will develop the total scope of activities necessary for increasing loan business, deposit mobilization, increase the range of profitable activities, etc.

  The committee advised that instead of five years period of the programme for restoring the viability of primary co-operative credit society to a minimum business of Rs.10 lack per annum should be phased over a period of ten years due to heavy financial commitment required to overcome the problem.

**Committee on Organization of Co-operatives for Rural Poor (1990)**

- At the same time in October 1990 another committee was set up on organization of co-operatives for rural poor under the chairmanship of Sankam S.R. (Secretary, Department of Rural Development). The committee submitted report in June 1991. It explained that the co-operatives which engaged as organizations to protect the poor from economic exploitation were no longer helping them. As the result of that a bulk of the rural poor population was still dependent on private moneylenders for meeting their requirements. Concern to the supply of credit to rural masses committee suggested that the co-

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2. GoI, Committee on Organization of Co-operatives for Rural Poor, 1990.
operatives should evolve a simple system of providing credit to the poor people, based on the repaying capacity of the poor the co-operatives should help them in organizing themselves into self-help groups. Committee suggested several measures for supplying credit to the rural masses in general and to help specially women, rural labor and tribal in particularly.

**Brahm Prakash Committee** (1991)\(^1\) – It was appointed to revise the existing co-operative laws for co-operative development through voluntary participation of the people. The Committee recommended a Model Co-operative Law in 1991 in order to make co-operatives self-reliant, autonomous and democratic. It was circulated to all the states with the advice to incorporate the same, as it ensures more power to the members, more participation and less government intervention in the affairs of co-operatives. However, there were some bottlenecks in implementing the recommendations because of the state’s unwillingness to share in costs and their reluctance to dilute state powers. Only nine states enacted the Mutually Aided Co-operative Societies Act, 1995, i.e. Jammu & Kashmir, Uttarakhand, Orissa, Bihar, Jharkhand, Madhya Pradesh, Chhattishgarh, Karnataka, and Andhra Pradesh.

Central Government enacted the Multi-State Co-operative Societies Act, 2002 which was in line with the Model Act and came into force with effect from August 19, 2002. The main objectives of the Multi-State Co-operative Societies Act were to serve the interest of members in more than one state, to ensure the social and economical betterment of its members through self-help and mutual aid in accordance with the co-operative principles.

**The Narsimhan Committee Report** (1991)\(^2\) - does not show concern to review the working and evaluating the performance of UCB’s and did not make suggestions to how challenges in future should be met by the UCB’s. Cognizance taken of the problem of banking in the various sectors is tilted more towards the nationalized and private sector banks than the co-operative sector. However, the recommendations made by the

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committee certainly influenced the RBI policy directives about functions in future and the policy adopted by the RBI keeping in view only the problems of nationalized banks, this will not necessarily be relevant but also detrimental to the interest of UCB’s. Moreover, basic and urgent problems remain unnoticed e.g. the problem of declining profitability and viability owing to stringent SLR, CRR recommendations and interest thereon, priority sector lending, lending for housing, vehicles, loans to small traders, extension of consumption loan limits, permitting ‘scheduled banks’ to open branches, outside state grant of foreign exchange dealership, merchant banking, etc.

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

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

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

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control and regulation for the sound development of the co-operatives throughout its own principles.

**National Policy on Co-operatives (2002)** - Government of India announced the wide-ranging National Policy on Co-operatives in April 2002. Under the policy, cooperatives would be provided necessary support, encouragement and assistance so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy. Due to the several internal and structural weaknesses of cooperatives, wide regional imbalances, and lack of proper policy support had neutralized their positive impact. This had necessitated the need for a clear cut National Policy on cooperatives. The policy aims at ensuring the functions of cooperatives based on the Manchester statement of International Co-operative Alliance 1995. While upholding the values and principles of Cooperation, the National Policy recognizes the Co-operatives as autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise; Upholds the preservation of the different identity of Co-operatives, its values and principles by providing an appropriate environment and taking the required administrative and legislative measures; Recognizes Co-operatives as a distinct economic sector and integral part of the socio-economic system of the country and an effective and potential instrument of socio-economic development. Government must accept the need to phase-out its share holdings/ equity participation in the cooperatives. The Co-operative shall be enabled to set up holding companies/ subsidiaries, enter into strategic partnership, venture into futuristic areas like insurance, food processing and information technology etc., and shall be independent to take the financial decisions in the interest of the members and the furtherance of their stand. The role of the Government in ensuring, the benefits of liberalization and globalization in the rising special provision in the Co-operative Societies Act with regard to banking, housing, real estate development, processing, manufacturers Co-operatives, infrastructure development etc.; Under the National Policy on Co-operatives Government has to set up and carry out suitable

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programmes and schemes to build and develop co-operative institutions in the under developed states/ regions with particular reference to the North Eastern States including Sikkim.

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

Committee was appointed to suggest- i) an implemental action plan for reviving the Rural Co-operative Banking Institutions, taking into consideration the main recommendations made by various committees in this regards. ii) to suggest an appropriate regulatory framework and the amendments which may be necessary for the purpose in the relevant laws. iii) to make an assessment of the financial assistance that the Co-operative Banking Institutions will require for revival, the mode of such assistance, its sharing pattern and phasing. iv) to suggest any other measures required for improving the efficiency and viability of Rural Co-operative Credit Institutions. Committee discussed the reports of the previous committees such as- Task force to study the functioning of Co-operative Credit System and suggest measures for its strengthening (Capoor Committee,1999), Expert Committee on Rural Credit (Vyas Committee, 2001) and Joint Committee on Revitalization Support to Co-operative Credit Structure (Vikhe Patil Committee, 2001). The committee recommended that the co-operative credit societies and banks should be free of state control and an Andhra-style act should be passed in every state. Committee recommended that the shareholding by the state in individual co-operative institution should be reduced. On the recommendations of the Brahma Prakash Committee and concern to Andhra Act, the committee advocated freedom to the primary

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credit societies, whether it may be a member of the three-tier structure and to associate with any other credit institution such as a commercial bank. The sub group of Task Force headed by U.G.Sarangi, felt that the revival strategy needed to be premised on a strong legal and regulatory framework. Accordingly, a sub-group was constituted under Rama Reddy to suggest amendments deemed appropriate in the Banking Regulation Act, State Co-operative Societies Act, and Mutually Aided Co-operatives Societies Act. To create legal environment enabling co-operatives to function as autonomous and member driven institutions. These reforms will enable wider access to financial resources and investment opportunities, remove geographical restrictions in operations as well as mandated affiliations to federal structures, and provide administrative autonomy to cooperatives at all levels. Suitable amendments in the BR Act and certain provisions in the NABARD Act are also contemplated. NABARD has been designated the Implementing Agency for implementing the Revival Package in all the states. The ‘Department for Cooperative Revival and Reforms’ (DCRR) has been constituted in NABARD for the purpose. NABARD is providing dedicated manpower at the national, state and district levels for implementing the Package. Government of India announced in the Union Budget 2008-09 that the Central and State Governments have agreed upon a Package to implement the Vaidyanathan Committee report on reviving the Long Term Cooperative Credit Structure (LTCCS).

The implementation has begun in 25 states, including Maharashtra, which has executed the Memorandum of Understanding (MoU) with Government of India and NABARD.

Radhakrishana R. (2006)⁠— The Expert Group on Agricultural Indebtedness was set up in August 2006 under the chairmanship of Radhakrishana. The Group came out with detailed report which gave a large number of recommendations covering immediate credit measures, financial architecture, institutional architecture, risk mitigation and other measures. The Expert Group observed that as the indebtedness of farmers is largely because agriculture depends mainly on the monsoon, which ultimately affects the repaying capacity of the farmers. Second, though agricultural credit has

increased manifold, most of the farmers depend fully/partially on non-institutional sources where the rates of interest are quite high and the terms and conditions often exploitative. Third, the dominance of middle-man often prevents the farmers from getting remunerating price for their produce. Fourth, the farmers do take loans for special functions or medical expenses from money-lenders which do not yield incomes and the interest rates are high leading to indebtedness.

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

It was also observed that production co-operatives, federation of farmer’s SHG’s and other forms of collective would enable the farmers, including the small and marginal farmers to participate in value addition activities like marketing and processing, there are no specific recommendations on how to implement this. However, national level organizations like NABARD, National Co-operative Development Corporation, Indian Farmer’s Fertilizer Co-operative to support such formation in a big way, establish a dedicated fund for the purpose and encourage formation of farmer’s organization in a proactive manner.

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

Dubhashi P.R. (1969)1 - “Strategy of Co-operative Development”, Paper presented in this seminar was originally a special lecture delivered by author and published in the Financial Express on 21st March, 1968. In the article author explained that the term “Strategy of Development” came into popular trend with its increasing use in literature on economic development. The strategy of future development evolved out of the past experience and stages through which development takes place.

Author explained that the stages of the evolution had always been thought of by social thinkers i.e. Karl Marx and Rostow. As the co-operative movement spread to different countries in the world displays different history. It became clear that co-operative movement has different origins and different lines of development. Under the impact of economic development as a whole and under the pressure of economic events the co-operative movement found its own starting point. The co-operative movement started as a small local discrete activity isolated instances rather than as part of a grand design or a coordinated plan of development. Author took a brief review of the evolution of the co-operative movement in the world and the development of the various types of co-operatives. Author explained that the possibility of co-operative development originating in one of the sectors of the economy like the distributive sector or the marketing sector and spreading itself over through a kind of a general process to other sectors, as well as, possibilities of a fruitful inter-co-operative relationship depends on the development of internal economic strength within the particular sector.

Author focused the development process of Indian economy. The progress of the co-operative movement in India measured with the increasing numbers of co-operative societies, on the contrary, in western countries it measured by the reduction in numbers, it means the progress is measured by the elimination of hundreds and hundreds of small co-operatives and their consolidation into bigger units with greater strength. Concern to Indian co-operative movement author discussed various aspects of the development i.e. leadership and administration.

**Saxena K.K. (1974)** - “Evolution of the Co-operative Thought” is a comprehensive study. It is a systematic attempt to understand and evaluate the theoretical consideration which influenced the evolution of co-operative thoughts. Author analyzed various trends which emerged as a result of the influence on economic and social factors. It is also illustrated the expansion of co-operatives from the developed and developing countries.

In the study author focuses the dynamic character of the principle of co-operation and assigns co-operation the status of an emerging economic system. This book is divided into three parts.

Part first is concerned with the beginning and the foundation of the co-operation and Rochdale co-operative philosophy. Part second is concerned on emergence of co-operativism as an economic system and needs for reformulation and for that purpose author emphasized that co-operators should build up their own political philosophy. Pattern of development discussed in details under five chapter i.e. economic progress through cooperation, social aspects of co-operation, political philosophy of co-operation, co-operation and State action, management development, importance of education, training and leadership. Saxena explained that co-operatives have to recognize that they cannot eliminate all competition. The competition from private enterprise and large capitalistic concerns is there and is bound to increase in future as they have taken all the advantages of modern technology. “The capitalist enterprise will tend to continue its evolution towards oligopoly and monopoly, not in the national markets only, but on the international plane in new multi-national economic units called free trade areas or economic communities.” This again underlined the need for greater international co-operation amongst the co-operatives to make its greatness manifest and established its efficiency as against the large monolithic capitalist enterprises. For this challenge international co-operation among co-operatives is most important.

**Mazwell Gezald, Schmitt David R. (1975)** - This is a comprehensive study presented by authors in book as they considered co-operation one of the basic social

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process of social psychology. The book presents the results of six years of systematic research designed to uncover the factors that slow down, maintain or promote co-operation. Author used the results of some thirty interrelated experiments, most of which employed courageous reproduction procedures. Authors took into consideration the relationship between the concept of co-operation and the various operational definitions used in the literature.

In the study authors used two methods of measurement and experiments design. The first method of experiments evaluate the following factors i.e. inequality would reduce levels of co-operation in some pairs, even at substantial cost to the participants and effects are proportional to the size of the inequality and are mitigated when a means to reduce inequality was provided.

Second method of measurement and experimental design which repeated under various conditions and cultures explained the strong effect of interpersonal risk on co-operation. It gives the impression that even when co-operation was more profitable than working alone, granting subject’s permission to take from one another virtually eliminated co-operative behavior.

Finally, the authors investigated several factors which reduce the inhibitory effects of risk i.e. open channels of communication, useable working systems, partner’s visibility and external invocation of moral norms without successful invocation of group commitments.

**Bedi R.D. (1971)** - In a comprehensive study of co-operative movement under the title ‘Theory, History and Practice of Co-operation’, author studied not only Indian co-operative movement but also gave some examples of success of other countries of the world where co-operative movement flourished. The study is divided into four parts i.e. Theory of Co-operation, Co-operation in Foreign Countries, History of Co-operative Growth and Co-operation in India. Part first consists with economic organizations, co-operation; their definition, principles, types, co-operation and State aid etc. Part second is dedicated to the success of co-operative movement in foreign countries, history and practice in co-operation evolved in foreign countries is explained deeply with illustration

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of various countries. This is useful for Indian Planners to formulate plans, polices and practices for a sound development of co-operative movement. Part third consists of History of Co-operative Growth in India (pre-independence development and co-operation in the planned economy), various study groups and committees, their suggestions were studied in this part of the book. As the goal of democratic socialism, Indian planners placed before themselves, co-operation also secured its rightful place in every sphere of the Indian economy and made considerable progress. History of co-operative growth in India is presented along with available statistical information to the working of co-operative societies of different types e.g. co-operative credit societies, service co-operatives, marketing, processing, warehousing, housing, farming, consumer’s stores etc. Finally author examined the progress of co-operative movement, managerial and operational aspects of the co-operative organizations at all levels. Author has given stress on the programme of co-operative training and education, supervision and inspection of co-operatives and community development programme. The study shows the correct path to follow on the previous historical background which is necessary for the sustainable development of the co-operatives in India.

Catanach I. J. (1970)1 - The present book emphasized on primarily historical development of the co-operative movement and drew on an extensive range of economic and anthropological materials. The book studied the rural credit and the co-operative movement in Bombay presidency during the period of 1875 to 1930. Study is distributed in six major parts. In part first author deals with ‘The Deccan Riots and Deccan Indebtedness (1875 and 1904), the first outbreak of rioting against money-lenders. The Deccan Riots Commission felt that there were two possible ways of dealing with the problems of agricultural indebtedness. One was to put checks on the activities of the money-lenders; other was to compete with him in the provision of credit. As a result Government of India passed ‘Deccan Agriculturists’ Relief Act’, 1879. For the provision of credit Land Improvements Loans Act, 1883 and the Agriculturists’ Loans Act, 1884 was passed by Government of India. At the end of 1890 and the beginning of 1891 Nicholson wrote a series of articles for the Madras Weekly Mail proposing the setting up

of Raiffeisen. Finally the Co-operative Societies Bill was passed on 25th March 1904.

The study is concerned with the evolution of administrative history, policy and politics of time with the personal tricks of officials, but it reaches down to the grass roots as well as he made a special study of non-official co-operative leadership in western India at a time when leadership was increasingly affected by nationalist politics of caste challenge. Author presented the comparable study of development of three separate areas- Gujarat, Maharashtra, and Karnataka.

Mohinder Singh (1967) - The study published in the conference was organized by the International Co-operative Alliance, Education Centre for South East Asia and had its main theme, “the problems of agricultural co-operative credit”. The co-operative activities are widely spread all over the world and the credit co-operatives are the farmer’s own organizations which enabled members to obtain loans for their agricultural and allied agricultural operations. However, in most of the countries of Asia, the idea of co-operative credit was introduced by government officials. In recent years, the emphasis on augmenting the supply of institutional credit has increased within the framework of a national development programme and the motive behind it is to use institutional credit as an instrument for increasing agricultural production. But author stated that notwithstanding the recent expansion in institutional credit, credit needs of farmers in most of the developing countries are still being met through non-institutional sources at relatively high rates of interest and supply of institutional credit is limited. Author explained that institutional finance, generally, is available through government departments (including developmental or financing institutions established by governments), commercial banks, and co-operatives. The credit available through government department is very limited in volume and its scope is often restricted to special situation like provision of relief to victims of natural calamities and settlement of landless labourers and tenants on newly reclaimed lands. Co-operatives then are the most important source of institutional credit available to the farmers. In many of the Asian countries (Ceylon, India, Japan, Republic of Korea, Republic of Vietnam), the

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agricultural credit available through co-operatives accounts for four-fifth or more of the institutional agricultural credit. Author also mentioned clearly that in China (Taiwan), called farmer’s associations, accounts for about one-third of total institutional credit, and the bulk of the balance is disbursed and recovered by these co-operatives as agents of various government bureaucrats. The study also explained the structure, scope of activity, area and membership, financial position and operational methods of the co-operatives.

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

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

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

The book is a comprehensive volume, which systematically described co-operative scenario and administrative framework followed by an analysis of the genesis, growth, various provisions, drawbacks and limitations of Co-operative Legislation both at State and Union Level. ‘Co-operative Legislation- Trends and Dimensions’ this is ten chapter scrutinized volume fully traces the growth of co-operative law in backward survey, such as 1904 and 1912 Acts, recommendations of committees and commissions etc. Further, explained the rationality of traditional legislation, Model Act; Multi-State Co-operative Societies Act, Producer Companies and urges upon indispensability of a parallel legislation. The efficacy and certainty of subordinate legislation (Bylaws and Amendments), restructuring of Urban Administrative Ministry and above all Reinventing Co-operatives in the New Millennium, has also been vividly portrayed.

Singh Balwinder (2000)1 - In this book author evaluates source-wise and farm stratum-wise the nature and extent of credit. The relationship between credit and area under cultivation, area under HYV, use of fertilizers, productivity and concentration of resources have examined in the present study. Author examined that the Green Revolution has disappeared gradually in India. The peasantry is in crisis because of less remunerative nature of farming. As a result, the issue of indebtedness of the peasantry has risen. The book evaluates the nature and extent of rural credit along with the growth of agricultural production and the process of farm mechanization. Author provided the

statistical information of the case study conducted for collecting the primary information in Punjab. The growth of rural institutional credit across the peasant strata and the change in the pattern of distribution of this credit is also studied. Regarding supply of credit to different sections of farmers, the role of institutional (commercial and co-operative) as well as non-institutional sources and the problem of overdue have investigated. The author also examined the causes determining the extent of credit, the determinants of overdue and in this context the economic position of different categories of farmers.

Further it explains that there is a big increase in loan per borrower and even after three decades of nationalization of banks, the main sources of credit for farmers is still the private money-lenders.

**Madhava Das K. (1960)** - In the present book, author scrutinized the ‘E.M.Hough’s: Co-operative Movement in India’. Since 1904 the Indian co-operative movement has sometimes faced ups and downs and the small percentage of even the credit needs of cultivators which it has so far met. Writer is confident in the possibilities of co-operation is unshaken and hopeful that once its technique has been mastered, co-operation in India will advance from strength to strength. Author suggested valuable suggestions to overcome the deficiencies or weaknesses founds in Indian co-operative movement to serve people of the country through the healthy growth of the co-operative movement.

Author scrutinized co-operative marketing and processing has lagged far behind co-operative credit, therefore, integration of co-operative credit and marketing is essential. Author described the suggestion for this- that the loans only be given by the co-operative society to a member who undertakes to sell his produce through a marketing society to which the credit society is linked. The marketing society reimburses the credit society with the production loan it has given to the member out of the sale proceeds of the member’s produce. Secondly, the main problem of co-operative development in India is the building up of a sound structure of co-operation in the various States, particularly at the village level. The co-operative credit structure itself, at all levels, but particularly at

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the primary and district levels, is weak. The problem of finding resources ranks very much below this prime requisite.

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

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

Researcher explains that the co-operative movement in India continues to be predominantly a credit movement. Researcher presented statistical information of agricultural credit supplied by different agencies, per cultivator family during 1951-52 and 1961-62 as well as aggregate borrowings of all cultivator families. The private credit agencies (excluding commercial banks) supplied in 1951-52, about 92.7% and 81.3% in 1961-62 of the total cash loans borrowed by cultivators, while the co-operatives supplied

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3.1% in 1951-52 and 15.5% in 1961-62 of the total borrowings. The government contribution was 3.3 in 1951-52 and in 1961-62 was 2.6% and the contribution of the commercial banks was about 0.9% in 1951-52 and 0.6% in 1961-62. Therefore, the situation was not changed considerably during the intervening period of ten years, and the private money-lenders continued to dominate the economy. However, the co-operative sector stepped up its credit activity considerably during the period and contributed 15.5% of the total cash borrowings.

Besides credit, processing of agricultural commodities is another major activity undertaken by many co-operative societies throughout the country. Some of the major processing activities undertaken by the co-operatives are- sugar manufacturing, cotton ginning and pressing, milk processing, fruit, vegetables and fish canning, paddy processing, etc. The share of the sugar co-operative factories in the total national production rose from 1.6% in 1955-56 to 26.2% in 1965-66. Researcher found that cooperatives made significant progress, however, that is noticed that it was limited to only certain sectors of the economy such as agricultural credit, sugar manufacturing, cotton ginning and pressing and marketing, but in many fields their contribution was almost insignificant. Besides this, researcher believed that the Indian co-operative movement will grow into a movement embracing all fields of economic activity and come out as a powerful sector in the Indian economy.

**Memoria C.B. and Saksena R.D. (1973)** - The book ‘Co-operation in India’, is an analytical, comprehensive and more critical appreciation of the changing pattern of diverse aspects of Indian co-operative movement. The book is discussed under twenty three chapters to touch every aspect of the economy. Indian economy is an agrarian economy where more than sixty percent of population depends for its sustenance on agriculture; authors think that there is still vast scope for the application of co-operative activities. He presented a brief concern to agricultural background and to rural areas. Author focused on rural indebtedness and rural credit, he thought that to make free the cultivators from the clutches of money-lenders and to get them the best price for their product and to improve their living standard co-operatives can do best. In the present

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book author discussed the history and growth of co-operative movement, co-operative credit structure (agricultural and non-agricultural), their functions, and progress and also mentioned some valuable suggestions. He endorsed this remark that if the face of rural India is to be changed, co-operation in its various phases must permeate deeply into the life of Indian villages for co-operation is very important for the very existence of Indian agricultural and their emancipation from the present situation.

**Suresh K.A., Joseph Molly (1990)**† – In this book authors made an attempt to analyze the different rural development programmes implemented by government of India. The role of the co-operatives under the five year plans and the major types of functional co-operatives as agents of rural development are enunciated by author with historical background. Author stated that rural development is a subject of determining significant as it predominance rural population and their accentuating poverty. In the present study author studied credit co-operatives of Kerala, this is one of the most leading States in co-operative movement in India.

In the present study the review of co-operative efforts has revealed that the functions and performances of co-operatives are affected by a lot of factors. Co-operatives are rarely functioning on co-operative principles and not acted as an effective instrument of social transformation. Analysis of impact of co-operative credit on production has revealed that the supply of credit was inadequate to meet the production needs, a portion of the limited supply of credit is diverted and finally whatever is used for production has no statistically significant impact on income for which the credit was available. As well as, impact on distribution showed that only 1.19% of beneficiaries were hailed from low income group who received about 0.64% of total loans disbursed. Thus the study has shown than that business efficiency dose not necessarily mean organizational efficiency and both to them may even move in opposite directions and co-operatives have no difference from other forms of business organization in certain cases, in which their impact on rural development will be negligible. Author focused on several organizations involved in rural development such as government, co-operatives,

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voluntary organizations, commercial banks, industrial houses, etc. about eleven rural development programmes are explained in detailed, the major operational approaches of these programmes were reformist, functional, target and total approach. Author explained that most of the programmes are welfare programmes without any impact on income and employment directly.

Success stories of co-operatives like Amul, IFFCO, Warna, etc. showed that they are simultaneously working on the basis of sound canons of business and organizational objectives. Co-operatives are the best form of organization for the rural poor. They are capable of producing desired results and competent to compliment the decentralized political and economic system. But they can be effective only if the socio-economic and political contexts in which they are working are also ready to understand the spirit of cooperation.

**Bhuimali Anil (2003)** - The book discussed rural co-operatives and their impact on the rural economy. Author explained that the Indian farmers needed credit for agricultural purpose which was available from the private money-lenders, but the credit supplied by them was at a very exorbitant rate of interest. Naturally it was beyond the reach of agriculturists. Similarly, whatever Government loan was available that was available only at a very limited extent. In order to meet the credit demand of the farmers at a soft rate of interest, Indian Government passed the co-operative societies act to overcome the problem. In various countries co-operation has been used as an institution and instrument of economic development. The co-operative societies in rural sector played a big part in America, Western Europe and even in Israel to raise the level of productivity in agricultural and in turn assist in the process of reaching the high growth in the respective national economies. The author presented three case studies to explain the activities of such societies in the rural India and their consequent impact on the economy. First case study explained the impact of a limited liability society, second case described the impact of an unlimited liability society and the third presented the impact of agricultural marketing society on rural areas of West Bengal. Author stated that co-operatives have played a significant role not only as instrument of economic growth, but

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also influencing the people towards social and economic changes by way of adopting innovation and technology. Co-operatives, in fact, help one by contribution vast possibilities for the individuals to participate combined in the economic activities.

The book discussed the co-operation as an instrument of growth, general experience of co-operation in India and co-operative movement in Bengal, progress of agricultural co-operative societies in West Bengal, analysis and achievements and its impact on rural economy, an evolution of co-operative legislation and summary and recommendations are also presented in the present book.

Author suggested that co-operative legislation should be made in such a form so that the co-operative movement would become free and democratic without any external disturbances in it and would guarantee economic development and the betterment of the condition of every member by full utilization of local resources through co-operative enterprises and everybody would think that the society is his own instead of thinking it as government society.

Gill Anita (2004) - The present paper primarily attempted with the popularity of the informal lenders in the agricultural sector, despite a numerous of institutions providing credit to this sector. It was carried out in twelve villages of two districts in Panjab. Panjab is the agriculturally advanced region in India. A micro-level empirical study showed the particulars of the informal credit transactions and the situation captured idea of the difficulty of poorer of agriculturally less advanced states.

Although much attention recently has been devoted to agrarian credit markets, the private moneylenders grip on rural life and the pitiless exploitation of borrower’s remains undiminished. The present study also revealed the dominant position of the moneylenders in a new form- that of a commission agent, who interlinked the credit market with the output market. Credit is given to agriculturists on the guarantee of sale of crop to the commission agent, who further sells it to government agencies. Payment of sale of crop is also made through commission agents, who deduct their loan amount before finally paying the cultivators. The commission agents have displayed a greater foresight than

in institutional sources, by not insisting on land as guarantee. The rates of interest charged are exorbitant, but the cultivators are forced to pay it, because institutional credit is just not adequate as well as bulky procedures are involved in obtaining a loan.

The reform measures, particularly a redefinition of the priority sector and allocation of funds for this sector have failed. The result is constant exploitation of cultivators, and high burden of debt found in study in Panjab. In short, institutional credit is not adequate with demand. The researcher has made an assessment of reform measures which revealed that the entire focus is not in line with requirements and that’s why alternative policy measures are needed to overcome on the worse situation.

**John Mugambwa (2005)**¹ - Author explained in the article the ups and downs, reasons for the failure of the movement and current attempts of the Papua New Guinea Government to revive the cooperative movement. Author discussed the values, principles and organizational structure of the co-operative movement, as usually which form a pyramid shape. The basic aim of the co-operative movement is to improve the economic welfare of the members. Concern to the developing Countries author explains co-operatives are particularly suited to rural people with low income. By forming co-operatives; people can contribute funds to provide themselves with facilities, which as individuals they would not afford. It is a suitable way of encouraging the common people to participate in the economic development of their local area and the country. Because of the nature of the composition of their membership and the distribution of surplus income earned by the association, co-operatives ultimately facilitate a wider distribution of wealth to the population than ordinary companies whose shareholders are usually an exclusive class of relatively rich people.

Further explained that, the co-operative movement was launched in Papua New Guinea in 1947, when the Australian Colonial Administration established a “Co-operative Section” within the Department of District Services and Native Affairs. The Administrators encouraged the indigenous people to form co-operatives to promote socio-economic development. Their motive was partly to stimulate economic activity

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amongst Papua New Guineans. Throughout its initial stages, the co-operative movement mainly consisted of simple village trade stores. Under Governments encouragement and guidance the movement quickly spread. The area of activity became more diversified, from consumer societies to marketing of primary produce, especially, coffee, cocoa and copra. A co-operative education centre was established to provide training in the various elements of business and management of co-operatives in accordance with the co-operative principles. Unfortunately, the steps taken by the Administration were rather late and the people's faith in the co-operative movement was rapidly declined.

Author described that the failure of the co-operative movement was due to over-enthusiastic bureaucratic interference in the management of co-operative affairs, which the members do not like, inability to attract large capital investment, co-operatives do not appeal large capital investors because they do not recognize capital as the key factor of production, mismanagement and competition from private companies. As well as co-operative principles and values prevent the distribution of profits, and control of the enterprise based on capital, which is the antithesis of most corporations. For this reason, co-operatives tend to suffer from lack of private capital investment. Co-operatives are also subject to more control and supervision than are ordinary corporations in their management and activities. Indeed, in many countries government interference in the running of co-operatives is often cited as one of the main reasons for the failure of the co-operative movement.

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


- The co-authored book is a widespread study examined necessity of the co-operatives in sustaining rural economy. Author explained that India is a country of villages (near about 7.5 lack villages). Majority of the population (72%) of the country lives in villages; it means almost two third populations

of the country lives in rural areas. Sixty per cent working population of the country is dependent on agriculture and its allied activities for livelihood. The rural economy is the main base of Indian economy which contributes 18 per cent share in national income.

Author presented study in three sections, first two exhibit a searching analysis of many aspects of rural development, especially concept, significance, current issues and strategy of development as well as various rural development schemes, role of NGO’s etc. section third consists with various aspects of co-operation such as concept, principles, origin of the co-operative movement in India and abroad, and co-operation during planning period etc.

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

Das Banshree, Dr. Palai N.K. and Dr. Das Kumar (2006) - The paper discussed the problems and prospects of cooperative sector in India. India is basically an agrarian economy with 72 per cent of its total population residing in rural areas. The rural people need lot of services in daily life which are met with by village co-operative societies. Author explained that co-operative system in India has the capacity and potentiality to neutralize the adverse effects emerging from the process of globalization. Following economic liberalization under the new economic environment, cooperatives at all levels are making efforts to reorient their functions according to the market demands.

Author presented the share of Co-operatives in National economy in percentage. Statistics indicated that modern cooperative movement made a tremendous progress in India in every activity and occupies a major place in the share of the national economy.

The failure of the public sector in several cases is a serious trend. Privatization has also failed to make an impact in the rural areas. Therefore there is great hope from the co-operative sector. The paper examines the causes of slow progress and highlights the emerging role and challenges of the co-operative sector. The government is committed to co-operative development. The cooperatives have inbuilt advantages of tackling the problems of poverty alleviation, food security and employment generation. Cooperatives are also considered to have immense potential to deliver goods and services in areas where both the state and the private sector failed. The paper focuses on several pitfalls and shortcomings like: poor infrastructure, lack of quality management, over-dependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, absence of professionalism, etc. Author suggested developing strong communication and public relations strategies which can promote the concept of co-operation among the masses and push forward by developing effective strategies to overcome existing weaknesses for continuing growth of the sector. The paper makes an assessment of the future prospects of the co-operative sector of India.

In the paper author discussed the historical profile of co-operative movement in India, growth, structure, types and significance of co-operatives. Author explained that co-operation has a vast significance in India because; it is an organization for the poor, illiterate and unskilled. Co-operation is an institution for mutual help and sharing, it softens the class conflicts and reduces the socio-economic gap, it reduces the bureaucratic evils and follies of political factions, it overcomes the constraints of agricultural development and, creates conducive environment for small and cottage industries. Paper also explained the causes of slow progress i.e. Government Interference, Mismanagement and manipulation, Lack of Awareness, Restricted Coverage and Functional Weakness.

Author explained that neither private sector nor public shall promote social welfare. India requires meaningful reforms in the co-operative sector, before complete opening up its economy to the competitive regime, which should ensure; higher standard of living for the village people and production for mass consumption. In comparison to
the neglected treatment of the past, co-operatives should be considered an important key of development.

**Mathur Archana S, Das Surajit and Sircar Subhalakshmi (2006)** – The study examined trends in the growth of agricultural production in India over the last one and a half decades, identifies factors that affected agricultural growth and analyses constraints that affected growth of the sector. The vast inter-regional variations in growth across the country emanating from area specific factors have also been examined. On this basis projections have been made on the future growth of the sector in the medium term, coterminous with the Eleventh Five Year Plan. A country like India where agriculture continues to be the core sector of the economy providing a livelihood over sixty per cent of the population. Since the sector faces the largest burden of underemployment, unemployment and poverty. A growing agricultural and allied sector is expected to contribute vastly to overall growth and poverty alleviation. Increasing productivity of agriculture has been an important goal in developing countries. All India level and state-wise analysis highlight the role of public investment or government expenditure on agriculture production. Paper examined that there has been steady increase in public investment to 15 per cent annum should lead to agricultural growth of 4 percent, which is associated with the projected growth rate in the Eleventh Plan. The other factors that are important for a higher agricultural growth are fertilizer usage and agricultural prices.

Author explained all India trends in Agriculture that there has been a constant decline in growth of the agriculture sector since 1990 onwards as compared to the 1980s. It was 4 per cent during the 1980s on an average, which came down to 3.2 per cent during the 1990s and 2 per cent in the last five years. Growth in real value of foodgrains production has been a terrible 3 per cent during 1990s and 5 per cent during 1999-2000 to 2002-2003, with minor improvements estimated during 2003-2004. The share of agriculture in Gross Domestic Product (GDP) was 29.76 per cent during 1993-94 to 1995-96 declined to 23.15 per cent during the period 2000-01 to 2002-03. This has serious implications on the nutritional status and food security of our country. In section

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third state-wise trends in foodgrains production during 1990-91 to 2002-03 showed average growth rate of 2.58 per cent and the major five states viz, Mahdhya Pradesh, Tamil Nadu, Gujarat, Karnataka and Maharashtra have not only registered growth rates below average but also have actually registered negative growth in food grain during the period.

Further discussed the sources of agriculture growth, trends in government investment, subsidy and its effectiveness in the growth of agriculture, author analyzed state-wise government expenditure and its role in agriculture etc. In the concluding remarks authors explained that there are various factors which affect the growth of agriculture in India i.e. government expenditure, population, public and total investment, credit, electricity, fertilizer usage, rainfall, irrigated area, agricultural prices etc. and suggested that public investment should be steady without government intervention. Investment in rural infrastructure comprising irrigation and water management, processing, storage and marketing, timely supplies of credit, research and development extension services are suggested by authors in the present study.

Narayanmoorthy A. (2006) 1 – The present study “State of India’s Farmers” focuses on the Situation Assessment Survey of the farming community, commissioned by the Minister of Agriculture and carried out by the National Sample Survey Organization (NSSO). Survey brings out the pathetic condition of Indian farmers, about income, expenditure and indebtedness of cultivator household. With several questions i.e. is income from cultivation not enough to meet consumption and other expenditure? Are farmer’s families heavily indebted due to lower income from cultivation and increased cost of cultivation or are farmers not able to cope with the new competitive environment after economic reforms. Ministry of Agriculture presented a comprehensive study and socio-economic survey of the farmer’s covering educational status, living standard, farming practices, possession of productive assets, awareness and access to modern technology, resource availability, indebtedness and other relevant issues.

According to the Situation Assessment Survey of NSSO, carried out during the year 2003 (January 2003 to December 2003), covering 51,770 households and 6,638

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villages across the country. The results of the surveys showed the very bad condition of cultivator households. According to the survey at the all India level, the average annual income of the farmer household was Rs.25,380 which includes cultivation, wages, farming animals and non-farm business income. The income from cultivation accounts for only about 45% of the total income and the remaining receipt was from other sources including wage income, which alone accounts for almost 39%. It means the annual income form cultivation was only about Rs.11,628 per farmer household, after excluding the other sources. The result of the SAS sufficiently proved that farmer’s does not get enough remuneration for his produce because of sharp deceleration in the growth of prices of many agricultural commodities and increase in the cost of cultivation after the economic reforms.

However, it is suggested that government needs to regulate both input and output markets, the sale of spurious inputs must be stopped, announcement of minimum support prices every year, the role of middlemen should be controlled considerably by involving producers in the market activities, ‘ryatu bazaars’ should be encouraged throughout the country. As well as despite the significant increase in the flow of institutional credit, the SAS data showed that still over 42% of rural credit supply comes from the non-institutional sources like moneylenders. Where the rate of interest is not only exorbitant but terms and conditions of the loans are often exploitative. The policy of repetition of credit to the agricultural sector at a reasonable rate of interest should be pursued through programmes such as ‘credit widening’ and ‘credit deepening’ so as to reduce the indebtedness of rural areas.

**Satish P. (2007)**[^1] – After 1991, financial sector reforms systematically undermined the institutional credit arrangements for agriculture. The RBI and the Government have emphasized the importance of credit to agriculture many times. But past one and half decade showed depressing scenario of rural economy, declining public capital formation in agriculture and the straggler growth rates in agriculture. The Committee on Financial System (GoI 1991) set out a negative policy for credit to

agriculture and other priority sectors which were manifested in three broad areas: the renovation of institutional structural design for rural credit, disincentive of credit flow to agriculture through the mechanical application of Basel norms and the squeeze on resources available for agricultural credit operations. This paper discussed these three broad areas, experience of some advanced economies and suggested way through policy reforms which are a sine qua non, if credit flow of agriculture has to be stepped off.

The paper examined that the financial sector liberalization has led to a debilitation of institutional framework for agricultural credit. The rural branch network saw a tremendous growth after nationalization of banks in 1969, which was 17.6% in 1969 steadily increased to 58.2% in 1990. Even, as the RBI liberalized the policy for the closure of rural branches on the base of viability and lack of profitability it declined by 51.7% in 1994-95 and to 44.48% in 2005-06.

The paper suggested a set of reforms which will reserve the policy for agricultural credit. Paper argued that the successful promotion of the deepening of rural financial markets, which would ensure uninterrupted flow of credit to agriculture, will require systematic rather than isolated actions being undertaken on several fronts, i.e. handing over the entire supervisory responsibility of commercial banks to NABARD to ensure a better and systematic monitoring and supervision of flow of credit and other financial services to agriculture on account of its deep understanding and knowledge of the sector and strong field level presence. For the revitalization of the co-operative banking sector, Central and State Governments and NABARD should work on speedy grounding of the reform package envisaged under the Vaidyanathan Committee report on short-term co-operative credit structure. RBI has to continue refinancing exercise through NABARD by resuming ground level credit at a reasonable rate of interest. Capital formation is an immediate need to strengthen the arrangements for resources for refinancing investment credit to agriculture, for that the transfer of funds out of RBI’s surplus to National Rural Credit (Long-Term Operation) Fund in NABARD.

Lastly, argued that when agricultural credit is handled with utmost importance and seriousness by governments, treasuries and central banks in countries where agriculture contributes to just 1 to 2% of GDP and less than 2% of the workforce is employed in agriculture, it should certainly deserve far greater attention than it now
receives in India where 22.6% of the GDP still emanates from agriculture and 60% of the workforce is still employed in that sector. Author observed form the analysis a reversal of the public policy objectives of extending the reach of agricultural credit, providing affordable and timely credit to rural households and overcoming problems of imperfect and fragmented rural credit markets. The effects of this policy reversal are corroborated by NSSO’s survey.

**Muley S.S. (2007)** – The paper argues ‘Role of Co-operative Banks in Rural Credit’, that to uplift of rural population the financial support is necessary, it is an essential requirement of farm and non-farm sector. These sectors need short, medium and long term loans for their operations. The co-operative banking is the cheapest and best source of rural credit. As per the fundamental principle of co-operation, the co-operative credit is based on the principal of mutual help service objective rather than profit. Thus, the co-operative movement stood with the objective to provide agricultural credit to farmers and to save them from the clutches of the moneylenders and others. The paper presented the co-operative credit structure in India along with its progress. The PACS’s and DCCB’s provide short term and medium term loan and PCARBDB’s and SCARBD’s provides long term loan in rural areas. The loan issued by PACS was increased from Rs.8474 crore in 1994 to Rs.33996 crore in 2003. It is evident from the data that DCCBs, SCBs, PCARBDBs and SCARBDs providing loan with increasing trend during the period 1991 to 2003. But the share of co-operative credit institutions in agricultural credit was declined from 44% in 1997-98 to 34% in 2002-03. The study revealed that recovery performances of co-operative banks are not satisfactory. So the co-operative banks are facing the problems of recovery and others. For the rehabilitation of co-operative credit several commodities and taskforce made various recommendations. Considering the importance of co-operative credit the government should protect co-operative banks in rural competitive environment.

Researcher discussed the problems i.e. lack of necessary funds, delays in sanctioning loans, effective supervision verification of actual utilization of loans, political

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interference, unsatisfactory recovery performance, lack of adequate and trained staff, high cost of management, etc. Researcher also discussed the measures i.e. review of co-operative law, adoption of new technologies, computerization, good communication network, tighten the supervision and monitoring of operation, removal of political interference, required training and incentives to staff, etc. As well as measures for rehabilitation of co-operative credit.

**Ramesh D. (2007)** — Author presented the performance and challenges before the Maharashtra District Central Co-operative Bank, in rural credit delivery system. Observed that co-operation is a form of socio-economic organization which is an important instrument of overall rural development. Stated in the final remark that the main issue in new millennium is to reorient the functioning and management of the co-operative institutions. There should be a well conceived action programme to provide specified guide points to co-operatives; obligation of professionalism and efficiency, introduction of modern technology, systematic training through effective interplay of inter co-operative relationship, mobilization of resources, and enhancing participation of members in decision making process and reducing dependence on government assistance.

The study reveals that co-operatives have played an important role in promoting agricultural and rural development in India, particularly in the field of credit, supply of inputs, processing and marketing of agricultural produce. Due to adoption of globalization, the co-operatives in India are facing several problems. Co-operative movement in India cannot be developed in the 21st century unless the government strengthens the base of the movement, which will be helpful to the agricultural and rural development. Quality consciousness, cognizance of global competition, devoted membership, and urge for co-operative spirit and exclusive loyalty of the members become necessary features in the co-operative movement.

The co-operative network is expected to play a critical and crucial role on the one hand, in meeting the farmer’s requirements in terms of inputs and services to facilitate farmers to adopt new technologies of production to raise crop yield and production. On
the other hand, their coming together assists in giving them in the market place, a far better bargaining power to fetch market place, and much remunerative prices for commodities.

Researcher stated that the professional leadership is a perquisite not only for creating and nurturing a co-operative organization but also for providing a vision, inspiring and guiding both the members and the management. So as to enable the co-operative credit society needs honest, skilled, benevolent and dedicated leaders. Professional leadership enables the co-operatives as self reliant and economically viable rural financial organization. Paper discussed the problems of co-operative banks i.e. failed in mobilizing rural savings, outside interference, failed in linking credit to marketing and processing, movement took the form of a government department, lack of inter co-operative relationship both vertically and horizontally, etc. Paper also discussed the measures such as- need for viable financial system, political appeasements, mobilization of deposits, restructuring of co-operatives, pattern of credit utilization, linkage with self-help groups, government strategy for revitalization of co-operative banks, and the soul of professionalism, etc.

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

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

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Vinayagamoorthy A. (2007) – The present paper discussed the ‘Globalization and Co-operative Sector in India’, globalization means mutual global co-operation by way of reducing control and bureaucratic delays and steering the economy towards better market orientation. In India, year 1991 marked the beginning of a new era in economic policy. To encourage privatization, policy changes such as deregulation of state investment in infrastructure, manufacturing etc. provided for new direction and affected almost all the sectors of the economy including co-operative sector. But the reform measures under the economic policy, mainly concentrated only in removing the fetters on private enterprises and in stimulating higher economic growth by promoting industrial sector. The rural and agricultural sector remained somewhat neglected and also the effect of economic reforms on the economic fortunes of the common people was overlooked. Throughout the reform decade i.e. from 1991 to 2000, the role and relevance of the co-operative sector remained on the background, in spite of its predominant position in various fields of Indian national economy.

At present there are 5.04 lack different types of co-operatives with membership of 22 crore, covering 100% villages and 67% rural households. Author stated that the transition form controlled economy to open competitive economy in the name of globalization or liberalization has thrown a whole lot of challenges to the co-operative sector. It was believed that co-operatives would not be able to survive in the face of stiff competition posed by private sector. In contrast, there were still few, who regarded co-operation as a dynamic enterprise, which had been able to survive for around 100 years. A study of functioning of co-operative societies in various segments such as agricultural credit, marketing, fertilizer distribution, agro-processing, dairy and sugar industries has shown that there are some strong and viable co-operatives. The current status of co-operatives reflected both a risk and an opportunity. It is a threat, because co-operatives have failed, to a large extent, in delivering efficient goods and services unlike the private sector and an opportunity, because the new economic scenario will offer enough opportunities, which could be effectively utilized by the co-operatives to prove their case of continuation. Author explained that in a developing economy like India with huge

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

Kavitha M. (2008)¹ – The present study is the comprehensive study on the ‘Co-operative Movement in India- with Future Perspective’, as the paper discussed the all aspects of the co-operative movement like- meaning, origin of the co-operative movement, co-operative movement in India, types (housing, building, retailers’, consumers’, etc.) with the co-operative approach as a model of sustainable development. The ideology of the approach based on principles of solidarity, mutual assistance, participation and interest in the community, implicitly signifies development that takes future generations into account i.e. sustainable development. Author stated that there is no doubt that the lead role that co-operatives played in building a viable model of development. Co-operatives not only seek to satisfy basic social and economic needs but also permit local development and sustainable use of resources. Future perspective is also underlined i.e. increased competition and regulation of local markets: co-operative associations enable their members to access markets under better technological conditions which not only raise productivity and competitiveness but also reduce negative consequences on the environment.

In conclusion of the paper author stated that, co-operatives have not really helped members to improve their position for fight against those who exploit the farmers and restrained their development. There are however several drawbacks i.e. poor infrastructure, lack of quality management, over-dependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, neglect of

professionalism, etc. are the limiting factors. Co-operatives are also unable to evolve strong communication and public relations strategies which can promote the concept of co-operation among the masses. Suggested that to develop effective strategies to overcome existing weaknesses. Provide basic needs through public service co-operatives.

**Umdor Sumarabin (2008)** - In the paper researcher presented the analysis of the behaviour of rural household of northeast uplands of India in the borrowing and use of credit. Researcher coated that the role of credit is very critical in enabling the poor to overcome poverty. There are evidences to show that access to credit is positively correlated with the decline in rural poverty and increase in secondary and tertiary output (Burgess and Pande 2003). In India, the government has been actively involved in promoting development of the banking sector in the rural areas as part of its strategy to institutionalize credit. However, the financial development that took place in post-bank nationalization period had resulted in lopsided development with the distribution of institutional credit to the rural areas, particularly for agricultural purpose, being very low in the case of states in the northeastern region (Mohan R 2004, Sidhu and Gill 2006). The paper explained that the people are mainly dependent on the formal credit needs. Overall, the maximum number of loans is supplied by the formal credit agencies, namely commercial banks. The failure of the co-operative banks/ societies in meeting the credit needs of rural households in the uplands areas is supported by the findings of the baseline survey where none of the households identified co-operative societies as a source of credit. The survey shows that amongst informal sources, it is friends and relatives, and not the moneylenders that are a prominent source of credit for the rural households. The analysis of use of loans and the source of borrowing also has shown the significant association with loans from formal source being used more for productive purposes and loans borrowing from informal sources shown that mostly use for consumption purposes. Also, loans for productive purpose are significantly larger that loans borrowed for consumption purpose. This finding came supported the presumption that the informal sector is more effective in financing small borrowers than the formal sector, and also

pointed out the importance of the informal sector in fulfilling the credit requirements of upland rural households for requirements other than productive activities.

**Balasaheb Vikhe Patil (2008)** – The present paper studied the rural indebtedness in India. It is found that it has remained an important issue and an obstacle for development. For the sound economic and social development it requires in-depth analysis so as to address the problem in all its dimensions. Despite tremendous expansion of the branch network particularly in rural areas after nationalization of private sector banks and the growth of institutional credit for agriculture, the severity of agricultural indebtedness has persisted. In Punjab, Assam and Bihar the total debt of the farmer households from institutional agencies was less than from non-institutional agencies, only 19.9 per cent of the rural households in Uttar Pradesh and 24 per cent in Andhra Pradesh where in indebted to the formal institution. The survey also revealed that 87.03 per cent of marginal farmers and 69.21 per cent of the small farmers had no loans from the formal institutional agencies. (‘Situation Assessment Survey of Farmers- 2003’). The paper examined that the formal institutions offer poor quality service through inadequately manned branches. The declining profitability of agriculture, rising commercialization with weakened support systems, decline in public investments, ineffective and inadequate risk mitigation arrangements, absence of technological break through in reducing costs or increasing productivity, the rising input prices, insensitive rural institutions and extremely poor quality and coverage by formal credit institutions and lack of stringent action in supply of inputs and periodic natural calamities have contributed towards the manifestation of agrarian crises in the Indian economy. The paper discussed The Expert Group Report of R.Radhkrishana on the problem of agricultural indebtedness. The share of co-operatives in total agricultural credit declined from 74.90 per cent of short term credit in 1975-76 to 33.2 per cent in 2005-06 and from 61.2 per cent of long-term credit to only 6 per cent in the same period. Even, the fact that the co-operative banks are much wider, in March 2003 against 1.64 crore borrower accounts with public sector banks, the co-operatives had 6.39 crore accounts. It was observed that the co-operative banks is a

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much higher risk profile as compared to commercial banks that are able to diversify in the whole country and across all sectors, whereas the co-operative banks by design have area and sectoral restrictions. Paper also discussed the Income-Related Issues like-distress sale by farmers, power of scale to small and marginal farmers. Institutional Related Issues; one-time settlement (OTS) or compromise. As well as, Other Issues like-formalization of informal credit etc.

The paper examined that agriculture had suffered due to long neglect and inadequate allocation of resources. This article points out that improvement in credit delivery would help, but a correction in planning strategy is more important and the credit measures alone will not tackle the problem.

2.5- SUMMARY-
Since independence the co-operatives have assumed an important role in the socio-economic development of the rural, certain policy initiatives were taken to restore them. Although there has been spread of co-operatives in almost all the sectors of the economy. The growth of co-operatives in spite of the traditional areas like credit, i.e. processing, marketing, fertilizer distribution, consumers, housing, labor etc. much remain to be done. The share of the co-operative in sustaining rural economy must be increased. Benefits of various programmes and projects should be percolated to the rural economy, a large section of the Indian economy. It is also needed to provide continuing support to the co-operatives by the government because the benefits of growth do not trickle down automatically. However, it does not mean that the co-operatives have virtually become government directed, controlled and regulated enterprises, and administrative interference by the government in the day-to-day working of the co-operatives. Acting on the recommendations of the Task Force for revival of short-term rural co-operative Credit Structure in January 2006 involving financial assistance of Rs.13,596 crore. States required signing memorandum of understanding (MoU) with NABARD, committing to implement the legal, institutional and other reforms as envisaged in the revival package.¹