

**PARTICIPATORY DEVELOPMENT AND
COOPERATIVES IN INDIA : STUDY OF PRIMARY
AGRICULTURAL CREDIT SOCIETIES**

Dissertation submitted to Jawaharlal Nehru University

in partial fulfillment of the requirement

for the award of the degree of

MASTER OF PHILOSOPHY

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2009



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CERTIFICATE

I, SAURABH N SINGH, certify that the dissertation entitled "PARTICIPATORY DEVELOPMENT AND COOPERATIVES IN INDIA: STUDY OF PRIMARY AGRICULTURAL CREDIT SOCIETY" for the degree of MASTER OF PHILOSOPHY is my bonafide work and may be placed before the examiners for evaluation.

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*Dedicated to,
Nani...*

Acknowledgement

I am greatly indebted to my supervisor Professor B S Butola for his critical insights and helpful comments which have helped me clear ambiguities in my arguments.

I would like to thank the staff of the Jawaharlal Nehru University and National Cooperative Union of India for their kind support to access the necessary documents and data base. Also Secretaries of both the Primary Agricultural Societies for providing me required data and timely advice during my survey.

My classmates Rajesh, Sucheta and Mrityunjay have been constant source of support and inputs.

It would have been impossible to finish this work in time without the help of Sonal, Rinkoo, Ankur, Gaurav. They helped during my survey for and my roommate Purushottam (whose absence allowed me not to bother about my cluttered room during writing this theses).

The support of many friends has been a constant source of encouragement: Sandeep, Sephalika, Ravi, Khatija, Sharda, Martand and Preeti.

I dedicate this work to my parents and relatives, their love and sacrifice have moulded my life.

Contents

Acknowledgment	i
Glossary	ii
Acronyms	iv
List of Tables, Figures and 'Maps'	v
1. Chapter One : Introduction	1-17
1.1 Statement of the problem.	
1.2 Objectives.	
1.3 Research Questions.	
1.4 Database and Methodology.	
1.5 Limitations of the study.	
1.6 Chapterization scheme.	
2. Chapter Two : Theory and Literature Review	18-52
2.1 Cooperatives as a part of Participatory Sector.	
2.2 Background of Indian Cooperative Movement.	
2.3 Literature Review	
3. Chapter Three : Region and State wise analysis of Participatory Development in PACS.	53-63
3.1 Growth of PACS	
3.2 Regional Disparity in Development of PACS.	
3.3 State wise disparity in PACS Development.	

3.4 Regional disparities in credit disbursement.

4. Chapter Four : Primary Survey of two PACS

64-93

4.1 Factors influencing members participation

4.1.1 Cooperative (membership) size.

4.1.2 Membership Composition.

4.1.3 Cooperative (area) size.

4.1.4 Educational status of members.

4.1.5 Training/Orientation.

4.2 Members Participation

4.2.1 Attendance in Annual General Body Meetings.

4.2.2 Access to credit by different member categories.

4.2.3 Credit utilization pattern of members.

4.2.4 Loan Repayment Pattern.

4.2.5 Financial Resources of Cooperative Society.

5. Chapter Five : Conclusions

93-97

Bibliography

98-101

Appendix : Questionnaire

4. Chapter Four : Primary Survey of two PACS	64-93
4.1 Factors influencing members participation	
4.1.1 Cooperative (membership) size.	
4.1.2 Membership Composition.	
4.1.3 Cooperative (area) size.	
4.1.4 Educational status of members.	
4.1.5 Training/Orientation.	
4.2 Members Participation	
4.2.1 Attendance in Annual General Body Meetings.	
4.2.2 Access to credit by different member categories.	
4.2.3 Credit utilization pattern of members.	
4.2.4 Loan Repayment Pattern.	
4.2.5 Financial Resources of Cooperative Society.	
5. Chapter Five : Conclusions	93-97
Bibliography	98-101
Appendix : Questionnaire	

Glossary

Participatory Development: A people-centered approach to development efforts that aims to fully involve all those people whose lives are directly affected by those efforts.

Cooperatives: A co-operative is an 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.

Primary Agricultural Credit Society: Cooperative society functioning at the base of three tier cooperative institutional structure and providing short term and medium term credit to rural populace.

Marginal Farmer: Male members belonging to general category (non SC/ST) having ownership holding of less than or equal to one hectares.

Small Farmer: Male members belonging to general category (non SC/ST) having ownership holding between one hectare to two hectares.

Large Farmer: Male members belonging to general category (non SC/ST) having ownership holding over two hectares.

Share Capital: Capital which members contribute to society by buying the shares of society for membership and borrowing. It also includes Government share. It is also called paid-up capital.

Reserves: A cooperative, that generates a profit, can retain surpluses in the form of reserves

Deposits: Total short term and long term members savings mobilized by the society.

Working Capital: The sum of paid-up capital, reserves, deposits and borrowings with the

credit society.

Cooperative Identity: Set of values and principles through which cooperatives are ought to govern.

Local Institution: A community level institution which provides the basis for collective action, for building consensus, for undertaking coordination and management responsibilities, for collecting, analyzing and evaluating information, energised by degree of interpersonal solidarity.

Members organization: Organizations in which members directly participates in its functioning through control and usage.

Joint Liability: A form of liability in which all the members are jointly responsible for the society debt's at the time of its inability to pay the debt. It is a method of sharing the risk associated with society's large loans.

Unlimited liability: Where the properties of a cooperative are insufficient to pay the debts, the members shall be jointly and severely liable.

Economies of Scale: It is a long run concept that refers to reductions in unit cost as the size of a facility, or scale, increases

Transaction Cost: A transaction cost is a cost incurred in making an economic exchange.

Viability: Capable of working, functioning, or developing adequately.

Disproportionate Stratified Random Sampling: It involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup. Technically, Divide the population into non-overlapping groups (i.e., *strata*) $N_1, N_2, N_3, \dots, N_i$, such that $N_1 + N_2 + N_3 + \dots + N_i = N$. Then do a simple random sample of $f = n/N$ in each strata. Here f is called sampling fraction. When we use different sampling fraction for different strata it becomes disproportionate stratified random sampling.

Acronyms

PACS :	Primary Agricultural Credit Society.
MPACS :	Majhola Primary Agricultural Credit Society.
NPACS :	Neoria Primary Agricultural Credit Society.
RBI :	Reserve Bank of India.
NABARD :	National Bank for Agricultural and Rural Development.
NAFSCOB :	National Federation of State Cooperative Banks.
ST :	Scheduled Caste.
SC :	Scheduled Tribe.
ICA :	International Cooperative Alliance.
NCUI :	National Cooperative Union of India.
DCCB :	District Central Cooperative Banks.
SCB :	State Cooperative Banks.
AIRCS :	All India Rural Credit Survey.
FAO :	Food and Agricultural Organization.
NGO :	Non-Governmental Organization.
SAP :	Structural Adjustment Program.
RRB :	Regional Rural Bank.

List of Tables and Figures

Tables

Table 1.1	Sample size taken for two societies.
Table 3.1	Region wise number of PACS and membership (2005-06).
Table 3.2	Correlation between average membership and percentage of loss making PACS.
Table 3.3	State wise number of PACS.
Table 3.4	Membership per PACS (1970-99).
Table 3.5	Percentage share of states in disbursement of credit for agriculture and allied activities.
Table 4.1	Members opinion on influence of large cooperative size(membership) on participation.
Table 4.2	Members opinion on influence of large cooperative size(area) on participation.
Table 4.3	Category wise membership of MPACS.
Table 4.4	Category wise membership of NPACS.
Table 4.5	Caste composition of members in MPACS.
Table 4.6	Caste composition of members in NPACS.
Table 4.7	Annual General Body Meetings in last ten years .
Table 4.8	Different Sources of Loans used by member-categories.
Table 4.9	Number of members borrowing loans in MPACS.
Table 4.10	Number of members borrowing loans in NPACS.
Table 4.11	Utilization pattern of last loan taken.
Table 4.12	Repayment of loans last taken.
Table 4.13	Financial Resources of society (per member).

Figures

Fig 1.1	Examples of different organizations at different levels and sectors.
Fig 1.2	Continuum of local institutions by sectors.
Fig 3.1	Growth of PACS membership in India (1951-2001).
Fig 3.2	State wise PACS membership (1970-1999).
Fig 4.1	Growth of membership in both the PACS.
Fig 4.2	Educational status of members in MPACS.
Fig 4.3	Educational status of members in NPACS.
Fig 4.4	Percentage of members received Training/Orientation (MPACS).
Fig 4.5	Percentage of members received Training/Orientation (NPACS).

Maps

Map 1.1	Spatial context of the study region
Map 1.2	Map of khatima block (District Udham Singh Nager) showing catchment area of MPACS.
Map 1.3	Map of marauri block (District Pilibhit) showing catchment area of NPACS.
Map 3.1	Region Distribution of PACS in India(2005-06).
Map 3.2	Region Distribution of PACS membership in India(2005-06).

CHAPTER ONE

INTRODUCTION

Introduction

1.1 : Statement of the Problem

The notion and practice of development has undergone a sea change since 1970s and has become more comprehensive. Failure of earlier strategies¹ in having positive impact on livelihoods of marginalized section compelled the policy makers to look for the alternative strategies of development. Participatory development² (PD) hereafter emerged as a desirable and sustainable alternative. PD with its emphasis on people's participation and empowerment become emerging concept in development discourse.

Cooperative movement started in India in 1904 as state sponsored programme for involvement of poor peasants in fulfilling their credit needs by mutual help and cooperation³. In Post-Independence period cooperatives have been viewed as important instruments for achieving goals of participatory development like democratic control, empowerment and social equity of marginalized community.

Cooperative as an institution theoretically embody the principles of Participatory Development. Cooperative provides democratic institutional structure for realization of participatory involvement of people. But presence of institutional structure does not automatically ensures participation and concomitant empowerment of local community. It is intimately connected to the issue of equity. The socio-economic inequalities prevalent

1 The conventional growth-oriented top-down development strategy has not accomplished the desired trickling-down of the benefits of development to the marginalized sections.

2 Participatory Development has been commonly defined as a people-centered approach to development efforts that aims to fully involve all those people whose lives are directly affected by those efforts. Usually aimed at grassroots, marginalized and poor communities who have often been excluded from decision-making processes.

3 Datta K Samar, "Cooperatives in Agriculture", Vol 24, Chapter 2, pp 72.

in the rural areas have diluted the efficacy of cooperatives in achieving its goals of equity, empowerment and participation. The functioning of Cooperatives led to strengthening of inherent hierarchies, power differentials and socioeconomic disparities in community. Although there exist many success stories of cooperatives yet they were exception not explaining the general condition of all Cooperatives.

During the start of planning process, Indian planners greatly argued for making development of cooperatives as main plank in socio-economic planning. Consequently five year plans in the initial periods have assigned an important place to cooperatives as instrument of development. Subsequently, with the change in the policy orientation Cooperatives lost its importance as an instrument for upliftment of rural poor particularly small and marginal farmers, landless and women. Nonetheless Cooperative movement in India grew to become largest cooperative movement in the world.

Above scenario is particularly visible in Agricultural Cooperative Credit Societies which now constitutes about two-third of all cooperatives. Reflecting on the functioning of the Agricultural Credit societies, Report of the All India Rural Credit Survey (1954) observed that that rural credit did not serve the right purpose and often failed to go to the right place and right people. The committee also observed that the performance of co-operatives in the sphere of agricultural credit was deficient in more than one way, but at the same time, cooperatives had a vital role to channeling credit to the farmers and therefore summed up that, "co-operation have failed, but co-operation must succeed".⁴ Despite of tremendous growth of cooperatives in one century (1904-2008) the situation remained the same. There exist a wide variation in level of

4 Various Expert Committees have opined that from the point of view of structural appropriateness, there is no alternative to co-operatives at the village level for provision of agricultural credit. The Rural Credit Survey committee which was set up by the Reserve Bank of India in 1951, summed up its findings celebrated dictum that "Co-Operative has failed but Co-operation must succeed"

cooperative development across various regions. Credit Cooperatives have its predominant presence in Southern and Eastern regions while Northern and Western regions despite of Agriculturally based are lagging behind in its development. This disparity is not confined only to the regions but to the different social groups. The flow of cooperative credit have increased to the substantial level but the benefit of such increased credit flow by-passed the relatively weaker sections to whom cooperatives were supposedly made to cater. Thus it reflects the lack of homogenous participation by different regions and social groups.

Cooperatives, it is well conceived can alone not radically alter the distribution on socio-economic power in society. However, they can play very significant role in equity based distribution of developmental benefits to marginalized sections. For this to happen it is needed that Cooperatives are governed democratically by translating the participatory principles into actual practice. This research work aims to analyze the nature of participatory development with the following main objectives.

1.2 : Objectives of the study

- To examine the region and state wise analysis of PACS distribution.
- To analyze the regional variation in functioning of PACS by doing comparative analysis of two PACS.
- To analyze various socio-economic and geographical factors influencing participation in credit cooperatives.
- To analyze the distribution of cooperative credit among different categories of members.
- To examine the utilization of cooperative credit among different member

categories.

It is evident from the objectives and statement of the problem that participation has different meaning in different context and time. More often, it was noticed that the model of participation is successful in one case may not be replicated elsewhere. Hence, it is always appropriated to narrow the focus of studies by specifying the study area, institutions through which participation gets articulated along with specific research questions. In the present study the following research questions have been kept in mind while analyzing the nature of participatory development.

1.3 : Research questions

In the present study the following research questions have been kept in mind while analyzing the nature of participatory development.

- How the member's social, economic and political participation is vital for successful functioning of the credit cooperatives ?
- What are the background factors that explain the inter-regional disparity in development of credit cooperatives or in other words, why all the regions are not showing participation of cooperatives in the development ?
- In what ways social, economic and political participation of the members is contingent upon various socio-economic and geographical factors like cooperative operational size, membership size, membership composition, educational status of members ?
- Which regions and social groups are benefitting by participation in credit cooperatives ?

It is clear from the above that the research topic has enormous possibilities of subjectivity in its analysis which is detrimental to objective research. In this research work, attempt have been to minimise these anomalies by taking objective criteria for the selection of study area as well as data base and Methodology.

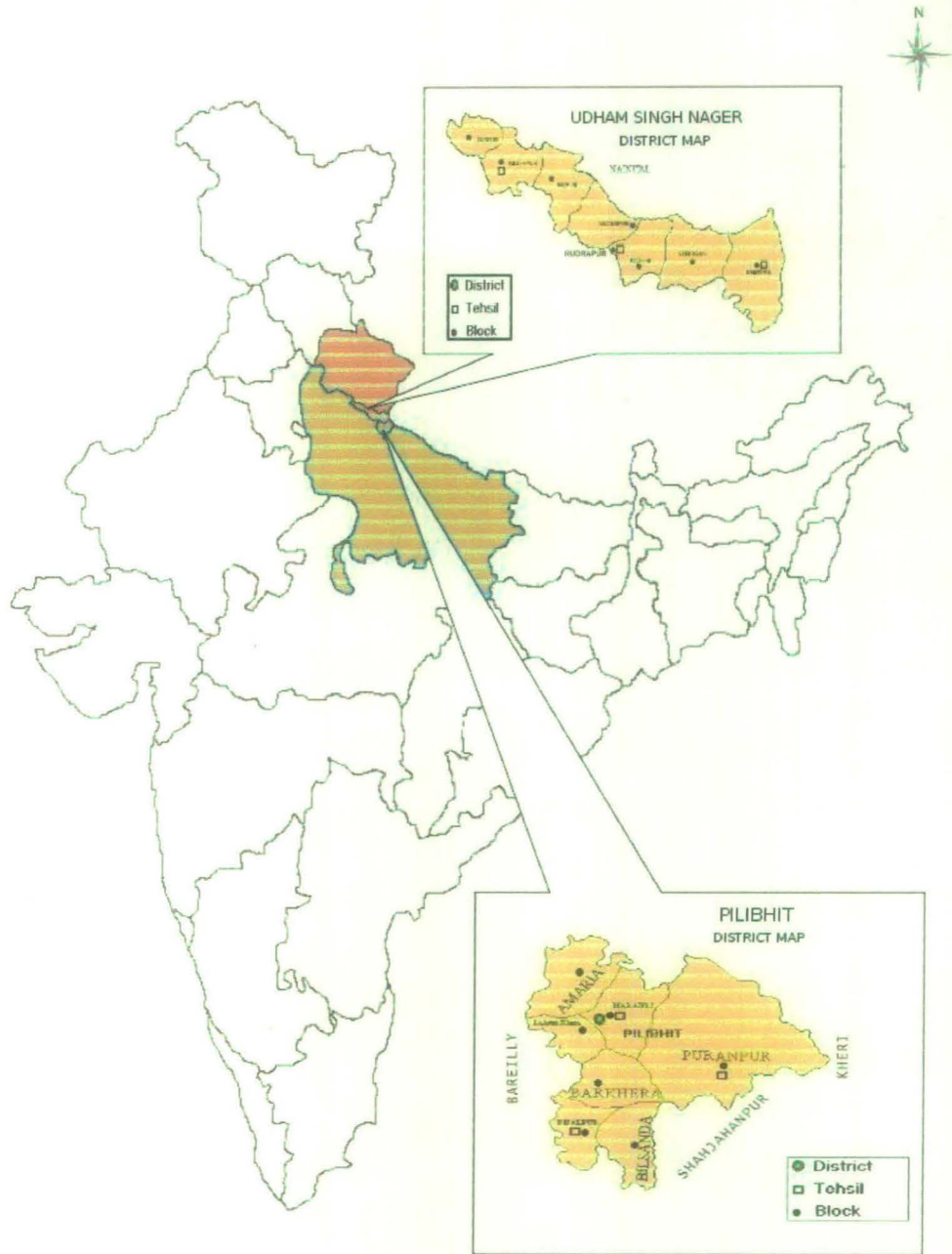
1.4 : Data Source and Methodology

There are serious data constraints to judge long-term changes in the quality parameters like autonomy, member participation, patronage and profitability of co-operatives, the available data sources from NCUI, NABARD and NAFSCOB are nevertheless used to provide some crude idea about the long-term pattern. Data Source of secondary nature have been used. Different Secondary data sources are :

- NABARD Statistical Statement on Cooperative Movement (1970-2000).
- NAFSCOB Report on Performance of PACS 2006.
- NCUI Indian cooperative movement – A Profile 1993-2006.
- Annual Reports of Primary Agricultural Cooperative Society.

There is paltry little data available on participatory development aspect of the cooperatives, hence the researcher have used primary data source for the present study. For primary data collection Household Survey of the members of Cooperative Society is done, which involves :

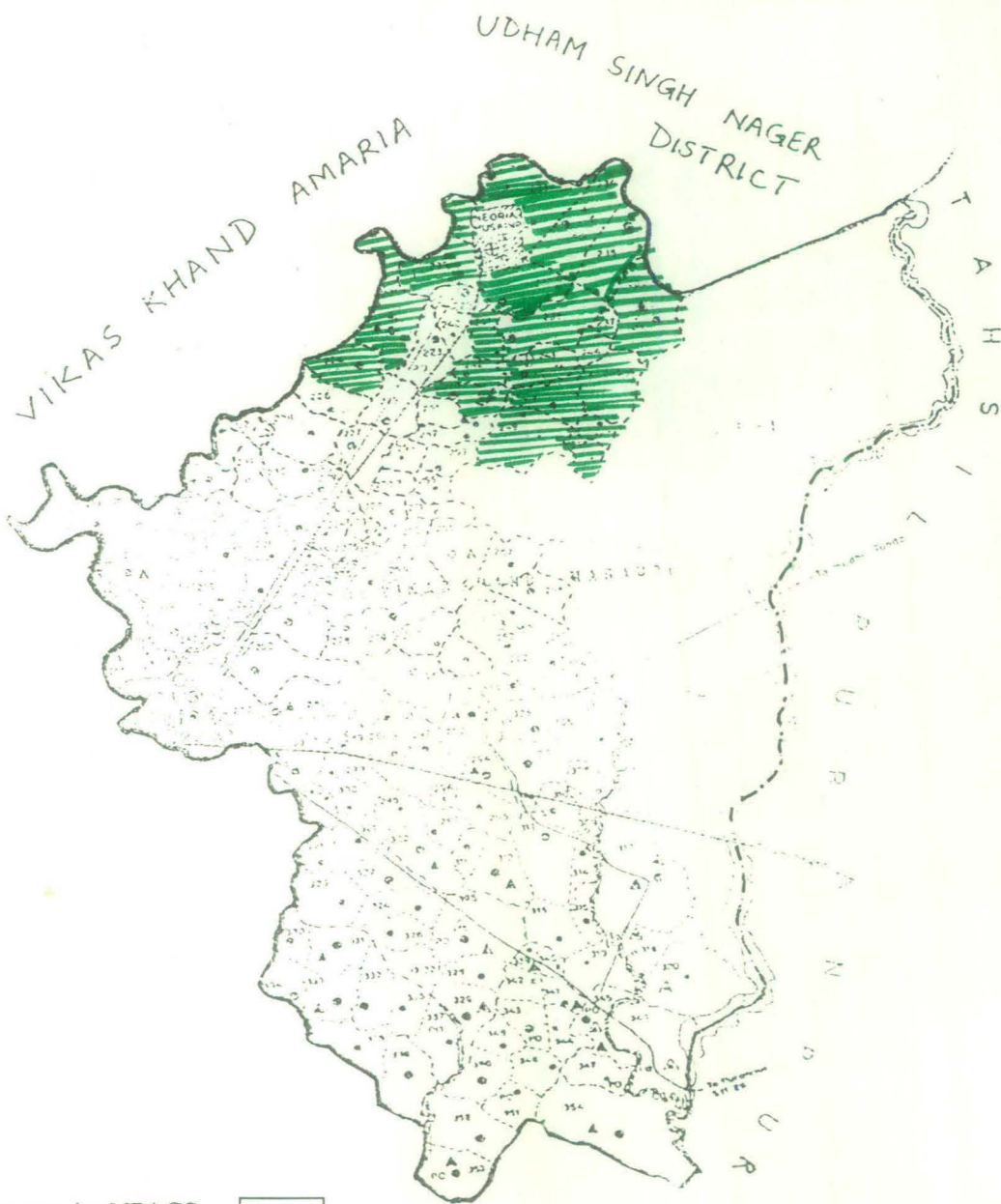
SPATIAL CONTEXT OF THE STUDY REGION



Not to scale

Map 1.2

CATCHMENT AREA OF MPACS IN KHATIMA BLOCK
(DISTRICT UDHAM SINGH NAGER)



Villages under NPACS



BOUNDARY, DISTRICT	---
" TASHIL	----
" VIKAS KHAND
" VIKAS PANCHAYAT
" VILLAGE WITH LOCATION CODE NUMBER	○
" FOREST WITH CODE NUMBER	○
HEADQUARTERS, DISTRICT, TASHIL, VIKAS KHAND	⊙
VILLAGES WITH POPULATION SIZE: BELOW 200	●
200-499, 500-999, 1000-4999, 5000 & ABOVE	●
UNDEVELOPED VILLAGES WITH LOCATION CODE NUMBER	○
URBAN AREA WITH LOCATION CODE	▨
STATE HIGHWAY	—+—
GOVERNMENT METALLED ROAD	—+—
RAILWAY LINE WITH STATION, METRE GAUGE	—+—
STREAM & DRAIN	~~~~~
POST OFFICE / TELEGRAPH OFFICE	PO / TO
HIGH SCHOOL, INTER COLLEGE	H.S. / I.C.
HOSPITAL, PRIMARY HEALTH CENTRE, DISPENSARY	H. / P.H.C. / D.
ELDERLY AND CHILD WELFARE CENTRE	△
IMPORTANT VILLAGE MARKET / HAT	△

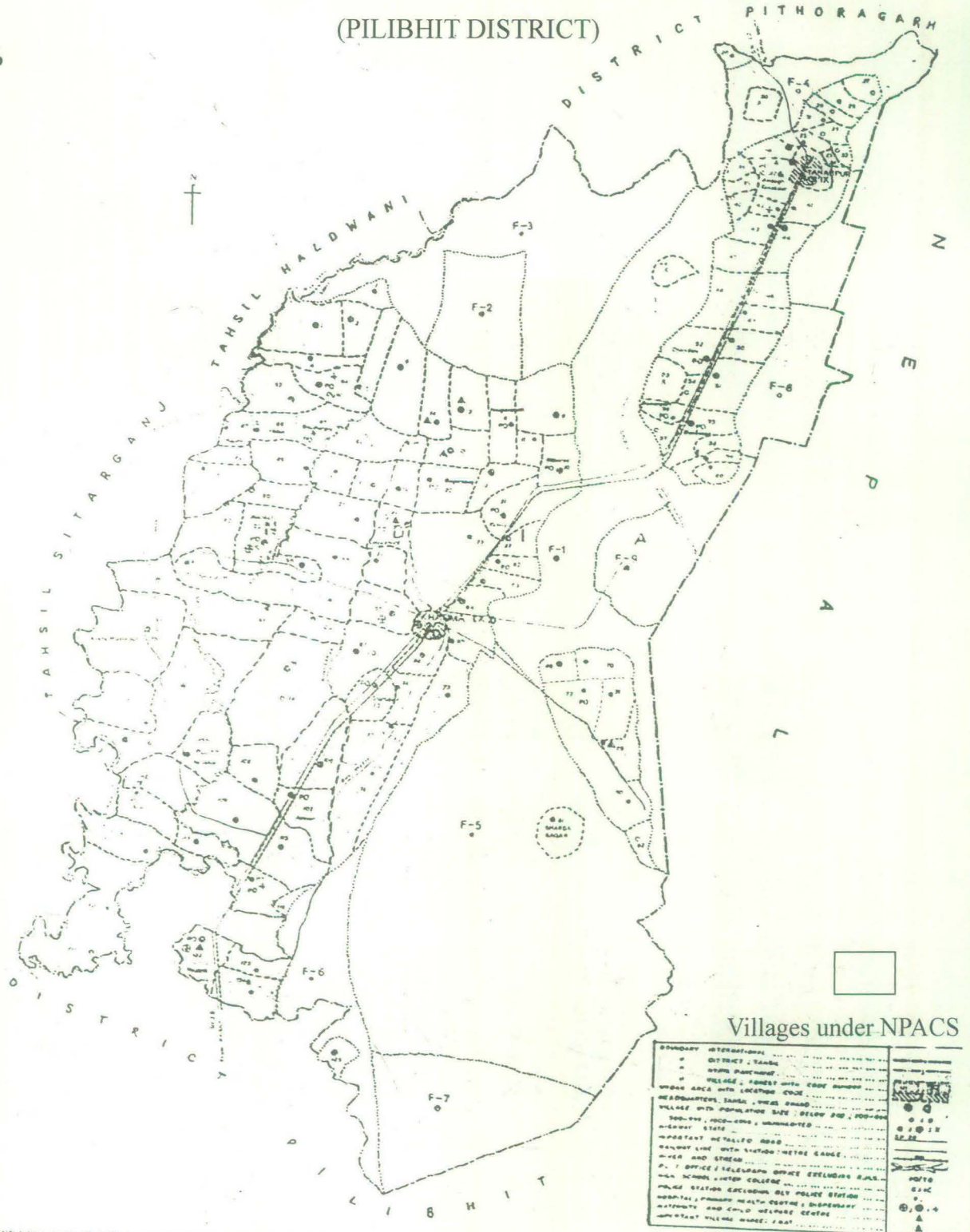
Choice and Personality of Study Region

Two PACS from adjoining districts of Pilibhit (UP) and UdhamSingh Nager (Uttaranchal) are selected for survey study. In order to do the comparative analysis of two, following criteria are adopted. One PACS with smaller membership size, area size and viable records and other with larger membership, area size and nonviable records is selected. MPACS in District UdhamSingh Nager fulfilled the former criteria and NPACS in Pilibhit District latter. Also familiarity with the study region was kept into account taking into consideration the large sample size, time and financial constraint. .

UdhamSingh Nager

In the vicinity of the Kumaon hills lies the district of Udham Singh Nagar which was a part of district Nainital before it gained the identity of a separate district in October 1995. The district was named in memory of great freedom fighter Late Shri Udham Singh. The district is also called as the 'Gateway to Kumaon hills'. It is elongated in shape covers the terai plains running parallel to Siwaliks. It has an area of 3055 sq km and population over 12 lakhs (2001 Census). The district comprises of three main sub divisions Rudrapur, Kashipur and Khatima and seven developmental blocks .i.e Khatima, Sitarganj, Kichha, Gadarpur, Bazpur, Kashipur and Jaspur. It is surrounded by the exotic Himalayan ranges in the north and plains of Uttar Pradesh from south. The district is situated at 28 degree south east, 30 degree north latitude, 78 degree and 81 degree east longitude of Kumaon. Nainital is to the north, Bijnour, Moradabad, Rampur to west, Bareilly, Pilibhit to south and district Champawat is in the east of this district. South east lies the border of Nepal. Reserved forest area lies at the borders of district Nainital and Champawat.

CATCHMENT AREA OF NPACS IN MARAURI BLOCK
(PILIBHIT DISTRICT)



BASED UPON SURVEY OF INDIA MAP WITH THE PERMISSION OF THE SURVEYOR GENERAL OF INDIA
S.L.P. (R.O.) - JALGANANANU-27-21-785-1581

In the past this land which was full of forest land was neglected till 1948 due to difficult climate. Marshy lands, extreme heat, rains which lasted for months, a place full of wild animals, diseases and very few means of transportation prevented the human race to form a colony here. The history of development started with 1948, when the problem of partition brought refugee problem with it. Immigrant from north west and eastern areas were reestablished in 164.2 square km land area under "UP nivesh yojana". The first batch of immigrants came in December 1948. People from different states like Kashmir, Punjab, Kerala, Eastern UP, Garhwal, Kumaon, Bengal, Haryana, Rajasthan migrated here. These people particularly from western India and eastern Uttar Pradesh now form the dominant population group.

Udham Singh Nagar is both agriculturally prosperous and industrially developed district. The fertile terai land and abundant water ability have resulted into making it one of the best rice and sugarcane growing district in north India.¹ Other crops like wheat, oilseeds are also grown here. The developed agricultural practices have resulted into high demand for agricultural inputs like credit, machinery, fertilizers etc. The district location, agricultural base and socio-economic conditions have also favoured the industrial development particularly agro-based industries.

Pilibhit

The district lies between the parallels of 28° 60' and 28° 53' north latitude and those of 79° 37' and 80° east longitude. It extends from the borders of the Bareilly district to the confines of Kheri on the east and the territory of Nepal on the north east. On its north lie the tarai of Udham Singh nager and to the south is the district of Shahjahanpur.

¹ Largest number of Rice flour mills (225) are found here.

The district is a tract of very irregular shape having total area of 3499 sq.kms. The district may be divided into several districts tracts. In the north and west it is like tarai area and gives place to the common characteristics of Rohilkhand, the souther portion is similar to the forest areas of Kheri and the north of Awadh. Tarai has a dry season from early October to mid June and a wet season from mid June to early October. Temperature is the highest in May-June (38.4 °C) and the lowest in December January (4.3 °C). Relative humidity is the highest in July (81.7 percent) and the lowest in May (39 percent). The average rainfall is 1400 mm. Soils of Tarai Zone are alluvial in nature, low to medium in phosphorus, medium to high in potassium and high in organic matter. The main crops of the area are wheat and rice. As a whole, the district is a plain intersected by numerous streams which flow mainly in a southerly direction. The level surface is varied by many troughs and depressions.

The climate of district varies in different parts. It approximates to that of the Tarai in the north and east and differs slightly from that of adjoining part of Bareilly and Shahjahanpur in the tracts of Bisalpur tahsil in Pilibhit. The general features are characterised by dampness and excessive heat in the summer. The cold weather begins about the third week in October. The cold is also excessive because the north east territory is adjoining to the Nepal hills. The climate during the rains is different from other seasons being excessively damp and unhealthy. The district receives annual normal rainfall of 1256 mm, which is considerably heavier than in the districts immediately to the south. It is due to the dense forest in the district.

As of 2001 India census Pilibhit had a population of 16,45,183. Pilibhit has an average literacy rate of 49.81 percent. District is divided into three Tehsils Pilibhit,

Puranpur and Bisalpur and seven developmental blocks Marauri, Amaria, Lalauri khera, Barkhera, Bilsanda, Bisalpur and Puranpur. Pilibhit is one of the Minority Concentrated Areas in India on the basis of the 2001 census data on population, socio-economic indicators and basic amenities indicators. Pilibhit is one of the forest rich area of Uttar Pradesh, which has very high tourism potential.

In 1801 when Rohilkhand was ceded to the British, Pilibhit was a Pargana of The District Of Bareilly, which lost it in 1833, the arrangement being temporary and the tract being again united with Bareilly in 1841. In 1871 was formed the Pilibhit subdivision comprising Jahanabad, Pilibhit and Puranpur which was eventually converted into a separate District in 1879.

It has an agricultural based economy. Main crops are sugarcane and wheat. Industries are mainly based on agriculture. District is backward in terms of industrial development. Peripheral location and inadequate infrastructure attributed to its backwardness.

A Short profile of Majhola Dirgha Bahudeshiya Sahkari Samiti (MPACS)

The MPACS is a developed primary agricultural credit society located under the administrative jurisdiction of Khatima Block of Udham Singh Nager district in Uttaranchal. The region lies in the terai belt of plains. Earlier the marshy grasslands of Terai region has emerged as the one of most fertile area particularly growing rice, sugarcane and wheat. The industrious nature of the migrant groups from Punjab, eastern Uttar Pradesh, and Bengal have turned terai into rice grainery of North India. These groups form the dominant membership of the Samiti. It has an operational range of nineteen villages with an area of about 45 sq km. Total population of the area

under Samiti is 34458. Samiti was established in 1976 with 3573 members. The present member of Samiti is 4697. There is one full-time paid secretary and four clerks working in the society. The society main objective is to meet the credit as well as agricultural input needs of their members. Society plays an important role in dispensing agricultural inputs like fertilizers, seeds, pesticides at concessional rates to members. About 98 percent of the area under the jurisdiction of the society is irrigated by tubewells and canals. Tubewells are the main irrigation facility in the area due to abundant groundwater availability at lower levels.

A Short profile of Neoria Mohammad Yaar Khan Kisan Sewa Sahkari Samiti (NPACS)

This particular primary agricultural credit society is located under the administrative jurisdiction of Marauri Block of Pilibhit District in Uttar Pradesh. The region lies in the transitional zone between terai and bhanger. It is a fertile region for rice and sugarcane growing. It was established in 1979 with 2655 members and commenced its business in the same year. It has an operational range of 34 villages with 15400 agricultural families 39 percent of agricultural families have an membership in the society in 2007-08. It has an area of about 65 sq km. Total population of the area under Samiti is 56776 . The present member of Samiti is 6012. There is one full-time paid secretary and two clerk working in the society. The society mainly sees the credit needs of their members. About 80 percent of the area under the jurisdiction of the society is irrigated by tubewells and canals.

Selection of sample

The cooperative societies MPACS and NPACS are consist of 4697 members(2007-08) and 6012 members(2007-08) respectively. This form the population of the study. 235 members in MPACS and 290 members in NPACS have been taken as the sample. As the population is analyzed on the basis of sub-groups like Farmers, landless labourers, SC, ST and women, the representation of different sub-groups is varying in population as seen from breakup of membership. The farmers (gen) constitutes 70 percent, ST 11 percent, SC 3 percent, Women 6 percent and Landless 4.5 percent in MPACS while in NPACS it is 83 percent, .2 percent, 8.55, 3.5 percent and 3.6 percent respectively. For the sake of equal representation different sampling fraction² is used for different sub-groups. In case of MPACS sample fraction of 5 percent is used for whole population. The sampling fraction of 4.5 percent, 3 percent, 3.4 percent, 5.5 percent, 20 percent, 9.5 percent, 16 percent is used for marginal farmers, small farmers, other farmers, ST, SC, Women and Landless labourers respectively.

Table 1.1

Category	Sample Size taken for two Societies			
	MPACS		NPACS	
	Total Members	Sample size	Total Members	Sample size
Large farmer	1067	40	2190	60
Small farmer	1538	40	1089	50
Marginal farmer	892	35	1770	50
SC	145	30	521	12
ST	531	30	12	40
Women	314	30	210	40
Landless	210	30	220	40
	4697	235	6012	292

² It is represented by the formula $f=n/N$, where n is number of sample and N is population of subgroup.

As shown in the Table 1.1 in MPACS out of 235 sample members, 35 are small farmers, 40 are marginal farmers, 40 are other farmers, 30 are ST members, 30 are SC members, 30 are women member, and 30 are landless labourers. In case of NPACS sample fraction of 5 percent is used for whole population. The sampling fraction of 2.8 percent, 2.2 percent, 5.5 percent, 100 percent, 5.7 percent, 19 percent, 18 percent is used for marginal farmers, small farmers, other farmers, ST, SC, Women and Landless labourers respectively. Thus out of 290 sample members, 50 are small farmers, 50 are marginal farmers, 60 are other farmers, 12 are ST members, 40 are SC members, 40 are women member, and 40 are landless labourers.

Choice of methods

As the population is analyzed on the basis of different sub-groups which are unequally represented in order to avoid the sampling bias, Disproportionate Stratified Random Sampling³ Method is being used. It involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup. Technically, population is divided into non-overlapping groups (i.e., *strata*) $N_1, N_2, N_3, \dots, N_i$, such that $N_1 + N_2 + N_3 + \dots + N_i = N$. Then do a simple random sample of $f = n/N$ in each strata. Here f is called sampling fraction. When one use different sampling fraction for different strata it becomes disproportionate stratified random sampling.

³ This method involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup. Technically, Divide the population into non-overlapping groups (i.e., *strata*) $N_1, N_2, N_3, \dots, N_i$, such that $N_1 + N_2 + N_3 + \dots + N_i = N$. Then do a simple random sample of $f = n/N$ in each strata. Here f is called sampling fraction. When we use different sampling fraction for different strata it becomes disproportionate stratified random sampling.

Selection of Indicators

Two groups of indicators have been used one representing various socio-economic and geographical factors influencing participation and other participation itself. Various indicators belonging to first group are: Cooperative society's membership size, area size, composition of membership, caste composition, educational status and training status of members. Indicators representing participation are attendance in annual general body meeting, access to credit, choice of credit source, credit utilization, repayment pattern and financial strength of society.

Tools used

A close ended, structured questionnaire was prepared for collecting the opinion of members of the cooperatives. The questionnaire emphasized on aspects like members economic, educational, and participation status with reference to cooperative.

Collection of data

The investigator have collected primary data by visiting door to door of all the sample members of the society. The survey was done in the month of Apr-May 2009. Secondary data has been collected from annual reports and records of the society for the period from 1997-1998 to 2007-2008.

Tabulation of data

The data collected by primary and secondary sources have been compiled on tabulation sheets prepared for the purpose.

For Analysis work both quantitative and qualitative methods have been used. Qualitative techniques involved analysis on the basis of explanation provided by earlier research work and quantitative techniques involves use of various statistical and cartographic techniques.

Correlation technique is used to find the relationship between average membership per PACS and number of non viable PACS.

Line diagram have been used to show the trend in growth of numbers and membership in cooperatives.

Pie diagram have been used to show the share of different regions in number and membership of Primary Agricultural Credit Society (PACS).

Bar diagrams simple, inverted and component have been used to state wise growth of PACS at four point of time, showing percentage of members who got the training and member group wise educational status of both the credit societies .

Chloropleth map have been used to study area and regional distribution of PACS numbers and membership.

1.5 : Limitations of the Study

Cooperative are most widely present and most important institutions from the point of view of rural development through democratic means. Despite of its importance, academic research on cooperatives remained limited to analyses of few successful instances (case studies). Limited availability of data covering all the aspects of cooperative functioning at macro level has always been biggest constraints in further research. In the early stages of cooperatives in India, initially RBI and later NABARD tried to assess the cooperative situation at macro level (till 1999) but the data remained

confined to economic aspects of cooperative functioning. Hence data constraints at macro level on different social, economic and political aspects of cooperatives proved to be biggest limitations of the present study.

The study attempts to evaluate the cooperatives from the perspectives of members participation mainly through primary survey of two credit societies. Hence it is difficult to do the broad generalizations of the findings. Also the study sees the issue of participation from members point of view leaving the organizational point of view that too plays important role in members participation.

1.6 : Chapterization Scheme

The present study analyse issue of Participatory Development in cooperatives by delineating various factors that influence the members participation in the functioning of Primary Agricultural Credit Societies. The study has been approached through following scheme of chapterization :

- First chapter of the study contextualizes the research question of the study. This chapter introduces the theme of the research through statement of the problem. Objective of the research, hypotheses, data source and limitations, methodology and study area has been discussed in the first chapter.
- Second chapter contains the theoretical foundations of the study through examining the nature of cooperative institutions as part of participatory sector, background of cooperative movement in India and literature review.
- Third chapter contains the region wise analyses of cooperative development from the perspectives of participatory development.

- Fourth chapter of the study empirically analyses the ground realities through primary survey of two functional Primary Agricultural Credit Societies located at different regions.
- Fifth chapter concludes the major findings of the study.

This chapter proceeded in the following way. Firstly statement of the problem contextualized the issue of participatory development in cooperatives showing how cooperatives like other democratic institutions require active membership participation for meeting their social and economic objectives. It is followed by objectives of the study and research questions involved. What sources of data and methods used for enquiring the research questions is explained in next section of data sources and methodology. No research is complete and perfect, it has certain limitations depending on how the research work is done utilizing various data sources and methods. Limitations of this study is explained in next section followed by chapterization scheme.

CHAPTER TWO

**LITERATURE SURVEY AND
THEORETICAL FRAMEWORK**

Literature Survey and Theoretical framework

2.1 : Cooperatives as a part of Participatory Sector

The usual division of an economy or society is into two sectors, public and private. But this fails to apprehend an important third sector which can be identified between the public and private sectors. It shares some features of each and yet differs significantly from each. This sector can be described variously - the membership sector, the participatory sector, the collective action sector. Although participation also occurs in the public and private sectors, this middle sector might best be known as the participatory sector. It is similar to the public sector in that its decisions are taken with regard to common interests rather than individual ones. On the other hand, it can operate with the flexibility of the private sector, avoiding "red tape" that so often constrains government decision-making and implementation. It differs from the public sector in that its decisions are not backed by authority and the coercion this can invoke, while differing from most of the private sector in not seeking profit as the criterion of success.

The participatory sector parallels the public and private sectors, with institutional development possible at all the levels. Examples of organizational channels and/or roles for the three sectors at the different levels are suggested in Figure 1. The vitality of institutions at different levels and in each sector depends in large part on the extent to which they meet the expectations of those persons, as citizens, members or customers, whose resource contributions are needed to keep them operating.

Participatory institutions are not just another category to be added to the prior categories of public and private. It is better to think in terms of a continuum of institutions which ranges from public to private with participatory institutions in between, as shown in Figure 1.1 and 1.2.

Fig 2.1

EXAMPLES OF DIFFERENT INSTITUTIONS AT DIFFERENT LEVELS AND SECTORS

Levels	SECTORS		
	Governmental/ Quasi- Governmental	Participatory/ Collective Action	Private/ Quasi- Private
International	Bilateral and multilateral donor agencies	Society for International Development	Multinational corporations; external NGOs
National ministries	Central government ministries; parastatal corporations	National cooperative federation	National corporations; national NGOs
Regional	Regional administrative bodies; regional development authorities	Regional cooper- ative federation; watershed consult- ative assembly	Regional companies; regional NGOs
District	District council; district admin- istrative offices	District supply cooperative; soil conservation; educational forum	District firms; charitable organizations
Sub-district	Sub-district council; sub-district admin- istrative offices	Sub-district marketing cooperative	Rural enterprises; private hospital
Locality	Division council; health clinic; secondary school; extension office	Wholesale cooperative society ; forest protection association	Businesses in market town; service clubs
Community	Village council; post office; primary school; extension worker	Primary cooperative society ; village dike patrol; parent- teachers association (PTA)	Village shops; mosque; committee for village welfare
Group	Caste, panchayat, ward or neigh- bourhood assembly	Tubewell users' association; mothers' club; savings group	Microenterprises
Household	Citizen/voter/ taxpayer/partaker of services	Member	Customer/client/ beneficiary

Adapted from Uphoff 1986

According to given framework (fig 2.2), voluntary organizations and cooperatives comes under participatory sector. They are closely related, with less

difference than between local government and local administration, or between service institutions and private businesses. Cooperatives involve some pooling of resources - savings for credit unions, purchasing power for consumer co-ops, factors of production for producer co-ops, whereas voluntary organizations (trade unions, women's associations, peasant leagues, mothers' clubs, lobbying groups, etc.) aim at advancing members' interests in some particular respect.

Fig 1.2

Continuum of local institutions, by sector					
PUBLIC SECTOR		PARTICIPATORY SECTOR		PRIVATE SECTOR	
Local Administration	Local Government	Voluntary Organizations	Cooperatives	Service Organisations	Private Businesses
.....Kinds of local Institutions.....					
Bureaucratic	Political	Self-Help institutions		Not-for-Profit (Charitable)	Profit Seeking Enterprises
.....Roles of Individuals in Relation to Different Kinds of Local institutions.....					
Citizens or subjects	Constituents	Members	Members	Clients or beneficiaries	Customers

Adapted from Uphoff 1986

2.2 : Cooperative Movement in India

The Indian cooperative movement has emerged out of the turmoil, distress and dissatisfaction which prevailed during the last quarters of the nineteenth century and were direct consequence of the Industrial Revolution. In India the effects of Industrial Revolution were unexpected and grave. Some of the leading features were: The village industries destroyed at the hands of the foreign machine made cheap articles which reduced the national economy of the country and drove millions of people out of

employment. As a consequence people took recourse to agriculture and hence the pressure on land began to increase. Secondly, the continuous subdivision and fragmentation of holding arising out of the growing pressure of population on land due to an increase in population, laws of inheritance and the extinction of cottage industries made agriculture purely an uneconomic venture. Thirdly the capitalistic production provided the new opportunities to rural landed class for investment in urban areas. Fourthly, in spite of an increase in the prices of agricultural produce, the parasitic growth of middlemen checked the small producer from getting his due share of the rise, while he was paying very high prices for the articles of his own use purchased from outside. Fifthly, the new debt legislations entirely changed the lending and the borrowing system. Formerly the debt could be extinguished only by the repayment and it passed from father to son for three generations, but now a debt stood extinguished, if it was not paid for three years, but could be extended by the court, if the debt was secured by a registered mortgage of land holdings. To ensure the safety of their loans, the creditors began to purchase land with the result that very soon a large number of peasant- proprietors were converted into mere tenants. Sixthly, the change in the method of payment of land revenue from cash to kind, kind to cash, had thrown the cultivator into the grip of the moneylenders who lent money either at exorbitant rates of interest or by purchasing the crop at an extremely low price, thus making in every case, the poor farmer still poorer. Finally, with the expiration of village panchayats and with an expensive procedure of law, dishonesty and unscrupulousness became the leading feature of village transaction.

All these causes dashed the self-sufficient village economy. Further vagaries of nature, Ignorance, illiteracy and absence of practice of thrift made the peasants conditions more miserable. This led to great disappointment and dissatisfaction among

TH-17427

peasants against prevailing conditions. It manifested in peasants revolts which compelled the British to look for some reform model. It was in 1892 that the idea of starting Co-operative societies was conceived.

Subsequently, British appointed F Nicholson to study the working of cooperative movement and find out the possibilities of organizing a system of agricultural credit societies. He submitted his report in 1899 recommending Raiffeisen model¹ of German agricultural credit Cooperatives for India. In the meantime cooperative movement gathered some force. As a follow-up of that recommendation, the first Cooperative Society Act of 1904 was enacted to enable formation of "agricultural credit cooperatives" in villages in India under Government sponsorship. With the enactment of 1904 Act, Cooperatives were to get a direct legal identity as every agricultural cooperative was to be registered under that Act only. Thus the co-operative movement in India may be said to begin with the passing of this act. This act suffer from the defect that it gave no legal protection to cooperative societies other than credit. The law only allowed primary(local) cooperatives to form without the right to federate or to form unions or federation. As a result movement could not make much headway. The Indian Co-operative Credit Societies Act can be classified as a "development law". It was not a mirror of social and economic reality prevailing in India, regulating the current state of affairs and providing for the resolution of potential conflicts, but rather a law meant to serve as an instrument for achieving or encouraging the achievement of an envisaged (planned) result, namely the formation of rural and urban co-operative societies of the Raiffeisen type .

¹ Raiffeisen cooperatives are based on the principles of Self-help, Self-Administration, Self-responsibility, Voluntariness, Open Membership and Members promotion.

They were different from existing self-help organizations in many ways:

- Co-operatives were meant to facilitate transition from subsistence farming and barter towards a market and money economy,
- The proposed model was based on European values like equality and democracy (one member – one vote), election of office-bearers for a limited term of office and under democratic control (as opposed to decision making by consensus and subtle forms of social control).
- The new law gave government a role in generating social cohesion and stimulating joint socio-economic action with some degree of autonomy and liberalism, while – under colonial government – private group activities with political objectives were strictly controlled or prohibited. However, autonomy of co-operatives was only granted with strict limitations

The 1904 Cooperative Societies Act was repealed by 1912 Cooperative Societies Act which provided formation of Cooperative Societies other than credit. The new act gave a fresh impetus to the growth of the movement. By 1914-15 their number increased to more than 12 thousand, with 5 lakh members and a working capital of five crores. The movement also diversified with new type of societies like marketing, service also came into being. In 1914 government appointed Mac lagan committee in order to review the movement so that it can be developed along the sound lines. Committee made the far reaching recommendations. It observed that the people looked upon co-operatives as government agencies; and therefore, emphasized that the urge towards co-operation should be, as far as possible, spontaneous. It also emphasized the need for thorough audit and supervision of the movement in order to prevent bad management and embezzlement and to inspire confidence in the investing public. Till 1919-20, there was a steady growth

and the number of societies increased to 28 thousand, the number of members to 11 lakhs and the working capital amounted to more than 15 crore. Under 1919 Administrative Reforms act, Cooperatives was made a provincial subject making each province responsible for Cooperative development. In 1930s due to the depression agricultural prices had begun to register downward trend and consequently income of the agriculturalist also declined. Efforts made in this period to consolidate and rehabilitate the movement rather than to expand it. It led to greater official control.

A new impetus came with the creation of the Reserve Bank of India with Agricultural credit department in 1935. One of the main functions of the department is to help the cooperative movement to grow. The cooperative movement also got political support when Congress first time declared that "*an effort should be made to introduce cooperative farming*" in agrarian program adopted in Faizpur session 1936. Under the influence of rising demand of peasants for radical land reforms (as reflected in Kisan manifesto of All India Kisan Sabha) Congress leadership reluctantly declared abolition of intermediaries between cultivator and state so that cooperative or collective farming can follow.

In 1942, the British Government enacted the Multi-Unit Cooperative Societies Act, 1942 with an object to cover societies whose operations are extended to more than one state. The Second World War has its own effects on the movement. There was rise in agricultural prices, and the farmers had more money in their hands. They, therefore, paid off their debts both to the societies as well as to the money lenders. As a result many credit societies became redundant. Cooperatives also diversified in order to meet the needs of the war like consumer societies emerged for food rationing, industrial cooperatives were also organized.

With the political independence of India cooperative movement entered into new phase. Now it has got legitimacy from the largest political party of India. From now on cooperatives were not just seen as an institution to deliver vital supplies. They became important component of state's plan for democratic and peaceful social transformation of the society. As the draft outline of First Five Year Plan suggest :

“In order to change the character of Indian agriculture from subsistence farming to economic farming would require the reorganization of agriculture into relatively larger units of management and production than existing holdings. The ultimate objective was described as cooperative village management, under which all the land in the village is to be regarded as a single farm.”

Political leadership refuted both the capitalistic and communistic path of economic development. It was reflected in broad political objectives and economic program defined first time by All India Congress Committee in Nov 1947:

“Our aim should be to evolve a political system which will combine efficiency of administration with individual liberty and an economic structure which will yield maximum production without the concentration of private monopolies and the concentration of wealth and which will create the proper balance between urban and rural economies. Such a social structure can provide an alternative to the acquisitive economy of private capitalism and regimentation of a totalitarian state.”

This was the first official statement by the national leadership of the “third way” in economic development. Subsequently, the development process was considered in broader terms than economic growth to include ideological preferences for the establishment of an egalitarian, decentralized, and cooperative pattern in agriculture and the rapid expansion of public ownership in the basic industrial sector.

The influence of Gandhian and Nehruvian ideas greatly determined such policy orientation. Gandhi was a great proponent of civilizational view of India and he firmly believes in the sanctity of traditional institutions of family, kinship and caste.

At the same time he developed aversion to industrial society. He glorified the village community life and caste system in its pure form without hierarchy.

Traditional institutions according to him were reservoir of moral and ethical values which are not found in modern society. His doctrine of trusteeship propagates the idea that upper classes are not exclusive owner of wealth but they hold it for welfare of poor people. Thus in order to pull out the poor from vicious cycle of poverty the revival of village solidarity in institutionalized form of cooperative was needed. The India of my dreams, wrote Gandhi, " *would express the ancient moral glory.*" Nehru also identified this vital and enduring element in Indian society that had preserved India's cultural stability against foreign invasion and colonial rule, in the system of social organization firmly rooted in the group ideal (The Discovery of India).

Gandhi's commitment to non violence as a strategy of social change refuted class struggle as not suited to Indian conditions. Overall according to Gandhian way "when the approach of class conciliation embodied in the trusteeship doctrine, combined with an indirect attack on the causes of exploitation through the Constructive Program, had both immediate and long-term political and social advantages over class struggle methods in Indian conditions". Practical implication of implementing the Gandhian ideas was to separate the question of social reforms from political issues. And this was done by planners in different policy measures. For example Community Development Program was precisely nonpolitical approach to social reforms avoiding the destabilizing effect of class conflict. At the centre the Community Development program was a plan to establish cooperative and panchayat institutions that aimed at reconstructing the whole village as the primary unit of economic and political action.

Nehru was the proponent of modernist view of India as well as democrat.

Though he had some disagreement with Gandhian ideas particularly on Industrialization, he was convinced that through democratic means of universal suffrage and election would create the political pressure from below to accomplish peaceful implementation of social reforms. Accordingly cooperative and panchayats were reconstituted on new principles of universal membership and adult suffrage. Over time, they held the revolutionary potential of redefining the effective village community to include all families regardless of caste, and of shifting the balance of economic and political power away from the landed upper castes toward the low-status peasant majority. Nehru supported the large scale industrial development under the public sector. In order to finance this project large scale investment was required which could be generated from rural sector after agrarian reorganization.

Cooperatives were suited to this purpose of mobilization of agricultural surplus by increasing productivity through efficient use of available land and labor resources with in the rural sector. Thus there was an economic rationale for reorganization of agrarian structure on cooperative basis.

In the early post-independence strategy of agricultural development, land reform was to be complemented by Community Development and the National Extension Service, to build the rural infrastructure and to introduce new techniques. Nehru was deeply committed to this program. That earlier strategy was also in line with influential ideas emanating from the US where the philosophy of community development a National Extension Service was much in vogue. Objective evaluations of the progress of the Community Development Projects did not, however, give the optimistic assessment. Government concerned with the under-performance of the cooperatives which under lied Community Development program dispatched the two high powered delegations, sent at

the same time in July 1950s, to China to study Agrarian Cooperatives and Agricultural Planning, respectively.

The Reports, not surprisingly noted that the remarkable Chinese success derived from their transformation of the rural class structure and that little could be expected in India without similar change: "To create an atmosphere favorable to the formation of agrarian cooperatives the atmosphere should be one of equality and non-exploitation. In creating such an atmosphere, land reforms will play a vital role." This view was reiterated by many influential advisers of the Government. Daniel Thorner, for example, wrote: 'But the success of rural cooperatives presupposes a modicum of social equality, political democracy and economic viability among the villagers. These preconditions have not been present in village India. (Daniel Thorner 1956)

In the question of land reforms there was great disparity on the principles cherished and actual implementation of those principles. As Hamza Alavi² points out

"The story of land reform in India is one of progressive attenuation of radical commitments that embodied the populist ideology which was then being proclaimed by the Congress demanding restoration of land to the tiller and the abolition of all intermediaries between the cultivator and the State. The legislation was passed, separately and differently by the different state legislatures. At the state level, however, the power of landowners was greater than at the national level and, invariably, a watered down version of the initial proposals appeared in the legislation which, in turn, was implemented indifferently by a bureaucracy which itself was not uninvolved with the interests of the landowning classes".

Despite of being aware of preconditions for success of cooperatives political leadership avoided the question of full fledged land reforms under the pretext of its impossibility in prevailing political economy. As in agrarian economy Land confers power and reform policy must work through that very system of power to

² Alawi, H (1975), "India and colonial mode of production", EPW, Vol 10.No. 33/35,,p 1237.

restructure its base (Herring 1983). This remained the fundamental shortcoming of cooperative policy.

The All India Rural Credit Survey Report, 1954 of RBI was watershed in history of Indian cooperative movement. It recommended the promotion of cooperatives as a state policy in the development of various economic activities supporting agriculture. It also suggested Governments assistance by way of grants, loans and personnel as a solution to the failure of cooperatives. It paved the way for officialization and bureaucratic control on cooperatives.

Government also sought to help cooperatives by purchasing shares. That made a Government a member of the cooperative. Often Government shares substantially outweighed the shares of the actual members. When the performance of cooperatives and leaders, now endowed with Government shares, fell short of expectations, the Government felt the need to exercise more control. It places nominees on the boards and then more nominees and then superseded the boards and replaced them with officials entirely.

Survey also recommended a blue print of cooperative credit- short term, medium term, and long term, and a three -tier structure of cooperative credit institutions- Primary Agricultural Cooperative Societies (PACS) at the village level, District Central Cooperative Banks (DCCB) at the District level and State Cooperative Banks(SCB) at the apex level for short term and medium credit and Land development Banks at the tehsil level and state level development banks at apex level for long term credit. It further recommended that cooperative credit should be linked with cooperative storage, marketing and processing. For the latter functions it recommended setting up of the National Cooperative Development Corporation and Cooperative Warehousing

Corporation.

Till the Third five year plan institutional changes particularly the organization of village cooperatives and panchayats, was once again assigned the central role of rural resource mobilization. Other critical issues beside land reforms with regard to success of cooperatives like introduction of state trading in food grain, linkage of cooperatives remained unanswered. Also "cooperation" being state subject led to lack of coordination in cooperative policies. This hampered the uniform development of cooperatives all over the country.

Abandonment of social goals of equity and justice in economic policy from Fourth plan onwards gave a further blow to cooperative movement. Capitalist mode of agricultural development changed the overall environment of cooperatives. The popular character of cooperative further undermined due to increasing inequality rural areas. The 1969 report of the All-India Rural Credit Review Committee revealed both the slow growth of the cooperative movement relative to plan targets and the continuing disadvantages suffered by the small landowners and tenants in gaining access to the limited credit that was available.

The development fostered by the first three Plans was carried forward and successive Plans made necessary provisions for management subsidy and share capital contribution; and in the seventies and eighties recommended strategies for correction of regional imbalances and reorienting the cooperatives towards the under-privileged.. The fast but artificial spurt in growth of cooperatives arising from this planned State sponsorship also resulted in undesirable elements entering the cooperative arena. In 1965, the Mirdha Committee recommendations regarding determining genuineness of cooperative societies and measures to weed out non-genuine societies and eliminate

vested interests resulted in amendments in cooperative legislation in most states, which went overboard in their anxiety to introduce perceived necessary stringency in laws, and in the process destroyed the autonomous and democratic character of cooperatives.

In 1984, the Government of India enacted a comprehensive Act known as Multi State Cooperative Societies Act, 1984, which also repealed the Act of 1942. The process of privatization and liberalization of the economy was initiated in 1990. With a few Committees having put their minds to find solutions to various cooperative issues, there was a growing concern about cooperatives and the need for them to be given a level playing field if they were to compete with the private sector. The Brahm Parkash Committee, appointed by the Planning Commission to suggest future directions for the cooperatives and finalize a Model Bill, submitted its report in 1991. It recommended i) to facilitate building up of integrated co-operative structure; ii) to make the co-operative federation organizations responsive towards their members; iii) to minimize government interference and control in the functioning of co-operatives and iv) to eliminate politicization from the Cooperative sector. It also framed the draft Model Cooperative Law, which was circulated to all State Governments for their consideration and adoption. In tune with the changed scenario, the *Eighth Five Year Plan* laid emphasis on building up the cooperative movement as a self-managed, self-regulated and self-reliant institutional set-up. From the *Ninth Plan* onwards, there has been no important mention about cooperatives as a part of the Plan.

In 2000, the Government of India also enunciated its National Cooperative Policy to ensure Cooperatives functioning as autonomous, self-reliant and democratically managed institutions, accountable to their members. The Multi-State Cooperative Societies Act

was modified in 2002, in keeping with the spirit of the Model Act. It provided for democratic and autonomous working of the Cooperatives and came into force with effect from August 19, 2002. Various development activities in agriculture, small industry marketing and processing, distribution and supplies are now carried on through co-operatives. The co-operatives in India have made an all-round progress in terms of numbers, membership and scope. But it could not make progress in fulfilling its fundamental objective of bringing equity in society by improving the state of majority of the poor and marginalized.

2.3 : Literature Review

Limited research studies are available on the subject of present study in particular relation to cooperatives. Therefore an attempt is made to critically examine the relevant literature concerning the Participatory Development and Cooperatives as a whole which will add to conceptual clarification.

Democratic ideals have been the dominant theme in organization of human society since last century. Though there exist variation in implementation of these ideals from society to society yet one thing remains common among them is the acknowledgment of the primacy of ruled(people) over ruler(state).The essence of democratic ideals is that in collective decision making ,the decisions affecting an association as whole, should be taken by all its members, and each should each have equal rights to take part in such decisions [Beetham D,2006] . This ideal is applicable in all type of associations ranging from political,economical,social to cultural. The idea of

'participation' naturally comes from the democratic ideals. It is also rooted in the cultural ethos, particularly in ancient institution of 'Sabha' and 'Samiti'. The ability of people to participate in social decisions that has been in practice particularly since the French Revolution, as a valuable characteristic of good society[Sen 2008]. Participation is also considered as desirable because it is intimately connected with demand for equality.

Related to the idea of 'participation' is the idea of 'cooperation'. According to Carl C Taylor, a sociologist there exist three different types of human behavior: co-operation, conflict, and competition. In conflict, the motives or actions of contestants are opposed; in competition, they may be opposed or parallel; in co-operation, they are parallel and mutual. He goes on to state that people believe progress is made only through conflict. Others feel that competition is the main stimulus to individual and social action. He cites several studies to show that persons "perform at higher levels of attainment in group situations than when working either alone or in competition with others"³. Co-operation is one of the most frequently used words in today's world, as one hears about co-operation between governments, businesses, universities, governmental units and other groups. Apparently, they believe they can accomplish more by working with others, than by working alone. However, co-operation is not new concern. Since the beginning of human society, they have promoted co-operation in all walks of life. Interdependence and mutual help have been part and parcel of human life. Co-operation is, therefore, older than any other movement. Early human co-operated in killing large animals and in mutual protection.

Both the ideas of 'participation' and 'cooperation' have existed throughout the history of human society but their institutionalization in public life took place lately.

³ Datta K Samar, "Cooperatives in Agriculture", Vol 24, Chapter 1, p 1.

Emergence of welfare state with the ideology of 'development' in the last century preceded the origin of paradigm of 'Participatory Development'. Since then, the term participation has been attached to very different sets of practice and objectives. For example, participatory strategies were used by colonial governments as safety valve to silent colonial subjects demanding space. The Post-colonial developmental state in its search of legitimacy and accumulation is sought for the participation of people through contribution in the form of labor, cash or kind. Development institutions like World Bank, International Monetary Fund and other international donors are also advocating the beneficiary participation in the service delivery, which mainly validates many of the 'imposed' programmes. The proponents of Structural Adjustment Programme (SAP) also promote participatory approaches, as it corresponds with the minimal role of the State and enhanced role of non-state actors like NGOs in the developmental process. Even the post-development thinkers favour participation for it leads to self-sufficiency and independence of the community from the state. Lastly, there are innumerable social and voluntary organizations that have been mobilizing people to rise, voice their grievances and demand the accomplishment of their wants from the governing sections.

The Policy encouraging participatory development have been around for a long time-like the community development programmes in 1950s. However, it was only from 1970s onwards that such programmes were pushed by governments and NGOs [Gujit and Shah 1998]. The failure of the State to deliver the benefits of development to marginalized section of the society and increasing economic disparity between different section of the society and their exclusion, prompted the policy makers to rethink about the ongoing strategy of development. Critics argued that 'normal' development is characterized by biases which are disempowering [R Peets and M Watts 1996]. These

biases are Eurocentrism, positivism, and top-downism [Escobar]. The overarching tendency is to equate development with 'modernity' which means the modernity as achieved by 'western' societies [Schuurman]. Hence, development meant copying these 'advanced' countries through rational planning by experts. The top-down, centralized, technical and bureaucratic planning for development was critically examined. The consensus emerged in academicians as well as policy-makers about the limitation of the existing paradigm in which people were viewed as beneficiary and state as benefactor. At the same time need for involving the people in the developmental programmes at every step from inception to execution was felt. This strategy gave eminence to peoples participation at grass-root level in decentralized micro institutions related to their economic, political and social needs. There existed a large following as well as critics of participatory development model.

Different advocates give different definitions of Participatory Development. What one sees are different ideologies which reflect the broader goals that participation might achieve. If people participate, what are they aiming to gain by participating [Giles Mohan, 1999]. The advocates of participatory model belong to the two categories: one who views participation as a means of achieving institutional efficiency, and the other which sees participation as furthering the goals of empowerment, equity and democratic governance. Thus former understand participation as an instrumental means to the ends that vary from institutional efficiency [Putnam 1993] to state-defined public interests [Craig and Mayo 1995]. The latter concerns itself with the role of human agency in policy and political change. The emphasis here is on empowerment of those who are affected by these policies along with an equitable distribution of costs and benefits among them. Participation in this case becomes a goal itself. There is an emergence of

third category of advocates have emerged who are post-modernist. They see participation as part of a more transformative agenda [Esteva and Prakash (1998)] which might be anti-developmental. That is, 'development' itself is flawed and only by valorising other non-hegemonic voices can meaningful social change occur. Despite these differences, there has been a growing acceptance regarding the importance of local involvement. At the root of this 'consensus' is the belief in not relying on the state - the prime institution of modernity - for development. So, it is not coincidental that Participatory Development gained popularity around the same time as the neo-liberal agenda have been implemented with its emphasis on self-help and individualism [Toye, 1987].

Putnam's work, *Making democracy Work* pioneered in making the case for 'participation for efficiency' approach. In this work he suggested that active participation of citizenry and social capital⁴ is imperative for successful functioning of democratic institutions. The idea of social capital and civic participation providing the raw material for successful policy-making was soon picked up by influential policy institution like the World Bank. Along with other international donors, World Bank started to promote the participatory practices in implementation of the developmental programs particularly those funded by them. Various studies advocated the Participatory methods in improving the efficiency of the program in different ways. According to one study these methods often cost less in the long run and are consistently more effective at getting assistance where it needs to go [Blackburn 1998]. Such methods were also found to be unmatched in fostering sustainability, strengthening local self-help capacities [Chambers 1992] and in improving the status of women and youth [Clayton, Andrew and Oakley 1998]. Close examination of these studies suggest certain methodological shortcomings. They reflect

⁴ It is defined as by Robert Putnam as "features of social organization such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions", "Making Democracy Work", p 102.

the point of view of the funding agencies rather than that of the local population, leading frequently to "standardized" solutions. They have used complex statistical techniques to map the needs and demands of the community without considering how these need and demands are created by system. This approach look the community as an undifferentiated cohesive whole ignoring the fact that community like other human collective, is a space of internal differentiation, contestation and power differentials [Ellora Puri 2004]. They overemphasize on the idea of social capital as panacea for everything, they seem to ignore the existance of what others have called the bad social capital [Foley and Edwards 1996]. They also privilege the idea of voluntaristic networks of associations ignoring the fact that most collective action that takes place at the community and local level is based on ascriptive affiliations such as caste, religion, and tribe. Agency based participation approach have derived its theoretical foundation from Sen's work on functionings, capabilities and entitlements⁵. According to it the basic objective of the development should be the expansion of these capabilities for their intrinsic value. So,development policies should not view people as the 'means of production' but as an 'end' in themselves. Hence Development can be meaningful only when it is accompanied by people participation. This approach with their emphasis on equity,empowerment and people's voice is better equipped to deal with the shortcoming of viewing community as homogenous entity and its iniquitous consequences when development program is implemented. Sen in his discussion on the entitlements⁶, says that individual is exposed to unequal treatment when the exchange entitlements she/he has is not sufficient for meeting the basic necessities of his/her life. These entitlements are in turn, determined by

⁵ In Sen's words, the "the life of a person can be seen as a sequence of things the person does, or states of being he or she achieves, and these constitutes a collection of 'functionings' -doings and beings the person achieves. 'Capability' refers to the alternative combinations of functionings from which a person can choose". Sen (1999),"Development and Freedom", p 75.

⁶ Entitlements are defined as basic ownership relationships that we are legitimately entitled to [Sen 1981].

his/her particular place-especially gender and class-in society. Even then this form of Participatory approach have been criticized on the account of narrow conception of the entitlements by the Sen. It only take into consideration legal entitlements I.e only formal one, ignoring the informal entitlements like power and difference. As Gasper (1993) points out: "Beyond legal rights, effective access within community based institutions typically depends not only on formal rules but on particular relationships of authority and influence".

Participatory Development approach has its own share of critiques too. Different arguments put forward against this approach have been based on variety of studies on functioning and implications of community based developmental interventions. Most of studies on this subject are confined to the institutions either related with local resource management or grassroot democracy like Panchayats. Very few studies exist which evaluates the functioning of the cooperatives on the parameter of authentic participation of community. The most widely prevalent critique against participatory approach have been its inability to capture the reality of dynamics of community participation . They exclude the inherent hierarchies, power differential and socio-economic disparities in local communities [Puri 2004]. The community whose participation are sought in the development initiatives (like Cooperatives,Panchayats, resource conservation programmes) are not homogenous in terms of social,economic and political power. There exist a wide inequality in distribution of socio-economic resources like land, wealth and status. Also gender relations. As a result any benefits arising from participation do not accrue equally among them. Certain section of the community like those belonging to the lower strata like poor,SC,ST and women are excluded from the participatory exercise.

Some criticism also points out to the political economy of participatory development.

Pointing out to nature of acceptance of participatory development they state that it is not being adopted in practice anywhere in a way which leads to major structural reforms and the transfer of resources away from those vested interests that control dominant social and political structures towards 'underprivileged people. Dominant lobbies in countries from south are accepting Participatory Development as at best a poverty alleviation strategy, to be implemented sporadically at the micro-level, and then only by mobilizing the resources of poverty groups themselves, supplemented by donor support, rather than redirecting the mainstream of development resources to promote PD on a national scale. Mainstream development efforts supported by the great bulk of foreign development assistance remains very much non-participatory, and poverty-augmenting rather than poverty-alleviating [Rehman 1995]. They have also questioned the credit programs of participatory nature. According to them these are the process of transforming resources from the wider society to the affluent. They rebuke the regular financial institutions at grass root level that they channel the society's savings into affluent and socially powerful hands even having a low repayment record. It is despite of evidence that with group liability and appropriate institutional support, low-income direct producers are excellent borrowers. Credit to the assetless and asset-poor are provided, if at all, by special programmes funded by limited donor grants more as humanitarian initiatives than as a part of a national development strategy. Taken together, such mainstream development strategies, controlled as they are by these vested interests, can only be expected to increase the 'flow of poverty', in the context of which participatory development as a marginal activity supported by limited donor finance may play the role at best of a 'safety net' to keep social discontent in check [Mayo 1995]. These critical evaluation of Participatory Development paradigm have adopted the macro view in its analysis. They

have taken a very cynical view of participation assuming it only takes place in the programmes initiated by the donor agencies. Nevertheless these criticism have played an important role in distinguishing the authentic participation from participation based on model imposed from above.

The norm of 'cooperation' lies at the foundation of the human progress. Traditional and informal forms of co-operation have been in existence in society since time immemorial. It took long time to take 'cooperation' norm into institutional mould until the origin of Cooperatives. However concept of 'cooperation' is much older and broader than cooperatives. As Rajagopalan (1996) has rightly remarked, "A co-operative is only one organisational mode available to people for co-operation, which is a basic and broader aspect of behaviour".

Cooperatives in its modern form was started by the people in Britain in 19th century. It was started as grass-root initiative to fulfill some socio-economic needs. As already mentioned cooperatives are expected to perform many economic and social functions. As far as economic task is concerned it is believed that cooperatives can eliminate market insufficiencies and market inequalities in order to overcome economic dualism. Through the creating of their own supplies organizations and marketing organizations and with their superior knowledge about the market, co-operatives are able to eliminate middleman's monopoly positions in terms of sales and demand. Based on resulting higher prices for sales and lower prices for purchases for the members of rural co-operatives, this would result in stimulating a development away from subsistence economy and towards an economy based on the division of labour. In connection with capital formation by savings and the granting of credits, co-operatives could assume important functions as well. A co-operative owing to the greater liability of the members,

could get credits from the state more easily, and could give them to its members under favorable conditions in order to facilitate innovative investment improving productivity. Similarly, cooperatives assume the important task to improve the productivity of the production factor 'labor' by education, consulting and training. Social function that could be assumed by co-operatives are their role in overcoming social disintegration by consolidating the idea of self support and the resulting improvement of economic and social conditions for marginal group of population. Through creating new jobs in the countryside and a higher income owing to co-operative activities, co-operatives can prevent a migration to the towns and thus halt the decay of villages and the emergence of an urban proletariat (slums). The political effects to be expected from co-operatives in developing countries are to create preconditions, through their basic lines and principles, for educating the people systematically in the sense of political self-administration and self-responsibility. This political maturity is the precondition for the functioning of democratic parliamentary institutions. Also autonomous, organized co-operatives are able to hamper radical political developments.

International Cooperative Alliance (ICA)⁷ defines co-operatives as “an autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”. As it is clear from the definition that working of Cooperatives as an organization presupposes the participation of its member. Even of the seven guiding principles adopted by the ICA for functioning of the cooperatives the democratic member control is considered as most important. It underlines the importance of participation. This participation can vary from just nominal membership in the group to having an effective

⁷ The International Co-operative Alliance (ICA) is a non-governmental Co-operative Federation representing co-operatives and the co-operative movement worldwide

voice in the decision making process.

It has been argued earlier that despite of ideological differences over the aim of Participatory Development approach, participation has always been considered as desirable in order to realize the goal of socio-economic development of the marginalized sections through grass-root institutions. But ironically mainly those institutions which have started by the non-state actors like NGOs and people themselves are tested on the parameters of authentic participation. Cooperatives in India are state sponsored institutions. With the growing emphasis on participatory development Cooperatives assumes great importance. According to one Cooperative researcher ,” Cooperatives are basically voluntary and participatory organizations. They are also one of the few instruments in the hands of the weak and the poor to survive in the changed world order. Owing to this co-ops have acquired a great relevance and salience”(Baviskar ,1996,pg 2).

The Indian Situation

There is a great variations found in the type of cooperatives in India. Cooperatives exist at different levels like primary (grass root), district and state. In Primary cooperatives people are directly members of it and control it. Cooperatives are broadly of two types. Credit and Non-credit. Both can be further categorized into Agricultural and non-agricultural. More than 70 percent of primary membership is concentrated into Primary agricultural credit societies (PACS). Total membership of Cooperatives at all levels is 242 million out of which 176 million are members of PACS⁸.

⁸ Source : Indian Cooperative Movement , A Profile 2006. published by NCUI. p 32.

PACS are democratically governed financial institutions which mobilize the internal financial resource of the community to lend the short term and medium term credit to its members in need. It function on the same principles⁹ as other cooperatives.

Given the spread of cooperatives in terms of membership (242 million) democratically controlling more than 6 lakhs institutions, the issue of participation assumes utmost importance. In order to understand the nature of work so far have done on cooperatives reference to the Sen's conceptual framework for Democratic participation is important. Sen¹⁰ have elaborated on the foundations of democratic practice as facility(functional democratic institutions), involvement(informed public engagement with these institutions), and equity(a fair distribution of power). Emphasizing particularly on equity, he considers social inequalities as most undermining factor for the democratic institutions. Issue of equity is also intimately related with involvement or participation. Most of the studies¹¹ on Cooperatives have tried to evaluate the Cooperatives efficacy on the parameters of efficiency I.e on facility. Following the classical model, these studies have overemphasized on the economic aspect of Cooperatives ignoring the participatory aspect. Their conception of major factors affecting Cooperative functioning unvaryingly comes out to be organizational like lack of professionalization, poor resource base, poor loan recoveries (in case of credit co-ops), slow progress of computerization etc (Jain 2003). There are some studies on equity which inquired about problem of cooperative action in stratified society like India, along with the question whether cooperatives contribute towards equalization of opportunities. They

⁹ ICA have adopted the seven basic principles for cooperative functioning . They are Voluntary and open membership, Democratic member Control, Member economic participation, Autonomy and Independence, Education, Training and Information, Cooperation among Cooperatives, Concern for community. Cooperative Principles are set of basic guidelines by which cooperatives put their values of Self help, Self-responsibility, Democracy, Equality, Equity and solidarity into practice

¹⁰ Sen and Dreze, India Development and Participation , 2008,pg 353.

¹¹ Studies undertaken by NABARD,RBI,Planing Commission .

are from Attwood (1987), Batra(1983), Bandyopadhyay(1985),Baviskar(1980). There have been few studies which analyze the question of democratic participation in cooperatives like Baviskar(1988), Shah(1992), Bokil(1989), Velacherry (1988), Nair and Sundersan (1992), Rajagopal (1988), Reddy (1991), Apte (1991). Studies on PACS (to which two-third of cooperative primary membership have been associated) on the question of participation are very few.

In words of M Digby “What distinguishes co-operatives belongs partly to ends and partly to means”. This idea underlines the intimate connection between the Sen's idea of involvement (participation) and equity in functioning of democratic institutions. Study by Attwood (1987) on cooperative sugar factories of western India indicates that high level of inequality in the villages of catchment area of sugar factory precludes presence of any traditional solidarity. Hence participation of small and large farmers is based on selective alliance. These alliances are formed to overcome any technical obstacle in production. Hence it is not cooperative spirit that helped the farmers of two different class to associate. In this case inequality as an obstacle to cooperate has been overcome. This finding is illuminating in the sense that it shows that cooperation can happen in unequal society as well, but serious shortcoming of this study is its failure to find out who benefits more from this selective alliance?

Batra(1983) study on sugar cooperatives in western India throws some light on above question. It shows that large and small farmers though forms selective alliance. But this alliance is fully governed by the interests of large farmers. They are able to negotiate with the officials of cooperatives to accept their products while small farmers could not do so owing to their lower influence and power. Large farmers also gained some economic advantage from exchange of services of non-monetary nature with

landless, small farmers by appropriating their surplus labour. Thus cooperatives provided the informal economic content of social relations as the advantage to the big and powerful member. This analysis highlights consequences of inequality for marginalized section of society due to cooperatives. Though the study does not specifically say about participation, but indirectly it can be inferred that empowerment of small and landless which is the goal of participation and of cooperatives too is seriously compromised due to inequality. Both the studies above mentioned took place in the agriculturally prosperous region of north-western and western India, and they have come about with similar finding that inequality though is favourable to privileged section of the community in cooperatives, nevertheless not acted as impediment to cooperatives participation. But this finding can not be generalized to other region with different agro-climatic conditions and level of technological advancement.

Bandyopadhyay (1985) study on West Bengal tried to find out why there is an absence of cooperative institutions in the region. The study came up with the finding that region with extreme inequalities and agricultural stagnation have impeded any cooperative actions. Vertical association¹² as happened in agriculturally developed region could not happen because members of upper strata control dominant share of land resource, so they have no incentive to associate with small or landless farmers. Horizontal association among underprivileged members which might have benefitted them was routinely sabotaged by village dominant sections. This finding shows the importance of equity as a precondition for cooperative action. At the same time it highlights the role of state in creating the enabling environment for emergence of cooperatives. It is unlike the conception of participatory development propagated by the

¹² Association among the members of different strata of society. It is different from horizontal association which means association among members of same strata like small farmers, landless etc.

donor agencies of west , in which state does not have any role to play.

These studies address the issue of equity and participation. Equity not only sets the precondition for authentic participation but also equalizes the benefits arising out of participation. The limitations of participation in this type of cooperative action is that its not likely to change the iniquitous social structure. This is in consonance with the criticism of participatory development paradigm earlier explained that it acted as an alternative to radical action taken by the state. Following are the studies undertaken specifically on the question of democratic participation in member controlled organization like cooperatives.

Baviskar (1988) working on organizational functioning of different cooperatives, identifies three components which control the organization. They are members, professional employees and bureaucracy. For effective participation of members it is important that members control the cooperatives and bureaucracy and employees compliments their efforts. But his observation was that the most widespread situation is that of dominance of government bureaucracy. This control is maintained by subverting the rules of elections and representation on the grounds of sustainability and expertise. He also points out some typical example of member control in sugar cooperatives of Maharashtra. But this is not a norm. Delineating the implications of this scenario he concludes that it impinges on the interests of members of cooperatives particularly of those belonging to disadvantaged sections. Bureaucratic control goes against the spirit of co-operation. This study stresses on autonomy and freedom of members as well as their education and training for turning the balance of control towards members.

Shah (1992) have taken the organizational perspective to understand the

participation in cooperatives. He delineated the differences between member-owned, owner-owned and investor owned organizations in terms of governance structure and stressed the importance political process (elections) in creation of members friendly governance structure in cooperatives. At the same time he stressed the importance of direct elections in popular participation. It usually happens that electoral college instead of direct election participates to elect the representative, it dilutes the primary member control on organization. This study does not question the possibility of representatives elected from direct elections representing the interests of dominant section of members.

Bokil(1989) study analyses the process of participation in terms of member control in cooperative irrigation society in Maharashtra. It shows that member control is product of a number of factors. The factors conducive to effective member control are egalitarian class composition of the members, higher educational standards, cooperative education and training and past traditions etc. Beside it also shows that the involvement of voluntary agency in operation and management of cooperative is favourable for effective member control. The agrarian class structure of the study region was highly egalitarian as a result access to the services provided by the cooperative was distributed in an egalitarian manner. This had a positive impact on the process of member control . As the disparity in landholding, which is the basis of agrarian inequality, was negligible as all the members had more or less equal status. Also the cooperative rule of 'one member one vote' and other norms could thus be effectively operationalized. The effective role of education and cooperative training in enhancing the participation is also identified. This study is important in terms of highlighting the positive role of both equity and involvement in realization of cooperative goals.

Another study which interrogate the role of participation through member control

as vital for development for cooperatives is by Velacherry (1988) on Handloom Cooperatives in Kerala. The findings states that horizontal association among the weavers have promoted the participation of this deprived group in cooperative functioning. It also insured the accountability of representatives and employees for effective functioning of cooperatives.

Nair and Sundersan (1991) have tried to find out the political economy of members participation in Dairy cooperatives of Kerala. Conceiving the members control as complex process, they adopted the framework of analysis that sees economic, political, institutional and organizational factors in explaining member control. Their findings state that in this case member control was satisfactory due to full member participation in elections. Besides, members pressurize the organization from outside political pressure by aligning with dominant political party. Political parties saw the opportunity of broadening its political base. By creating outside political pressure organization was made to maintain the policies suited to members interests. This study raise the interesting question, is weather it is possible to gain through external political support for cooperatives (by compromising the autonomous character) without being co-opted by the outside party. It is not necessary that each member section of cooperative subscribe to the external party politics. It will inevitably leads to support of only those policies by political party which benefits its followers in cooperatives.

The synergy between macro and micro policy is always important for successful developmental intervention either at grassroot or at policy level. Cooperatives faces the similar dilemma as faced by other democratic institutions in India. They function in the capitalist economic environment having antagonistic value system like it is based on competition . Since macro-environment has capitalist character, it impinges on

democratic functioning of the cooperatives. This aspect of the cooperative functioning has been dealt in study by Rajagopal (1988) on producer cooperatives in Karnataka. The finding states that cooperatives can succeed only when the balance between forces of cooperation and forces of competition move towards former. This would happen when there will be the coordination between the cooperatives and the government. Beside this study highlights some other important factors that also hinders member control in cooperatives like : lack of participatory opportunity, lack of awareness on various aspects of cooperative work, lack of pre-membership training, lack of autonomy due to government intervention, and presence of vested interests.

Cooperative function as the unit but its members are divided on the basis of socio-economic categories like class, caste and gender. Belongingness to these categories affects the participatory behavior. So in order to better understand the cooperative participation, it is essential that sociological analysis of cooperatives is done. Rajaram (1983) in his study of milk and cotton cooperatives of Gujrat have adopted the comparative sociological analysis of member participation. He come out with the findings that Cooperatives are inevitably dominated by members of one caste depending on their socio-economic conditions in the cooperative operational region. There are different implications for members participation on the basis of which caste controls the cooperative. If it is controlled by upper caste the participation of lower caste decreases as reflected in meeting attendance and vice versa. Also the major share on benefits directly accrue to dominating caste.

The assessment studies on the co-operative credit societies showed that much of their credit went to the relatively better off sections of rural society, and the poor continued to depend on the more expensive informal sources (Oommen 1984). This was

largely a consequence of the prevailing structure of land tenures. Bremen (1980) study on sugar cooperatives in south Gujarat shows that sugar cooperatives in south Gujarat have been successful as engines of large-scale agricultural and capitalist production, but have failed as agents of equity. Studies conducted by & Attwood & Baviskar (1987) on the effectiveness of co-operatives in agriculture sector show that it is not only the process of production and distribution which leads to success or failure of cooperatives in different regions of India, but also more importantly, the social system has a bearing on the same. Participation of poorer members of co-operatives in decision making was less. The rich members used loans and other financial facilities. Most of the co-operatives were formed with selfish motives of big landlords. In agriculture and land reforms, a strong lobby of agriculture landholders gradually started to dominate in the political systems, and made the political decisions in its favour. The poorest of the poor, including landless laborers and women in the informal sector, often have been unable to use cooperatives as self-help organizations.

All these major studies mentioned above most have been done on non-credit societies. Giving the nature of Primary Agricultural Credit Societies as conceived by policy makers as performing function of peripheral nature (like disbursement of loans, mobilization of savings and retailing of farming inputs) and heavy dependence on State for viability, studies have overlooked the importance of members participation in them. Participation is only taken as nominal membership of members and their involvement in terms of savings contribution, credit taken, repayment and overdues. Most of the literature concerned with the Primary Agricultural Credit Societies have evaluated it purely on its economic function. According to Valsamma (2005), there is no agency as effective and suitable other than a strong and viable Cooperative Credit Societies to

alleviate the sufferings of the people under the trap of moneylenders. Study the performance of the Primary Agricultural Cooperative Bank, Thanaratnam (2006) came to the conclusion that operational difficulties like overdues, diversion of loans for other purposes are main impediments in making the PACS successful. Similar finding was done by Ambhore (2007) that weak credit system is the key problem of PACS in Maharashtra. Nevertheless there are some studies which saw the credit cooperatives from the perspective of Participation. Many variables related with cooperatives have been seen as the influencing participation like attendance, members size, members contribution to cooperatives fund, elections, cooperative catchment area, government interference etc. Member-size of cooperatives is directly related with members day to day participation, as the member-size increases, the advantage of familiarity between members declines. Cooperatives becomes impersonal organization and started to function as official institution not as people's institution. A study by Misra(2008) used the same thinking line to establish that appropriate member-size is important for functioning of credit cooperatives, it is directly related with the peer pressure which member generates on each other for repayment of loans. FAO study on credit cooperatives (1992) explained that member-funds lead to greater member-participation and enhanced cooperative performance.

Study evaluated the role of various types of funds like share-capital, reserves, deposits at disposal of credit society in inferring the members involvement with society. Similar methodology was adopted by Agarwal and Raju (2002) to investigate the level of members participation in cooperatives societies. The central theses was that member owned funds, both in terms of quantity and quality, can enhance the control members exert on the cooperative. The involvement of members through their capital stake could

be at various levels – by the provision of permanent capital, long-term capital and short-term capital. Study showed that each of these have differing effects on control and on the culture and systems of the cooperative. Such an effect on control is expected to directly drive cooperative performance, and indirectly enhance cooperative performance through greater usage of the cooperative by the members. Enhanced cooperative performance in turn would satisfy members which is the goal of participation. Reddy and Sekhar (1992) measured, among other variables, member-control in credit cooperatives. Their instrument was designed to capture the members' perceived influence on liberal democratic decisions (elections), as well as on routine and non-routine managerial decisions. While the FAO/COPAC Draft Proposal emphasized the use of secondary measures of member participation (for instance, voting percentages), the Reddy-Sekhar research contributed to the design of a robust instrument for capturing member-control and member-satisfaction from individuals.

Various strands of literature on participatory development and cooperatives reveals that, participatory development taken as involvement of stakeholders in democratic institution like cooperatives is fundamental to its functioning. To what degree a local institution based on member participation could be able to achieve its stated goals largely depends on members consent manifested in their participation at every level of its functioning.

CHAPTER THREE

**REGION AND STATE WISE ANALYSIS OF
PARTICIPATORY DEVELOPMENT IN PACS**

STATE LEVEL ANALYSIS OF PRIMARY AGRICULTURAL CREDIT SOCIETY (PACS)

The first Primary Agricultural Credit Society was organized in 1904¹. Since then these societies have played a significant role in providing short term and medium term credit to the farmers and were indeed, till about early seventies, the only institutional credit agency available to the people in rural areas. The importance of PACS does not lie only in it being the sole institution providing credit to rural people but also as being the only local institution catering to the variety of needs of marginalized sections of rural population. Being the local institution based on locality and community links it provide the opportunity for collective action and mutual assistance along with mobilizing and managing resources on a self-directed and self-sustaining basis. It is different from formal institutions in a way that decisions and activities are not based entirely on authority but more on consensus which grows out of discussion and mutual understanding. Given the importance of PACS in rural development by catering the credit needs of most needy section of society, the participation of all the regions become indispensable for equitable development.

Participation in any developmental institution can occur at different levels like members, community and regional. Regional level participation involves adequate development of PACS in equitable manner. Overall at national level PACS have made tremendous growth in numbers and membership, but at regional as well as state level

¹ The first Cooperative Society Act of 1904 was enacted to enable formation of "agricultural credit cooperatives" in villages in India under Government sponsorship. With the enactment of 1904 Act, Cooperatives were to get a direct legal identity as every agricultural cooperative was to be registered under that Act only. Thus the co-operative movement in India may be said to begin with the passing of this act

their progress have remained uneven. Since the inception of PACS, regional disparity remained an usual feature not only in growth but also in performances of PACS. The main reasons for regional imbalances in the development of PACS were unequal demand for credit, inactive and non-participating membership, large membership size, large catchment area, external dependence for borrowings and high degree of state interference in functionings of society.

Growth of PACS

PACS have experienced the phenomenal growth both in numbers and membership since its existence. It is evident from the Fig 3.1, the number of PACS which was 2.1 lakhs in 1960-61 had gone down to 1.06 lakhs in 2000-01. This was due to structural reorganization of the PACS by merger/liquidation consequent upon the recommendation of the All India Rural Credit Survey Committee (1954) and the All India Rural Credit Review Committee (1969). The membership of the societies has increased substantially from 170 lakhs in 1960-61 to 490 lakhs in 1977-78, 812 lakhs in 1989-90 and 1090 lakhs in 2000-01 covering about 78 percent of rural households in India out of 137 million rural households (Census 2001). Members per PACS have grown from around 40 members per PACS in 1960-61 to 1100 members per PACS in 1999-00. From 1960 to 1977-78, it has steadily increased but later reorganization of PACS resulting in decline in number of PACS, increased the members per PACS double fold to around 800 members per PACS in 1984-85.

'Map 3.1'

REGIONAL DISTRIBUTION OF PACS IN INDIA (2005-06)

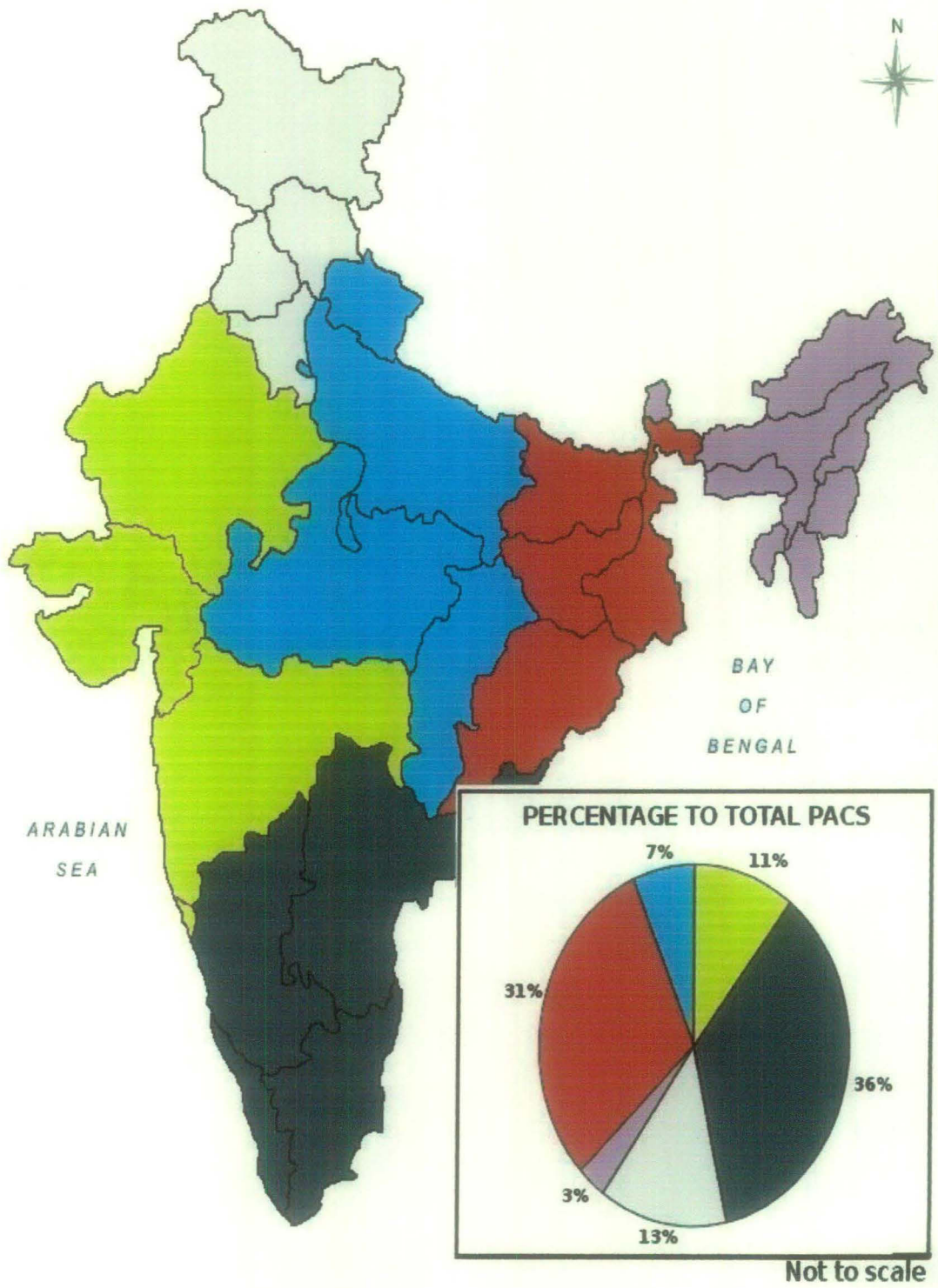
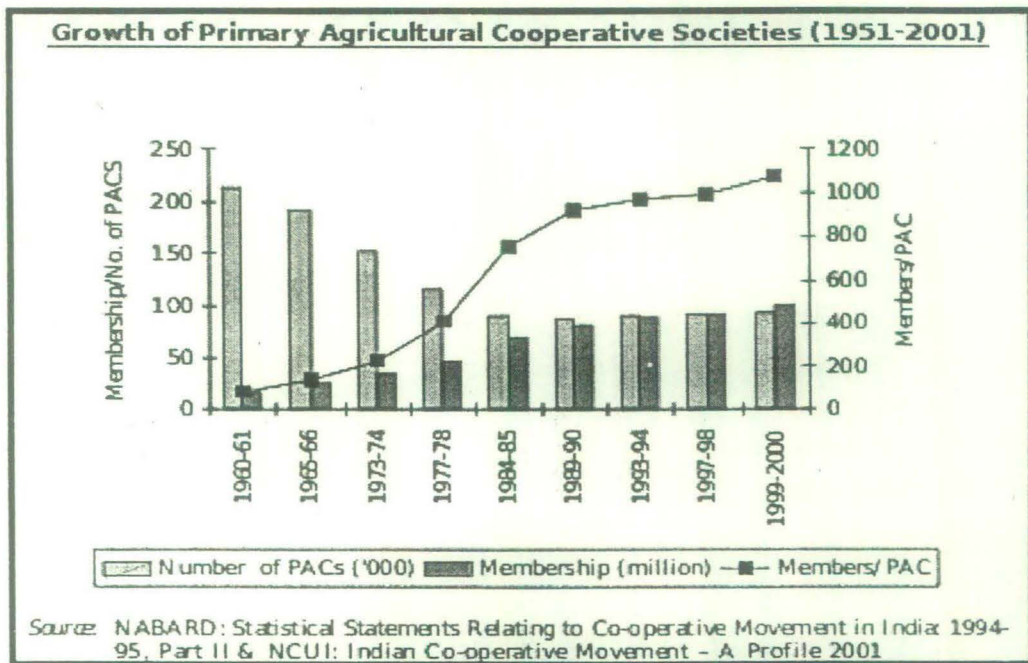


Fig 3.1

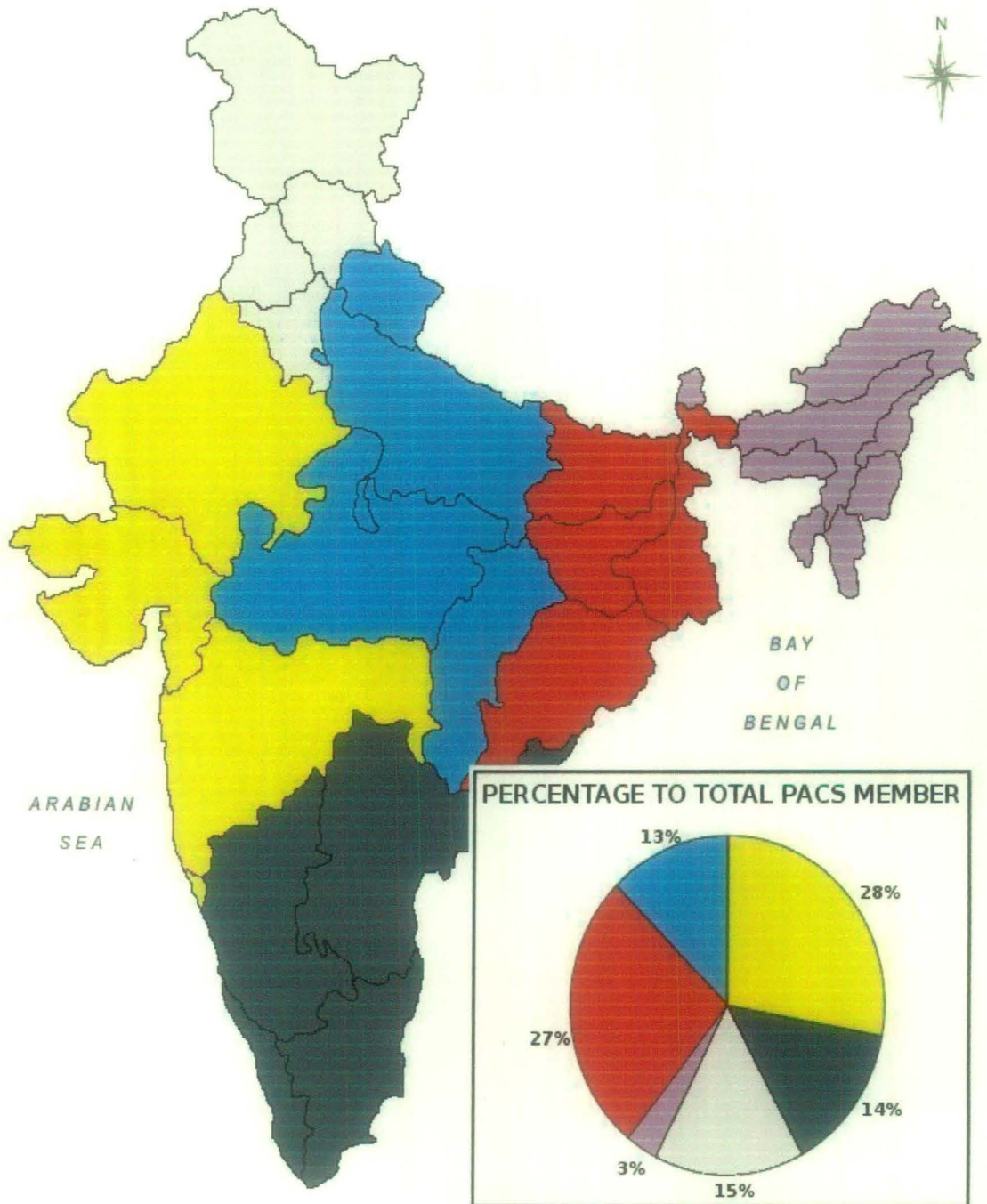


Regional Disparity in development of PACS

The distribution of PACS across the country is highly skewed (Map 3.2 and Table 3.1). There exist a wide disparity in numbers as well as membership in credit society. In terms of numbers western and eastern region has highest share of PACS i.e 27.9 percent and 26.6 percent respectively. While northern, southern and central region has 15.5, 14.1 and 12.6 percent share. North-Eastern region has lowest share of 3.3 percent in total number of credit societies. Southern region has low percentage of numbers of PACS but it has highest membership share. Different agro-climatic conditions, level of agricultural development, demand of agricultural credit and cooperative policies have led to inter regional disparity in PACS development.

Similar lop-sided development is evident in inter-regional membership of PACS. State with higher proportion of number of PACS does not necessarily have equal

REGIONAL DISTRIBUTION OF PACS MEMBERSHIP IN INDIA (2006-07)



Not to scale

proportion of membership. PACS Southern and Eastern regions constitutes more than two-third of total PACS membership. While Northern, Western, Central and North-Eastern regions have very low share of PACS membership.

Table:3.1

REGIONWISE NUMBER OF PACS AND MEMBERSHIP (2005-06)					
Region	Total Number of of PACS	Percentage Share in total	Total Membership	Percentage Share in total	Average Membership/PACS
Central Region	13,723	12.6	8,322.68	6.5	606
Eastern Region	28,928	26.6	38,952.94	30.6	1,347
North-Eastern Region	3,628	3.3	3,835.62	3.0	1,057
Northern Region	16,819	15.5	17,084.63	13.4	1,016
Southern Region	15,349	14.1	45,832.06	36.0	2,986
Western Region	30,332	27.9	13,378.49	10.5	441
ALL INDIA TOTAL :	108,779	100.0	127,406.42	100.0	1,171
Source: NAFSCOB					
Central Region consists Delhi, Madhya Pradesh, Chhattisgarh, Uttar Pradesh & Uttaranchal States					
Northern Eastern Region Consists Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim States					
Western Region consists Gujarat, Goa, Daman & Diu and Maharashtra States					
Southern Region consists Andhra Pradesh, Karnataka, Kerala, Pondicheery, Tamil Nadu and Andaman & Nicobar and Dadar & Nagar Haveli States					
Eastern Region consists Bihar, Jharkhand, Orissa and West Bengal State					

Average membership per PACS is important determining factor in members participation in credit societies. The average membership of PACS(all India) is 1717 members in 2006-07. Southern Region (2968) has highest average membership per society followed by Eastern (1347) and North-Eastern Region (1057) and Northern Region (1016). Western and Central regions have higher number of PACS but low average membership/society. It is 441 and 606 members per PACS. Due to high growth and later reorganization of societies average membership have increased to higher level.

Membership per society is regarded as factor influencing the participation of members (Misra 2008) in any local institution. This relation is particularly strong in case of credit cooperatives. Credit society performance is directly related with repayment behavior of members. Small societies have the advantage of members knowing each other well and create the peer pressure for repayment of loans. It reduces the lender's (Cooperatives in this case) transaction cost related to the assessment of creditworthiness and the viability of loan recovery. In small members societies close ties among members improve the incentive to repay debt. Generally, familiarity and links among group members are negatively correlated with group size.

Table: 3.2

Correlation between average membership and percentage of loss making PACS

Region	Average	Number of Loss	Percentage
	Membership/PACS	making PACS	of Total
Central Region	606	4,424	32.1
Eastern Region	1,347	12,379	56.5
North-Eastern Region	1,057	850	24.0
Northern Region	1,016	4,112	28.5
Southern Region	2,986	9,714	67.0
Western Region	441	16,599	47.1
ALL INDIA TOTAL :	1,171	48,078	49.5
Correlation = 0.69			

Source: NAFSCOB year 2006

Taking this view into consideration the correlation between region wise average member size and percentage of loss making cooperatives as in Table 3.2, comes out to be .69. Thus there exist a negative correlation between cooperative performance and membership size.

State Level Analysis

In last 40 years the number of PACS have shrunken by one third from 1.5 lakh PACS in 1970-71 to 91 thousand in 1999-2000 (Table 3.3). There is a decrease in numbers of PACS in every state except Maharashtra and Kerala. The largest decline in number of PACS happened in Uttar Pradesh where in 1970 the number of PACS were 23534 and in 1999 it was reduced to 8477. Implementation of the recommendation of Rural Credit Survey (1954)² of RBI have led to decrease in number of PACS. One feature of the scheme of reorganization proposed in the Rural Credit Survey (1954) is that credit societies should be linked to one another so that the agriculturist can be provided with credit for seeds, manures, agricultural implements. In view of the range of operations contemplated, the Rural Credit Survey recommended that large-sized credit societies serving groups of villages should be formed by amalgamation of the existing small societies and societies constituted for the first time should conform to the pattern recommended by the Survey.

Maharashtra did not implement the survey recommendations of the survey fully because the average size of cooperatives were already ideal in the state as targeted by RBI post reorganization. After reorganization in 1970s the number of PACS in most of the states have experienced very slow growth because of the emergence of other institutional channels for credit like Regional Rural Banks (RRBs), Commercial Banks etc.

2 The All India Rural Credit Survey was conducted by RBI in 1954. It was the pioneering effort by Central Bank to examine and assess the credit scenario in the country. It recommended large scale reorganization of credit societies and state partnership at all level of cooperatives functionings.

Table 3.3

STATE WISE NUMBER OF PACS (1970-2000)				
States	1970-71	1980-81	1990-91	1998-99
ANDHRA PRADESH	14950	6988	4660	4678
ASSAM	3069	2647	898	1482
BIHAR	16500	6757	6957	7057
GUJARAT	8322	7650	6635	7430
HARYANA	6246	2394	2348	2337
HIMACHAL PRADESH	2496	2166	2116	2116
KARNATAKA	8290	4871	4266	4437
KERALA	2049	1575	1579	2398
MADHYA PRADESH	9873	5570	5591	6751
MAHARASHTRA	19965	18398	19491	20326
ORISSA	3354	2793	2817	2758
PUNJAB	10181	3076	3547	3586
RAJASTHAN	7699	5205	5306	5240
TAMIL NADU	5301	4778	4614	4572
UTTAR PRADESH	23524	8618	8597	8477
WEST BENGAL	10087	7549	7561	7748
Total	151906	91035	86983	91393

Source: NABARD Statistical Statements-1998-99

State wise membership pattern shows lop-sided development of PACS. Some states have experienced high growth rate of membership in four decades (1970-2000) like Andhra Pradesh (7 times), Kerala (6 times), Maharashtra (2.5 times) and Uttar Pradesh (2 times). While several states like Himachal Pradesh, Haryana, Punjab, Gujarat and West Bengal have shown lower growth in membership. In absolute numbers Andhra Pradesh (160 m), Uttar Pradesh (137 m), Kerala (121 m), Maharashtra (97 m) and Tamil Nadu (95 m) have highest membership while Himachal Pradesh (9.3 m), Punjab (21.6 m), Haryana (21.4 m), Gujarat (28.8 m) have lowest level of membership in 1999.

There is a great variation among states in membership per PACS (Table 3.4). Overall the membership per PACS have increased in all the states with marginal rise in some states like Himachal Pradesh, West Bengal, Maharashtra and Gujrat, and rapid increase in Andhra Pradesh, Kerala, Assam, Tamil Nadu, Karnataka, Rajasthan and Uttar Pradesh over the four decades from 1970-1999. Due to high growth and later reorganization of societies membership per PACS have increased to higher level. Largest increase is found in Kerala where membership per PACS increased from 924 in 1970-71 to 5077 in 1998-99. It was followed by Andhra Pradesh where 152 in 1970-71 to 3425 in 1998-99. Overall out of 15 major states, nine states have membership per PACS over 1000, two states between 500 to 1000 and four states below 500 member per PACS.

Table 3.4

STATE WISE MEMBERSHIP PER PACS (1970-99)				
States	1970-71	1980-81	1990-91	1998-99
ANDHRA PRADESH	152.71	789.93	2120.30	3425.82
ASSAM	126.75	842.46	2446.55	1500.00
BIHAR	170.91	800.65	887.74	924.33
GUJARAT	172.80	245.36	338.81	387.67
HARYANA	115.59	476.19	710.82	917.46
HIMACHAL PRADESH	187.10	275.62	379.02	441.27
KARNATAKA	246.68	757.96	1430.38	1086.51
KERALA	924.35	2399.37	5653.58	5077.79
MADHYA PRADESH	223.44	643.63	1030.41	1108.87
MAHARASHTRA	174.66	293.02	415.58	469.37
ORISSA	465.41	844.25	1169.33	1349.89
PUNJAB	146.45	538.36	550.89	604.80
RAJASTHAN	175.74	651.49	912.36	1033.91
TAMIL NADU	679.68	1056.51	1557.43	2048.89
UTTAR PRADESH	260.46	1008.35	1409.56	1620.38
WEST BENGAL	105.09	306.40	308.69	360.87
Total	216.88	622.58	960.99	1115.65

Source: NABARD Statistical Statements-1971-72 1980-81 1090-91 1998-99

Fig 3.2

STATE WISE PACS MEMBERSHIP IN 16 MAJOR STATES OF INDIA (1970-99)

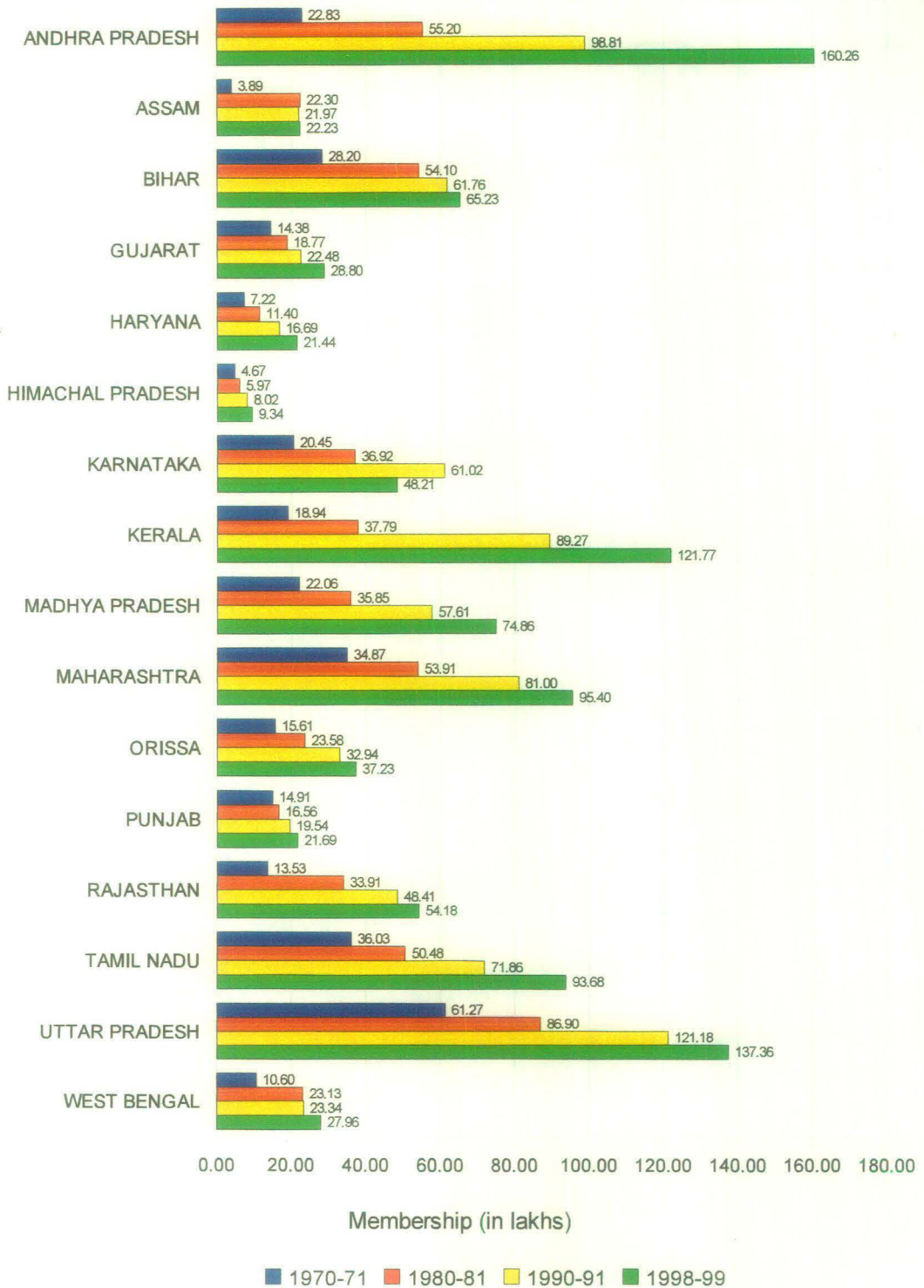


Table 3.5

Percentage Share of States in Disbursement of Short- and Long-term Credit for Agriculture and Allied Activities

Region/State	1990-91	1995-96	2001-02
Northern Region	12.9	11.6	19.9
Haryana	2.8	2.2	4.4
Himachal Pradesh	0.2	0.4	0.6
Jammu and Kashmir	0.2	0.1	0.2
Punjab	6.3	5.7	10.4
Rajasthan	3.2	2.5	3.6
Chandigarh	0.1	0.6	0.5
Delhi	0.1	0.1	0.1
North-Eastern Region	0.4	0.4	0.5
Assam	0.2	0.3	0.3
Manipur	0.0	0.0	0.0
Meghalaya	0.0	0.0	0.0
Nagaland	0.0	0.0	0.0
Tripura	0.0	0.0	0.1
Arunachal Pradesh	0.0	0.0	0.0
Mizoram	0.0	0.0	0.0
Eastern Region	8.3	6.4	7.4
Bihar	2.4	2.0	2.2
Jharkhand	0.0	0.0	0.4
Orissa	3.0	1.5	1.0
Sikkim	0.0	0.0	0.0
West Bengal	2.8	2.9	3.8
Andaman & Nicobar Islands	0.0	0.0	0.0
Central Region	16.9	16.4	14.1
Madhya Pradesh	7.5	9.0	3.9
Chhattisgarh	0.0	0.0	0.5
Uttar Pradesh	9.4	7.5	9.3
Uttaranchal	0.0	0.0	0.5
Western Region	13.6	17.1	14.4
Gujarat	5.1	9.8	7.2
Maharashtra	8.3	7.0	7.1
Daman & Diu	0.0	0.0	0.0
Goa	0.1	0.3	0.1
Dadra & Nagar Haveli	0.0	0.0	0.0
Southern Region	47.9	48.0	43.8
Andhra Pradesh	14.5	15.5	13.5
Karnataka	6.3	8.8	9.7
Kerala	8.2	6.2	5.5
Tamil Nadu	18.6	17.1	14.9
Pondicherry	0.3	0.3	0.3
Lakshadweep	0.0	0.0	0.0
All-India	100.0	100.0	100.0

Source: RPCD, RBI

Regional Disparities in Credit Disbursement

Credit delivery for agricultural development is the prime objective of Primary agricultural credit societies. There are also significant regional disparities in the disbursement of agriculture credit (Table 3.5). The southern region continues to account for the bulk of agriculture credit disbursed (43.8 percent), followed by the northern (19.9 percent), western (14.4 percent) and central regions (14.1 percent) in 2000-01. The share of the North-east continues to remain abysmally low (.5 percent). Among the major states, Tamil Nadu (14.9 percent), Andhra Pradesh (13.5 percent), Punjab (10.4 percent) and Karnataka (9.7 percent) have significant share in credit disbursement.

Agricultural cooperatives are very actively involved in several agricultural related activities including disbursement of agricultural credit. It is the Primary Agriculture Credit Societies (PACS), which deal directly with the individual farmers providing short term and medium term credit. PACS have experienced the phenomenal growth since its inception. At the end of March 2001, there were approximately 1.06 lakhs PACS with total membership of 1090 lakh people, of which around 47 per cent were the borrowing members. These societies have extended their coverage from 65.88% villages in 1960-61 to 98.35% villages in 2000-01. The average membership per PACS has increased from 42 in 1950-51 to 1011 in 2000-01. Despite of higher growth the spread of PACS remained highly uneven across the regions. In terms of numbers western and eastern region has highest share of PACS i.e 27.9 percent and 26.6 percent respectively. While northern, southern and central region has 15.5, 14.1 and 12.6 percent share. North-Eastern region has lowest share of 3.3 percent in total number of credit societies. Southern region has low percentage of numbers of PACS but it has highest

membership share. Different agro-climatic conditions, level of agricultural development, demand of agricultural credit and cooperative policies have led to inter regional disparity in PACS development. Inter-regional membership of PACS have also shown disparity in membership. State with higher proportion of number of PACS does not necessarily have equal proportion of membership. PACS Southern and Eastern regions constitutes more than two-third of total PACS membership. While Northern, Western , Central and North-Eastern regions have very low share of PACS membership. There are also significant regional disparities in the disbursement of agriculture credit. The southern region continues to account for the bulk of agriculture credit disbursed, followed by the northern, western and central regions.

CHAPTER FOUR

CASE STUDY OF TWO PACS

Participatory Development : A case study of two PACS

Participation is the cornerstone of self-help organizations. Active involvement of the members is required to build institutions at the local level and to promote member's economic self-sufficiency. If members are to understand the principle of self-help and the rationale behind credit cooperatives, they must comprehend that they can benefit from organizations and collective action. Members cohesion is required for collective action, it is easier to achieve with limited membership, a restricted field of action, and the active involvement of the members being the other imperatives remains the same.

Participation is a broader concept which involves social, economic and political involvement of members in the functioning of institutions for realizing their interests. Social participation in members organization like cooperatives can be taken as overall number of members. But members size being the quantitative indicator reflect very little on the qualitative aspects of membership. However, degree of homogeneity in membership across different social groups (like based on caste) and better educational status of the members better represents the social participation of member in quantitative better ways. Equal membership across different social groups provides the equality of opportunity and education imparts better awareness of rights and responsibilities related to the cooperatives. This way they adds to the quality of social participation. Economic participation is the sine qua non of cooperatives. In the credit societies members participate economically by way of borrowing and depositing money. Political participation is important primarily for better control of members on functioning of cooperatives. Politically members participate by voting in elections to elect their representatives, attending the meetings to decide and

deliberate on issues concerning the cooperatives. All the three dimensions of participation reinforce each other in a positive manner. Accordingly, members participation in cooperatives is influenced by many socio-economic, political and geographical factors. Various factors that are crucial for members participation are cooperative member-size, size of area, membership composition, landholding pattern, caste composition, educational status and training/orientation to members etc. These factors bear upon member's social, economic and political participation in terms of attending meetings, access to credit, choice of credit source, credit utilization, repayment and financial resources of society .

Factors Influencing Members Participation

Size of Cooperative (membership)

Since the inception of the credit cooperatives, there have been active debate among the planners and cooperators on what should be the appropriate member size for the cooperatives. Accordingly, frequent policy changes occurs for structuring and restructuring credit cooperatives to get appropriate member-size. Many committees on cooperatives (Mclagan¹, Mehta²) argued for smaller member size for cooperatives. Mclagan committee report laying stress on small membership size says, "The members of the society should be few to start with, and increase should be gradual and the ultimate total moderate". In Small society members know each other and this creates the

1 Mclagan committee on Cooperation in India was constituted by Britishers in 1915 to study the condition of Cooperatives in India.

2 Mehta committees was constituted by Indian government in 1959 to recommend on the revitalization of credit cooperatives.

opportunities for collective action and mutual assistance, for mobilising and managing resources on a self-directed and self-sustaining basis (Uphoff N, 2003). The main advantage claimed for large credit societies is its economic viability, but it does not prove that small member size necessarily lead to economic nonviability. On the contrary Viability of cooperatives is depended on members fuller participation. Moreover, small societies are more easily supervised and trained in cooperative principles.

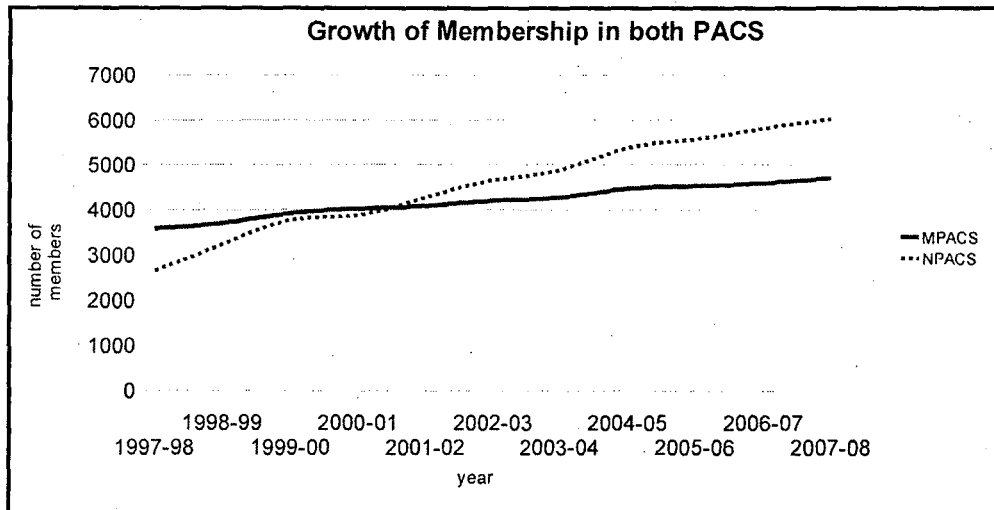
Overall the average membership size of the credit cooperative in India is 1115 members per cooperative. It is 1620³ in the case of Uttar Pradesh and 616⁴ in case of Uttaranchal. If one analyze the member-size in MPACS and NPACS (fig 4.1), it is found very large 4697 in MPACS and 6012 in NPACS in 2007-08. The general trend over the years is increase in membership in both the PACS (Fig 4.1). In MPACS membership have increased at slower rate. In 1997-98 the total membership was 3573 members which increased by one-third to 4697 in 2007-08. While in NPACS membership have increased by more than 2 times from 2655 in 1997-98 to 6012 in 2007-08. Higher growth rate of membership in NPACS can be attributed to the several factors like, lesser number of other institutional channel for agricultural credit was available in the region⁵ and higher percentage of large farmers in area who joined in large numbers to avail the credit facilities.

3 NABARD Statistical statement on cooperative movement, 1998-99.

4 NAFSCOB data on PACS , 2004-05.

5 In 1990, there were 8 branches of Regional Rural Banks(RRBs) in Marauri block (Pilibhit) for the 1,32,000 rural population (1991 census) hence ratio 16500 person per branch , as compared to 21 branches of RRBs in Khatima block (Udham singh nager) for 1,56,500 rural population (1991 census) hence ratio : 7401 person per branch.

Fig 4.1



In order to gauge the opinion of members with respect to influence of membership size on the participation and decision making, The research has obtained some information from the respondents through primary survey conducted from February-April 2009 (Table 4.1). Membership size of both the cooperatives are more than state average. It is higher in NPACS (6012 members) than in MPACS (4697 members) in 2007-08.

58.7 percent members from MPACS and 61.6 percent members from NPACS are of the opinion that large member size negatively affects the participation in terms of decision making in meetings, cohesion among members, lack of peer pressure for loan repayment and compromise joint liability. Higher percentage of members in NPACS than in MPACS believing in negative influence of larger size seems to stem from larger membership size of the society. Among the member categories marginal, small farmers, ST, SC and Women larger percentage have the opinion that it negatively influence the participation. Large farmers who dominates the societies and are prime beneficiaries believes that either large size have positive influence (50 percent in MPACS and 65

percent in NPACS) on members participation or have no influence at all. They categorically ruled out any possibilities of of negative impacts.

Table 4.1

Members opinion on influence of Large Cooperative size (area) on participation								
MPACS								
Category	Positive		negative		None		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Marginal	13	37.1	19	54.3	3	8.6	35	100.0
Small	11	27.5	15	37.5	14	35.0	40	100.0
Large	22	55.0	8	20.0	10	25.0	40	100.0
ST	9	30.0	11	36.7	10	33.3	30	100.0
SC	3	10.0	25	83.3	2	6.7	30	100.0
Women	3	10.0	21	70.0	6	20.0	30	100.0
Landless	5	16.7	18	60.0	7	23.3	30	100.0
Total	66	28.1	117	49.8	52	22.1	235	100.0

NPACS								
Category	Positive		negative		None		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Marginal	4	8.0	37	74.0	9	18.0	50	100.0
Small	12	24.0	26	52.0	12	24.0	50	100.0
Large	38	63.3	20	33.3	2	3.3	60	100.0
ST	2	16.7	10	83.3	0	0.0	12	100.0
SC	7	17.5	27	67.5	6	15.0	40	100.0
Women	2	5.0	-2	-5.0	0	0.0	40	100.0
Landless	1	2.5	35	87.5	4	10.0	40	100.0
Total	66	22.6	153	52.4	33	11.3	292	100.0

Source: Field Survey conducted in feb-mar (2009)

Membership Composition of the PACS

Members composition is an important indicator of assessing group wise participation in society. Members have been broadly categorized into two groups Farmers and Landless in PACS records. Farmers group further sub-categorized into exclusive non-overlapping categories like General, ST, SC, and Women. General farmers have been further sub-categorized into marginal, small and large classes on the basis of land ownership. Category wise distribution of membership in both PACS varies. In MPACS

75 percent of membership is consist of General farmers while rest consists of marginalized groups like ST, SC, Women and landless (Table 4.2).

Table 4.2

Membership Category Wise Majhola PACS

Years	Total	Farmers					Women	Landless All
		General			ST	SC		
		Large	Small	Marginal				
1997-98	3573	22.2	35.1	20.5	11.3	2.0	7.8	1.3
1998-99	3699	22.8	34.6	20.1	11.9	1.9	7.4	1.4
1999-00	3911	22.1	33.7	19.9	12.2	2.6	7.4	3.1
2000-01	4012	22.6	33.7	19.9	12.0	2.6	7.2	3.0
2001-02	4081	23.8	33.9	19.9	12.0	2.6	7.1	3.0
2002-03	4199	23.6	33.2	19.4	11.6	2.6	6.9	3.1
2003-04	4270	23.7	33.1	19.2	11.6	2.6	6.8	3.1
2004-05	4463	22.9	32.4	18.8	11.4	3.0	6.9	4.4
2005-06	4521	23.0	32.3	18.9	11.5	3.1	6.8	4.4
2006-07	4585	22.9	32.4	19.0	11.4	3.1	6.8	4.5
2007-08	4697	22.7	32.7	19.0	11.3	3.1	6.7	4.5
avg		22.9	33.4	19.5	11.7	2.7	7.1	3.2

Source : PACS Records

In NPACS the membership participation of General Farmers is higher i.e 85 percent (Table 4.3), Among General, large farmers have higher membership i.e 34.3 percent in NPACS it is 22.9 percent in MPACS. Small farmers have dominant share of membership i.e 33.4 in MPACS while marginal farmers have smaller share i.e 19.5 percent. While in NPACS it is the marginal farmers which has dominant share of 31.5 percent while small farmers have lower share of 18.8 percent. The membership share of ST, Women and Landless in MPACS is higher 11.7, 7.1 and 3.2 percent respectively while of SC is lower 2.7 percent. In NPACS SC has higher membership 9.4 percent and ST, Women and landless has 12.2, 3.1 and 2.8 percent respectively.

Table 4.3

Membership Category Wise Neoria PACS

Years	Total	Farmers					Women	Landless All
		General			SC	ST		
		Large	Small	Marginal				
1997-98	2655	31.0	20.3	32.4	11.5	0.0	2.9	1.9
1998-99	3230	29.8	24.3	31.0	10.1	0.1	3.0	1.7
1999-00	3767	33.6	18.3	33.7	9.6	0.1	2.6	2.0
2000-01	3881	33.2	18.1	33.5	9.7	0.2	3.1	2.0
2001-02	4271	33.6	18.8	32.3	9.6	0.2	3.1	2.3
2002-03	4650	34.4	18.1	32.0	9.0	0.2	3.1	3.2
2003-04	4880	35.1	17.8	31.3	9.1	0.2	3.1	3.5
2004-05	5365	36.1	17.2	31.3	8.8	0.2	3.2	3.3
2005-06	5561	37.2	17.4	29.6	8.8	0.2	3.4	3.4
2006-07	5800	36.6	18.0	29.6	8.7	0.2	3.4	3.5
2007-08	6012	36.4	18.1	29.4	8.7	0.2	3.5	3.7
avg		34.3	18.8	31.5	9.4	0.2	3.1	2.8

Source: PACS Records

When compared with the Caste profile (Table 4.4 and 4.5) of the PACS with the class composition of the members, clear correspondence is evident. The dominant membership of MPACS are consists of middle castes like Sahatwar, Kurmis and Sangwar .i.e 43.7 percent. While in NPACS higher castes like Rajputs, Brahmins and Gangwar (37.7 percent) and Lower castes like Chamar, Pasi and Dhobi (36.4 percent) forms the dominant section of the members. Among the Scheduled Tribes Tharus followed by Buksas and Bhotias form the major groups in MPACS. They form the around 12 percent of membership in MPACS and only .2 percent in NPACS. They consists of only members of Tharu community in NPACS.

There can be variety of factors explaining this pattern of cooperative membership. It is certainly the degree of stratification in region in and its dialectical relation to exchange between groups involved in cooperatives. Attwood and Baviskar (1995) have developed two hypotheses in relation to it:

1: Regions with a broad middle stratum of peasant proprietors are more likely to nurture

successful cooperatives.

2: Regions with numerically large, middle-status castes are more likely to nurture successful cooperatives.

The first hypothesis above is concerned with relationships of class. The authors argue that the middle-class peasantry (small landowners) is more likely to invest in cooperation than are members of wealthier or poorer classes. Middle-class peasants, they contend, stand to gain considerably from cooperative ventures (in economic and political terms), are willing to work hard for low returns, own productive assets such as land, can sometimes employ and supervise labour, and have the skills to make managerial decisions under conditions of uncertainty. Moreover, Attwood and Baviskar suggest that cooperatives are more likely to succeed in regions with moderate stratification than they are to succeed in highly stratified communities (where elites may see cooperatives as a threat to their dominance) or in egalitarian societies (where lower incentives to seek improvement, as well as a lack of diversity in skills and occupations, may inhibit cooperative entrepreneurship). In MPACS, the presence of large middle stratum factors in cooperative ventures.

The second hypothesis is concerned with caste, but is related to the first hypothesis, since it matters a great deal whether economic differences are reinforced by caste divisions, or whether caste membership cuts across class lines. In case of MPACS, the middle caste dominates rural society (comprising about 44 per cent of the state's overall population) and spans many classes, including large and small farmers.

Table 4.4

		Caste composition of members in MPACS						
Category		Upper Caste		Middle Caste		Lower Caste		Total
		Number	Percentage	Number	Percentage	Number	Percentage	
Farmer	Marginal	155	13.8	434	38.7	532	47.5	1121
	Small	352	23.7	664	44.7	469	31.6	1485
	Large	314	23.3	669	49.6	367	27.2	1350
Landless		12	5.7	55	26.2	143	68.1	210
Total		833	20.0	1822	43.7	1511	36.3	4166

Source : Member Records Majhola PACS (2007-08)

Table 4.5

		Caste composition of members in NPACS						
Category		Upper Caste		Middle Caste		Lower Caste		Total
		Number	Percentage	Number	Percentage	Number	Percentage	
Farmer	Marginal	599	26.4	673	29.7	993	43.8	2265
	Small	1100	47.3	482	20.7	744	32.0	2326
	Large	513	43.1	334	28.1	342	28.8	1189
Landless		52	23.6	61	27.7	107	48.6	220
Total		2264	37.7	1550	25.8	2186	36.4	6000

Source : Member Records Neoria PACS (2007-08)

Catchment area of cooperative

Each Primary Agricultural Credit Society (PACS) legally covers certain villages under it and cater the credit needs of people. Only the members of these villages are eligible for membership. A PACS can have one to any number of villages (Gram Sabha) under it. PACS under study MPACS and NPACS have operational range of 19 villages and 34 villages respectively. Since PACS are local based community institutions, ideally

cooperatives were conceived as should be based on principle of “one village one cooperative”. The reason for this is obvious. The essential part of the cooperative with unlimited liability⁶ is that the members should have an intimate knowledge of one another and should be able to keep a constant watch over one another's behaviour; and it is not likely that people living in one village will have the necessary intimate knowledge of people living in another village. Also because of cooperative principles like Open Membership and Democratic Control, cooperatives are effective only when they are neighbourhood institutions. As they become larger, they function as effective businesses but lose the advantage of a cooperative. Vaidyanathan Committee⁷ on the revival of cooperative credit institutions recommended for “one village one cooperative” principle. Despite of the acknowledgment of advantages of small cooperatives, credit cooperatives have been restructured many times in the past by merging smaller societies into large society on the issue of economic viability.

In order to know the opinion of the members on the influence of large area under cooperatives over their participation, members were asked question over this issue. Following information is obtained (Table 4.6). Most of the members (59 percent in MPACS, 61.6 percent in NPACS) believes that large cooperative size hinders their active participation as some have to cover long distance upto 15 Kms (MPACS) and 22 Kms (NPACS) in order to approach the society for getting service. Also the information regarding the meetings and other programmes conducted by the society could not reach

6 According to Central Cooperatives Act : The liabilities of cooperatives are divided into the following three types:

a: Limited liability: a member shall be liable within the range of the shares he holds.

b: Guaranteed liability: a member shall be liable within the range of the shares he holds and the guarantee.

c: Unlimited liability: where the properties of such a cooperative are insufficient to pay the debts, the members shall be jointly and severally liable.

7 It is the task force on the revival of rural cooperative credit institutions which submitted its report in February 2005.

to them. When being asked by the secretary of both the PACS, they said that it is the members responsibility to get the information about the society. As it is found that the catchment area of MPACS is 45 Km² while of NPACS is 65 Km². NPACS serves the larger area than MPACS, hence more of its member are of opinion that distance does play important role in their participation.

Table 4.6

Members opinion on influence of Cooperative size (membership) on participation								
MPACS								
Category	Positive		negative		None		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Marginal	8	22.9	23	65.7	4	11.4	35	100.0
Small	11	27.5	24	60.0	5	12.5	40	100.0
Large	20	50.0	8	20.0	12	30.0	40	100.0
ST	14	46.7	16	53.3	0	0.0	30	100.0
SC	11	36.7	17	56.7	2	6.7	30	100.0
Women	2	6.7	23	76.7	5	16.7	30	100.0
Landless	3	10.0	27	90.0	0	0.0	30	100.0
Total	69	29.4	138	58.7	28	11.9	235	100.0
NPACS								
Category	Positive		negative		None		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Marginal	6	12.0	39	78.0	5	10.0	50	100.0
Small	8	16.0	35	70.0	7	14.0	50	100.0
Large	21	35.0	24	40.0	15	25.0	60	100.0
ST	3	25.0	8	66.7	1	8.3	12	100.0
SC	9	22.5	27	67.5	4	10.0	40	100.0
Women	5	12.5	29	72.5	6	15.0	40	100.0
Landless	7	17.5	18	45.0	15	37.5	40	100.0
Total	59	20.2	180	61.6	53	18.2	292	100.0

Source: Field Survey conducted in feb-mar (2009)

Marginal, small farmers, women and SC member groups of both the PACS face distance as more debilitating factor than large farmers and STs in MPACS. Large farmers can afford to travel and they are the main beneficiaries in both PACS (as evident from the data of loanee members in Table 4.8 and 4.9). STs in area under MPACS are

dominated by Tharus who in recent years have emerged(after the formation of Uttaranchal state in 2001) as prosperous farmer groups. Members belonging to Small, Marginal farmers, Women and SC mainly belongs to lower income group. Travelling to society to avail its services and participate in its activities demands time and money. So due to long distance they can't afford visiting society each time. This also explains the lower economic (credit) and political (attendance in meetings) participation of members belonging to these groups.

Educational Status

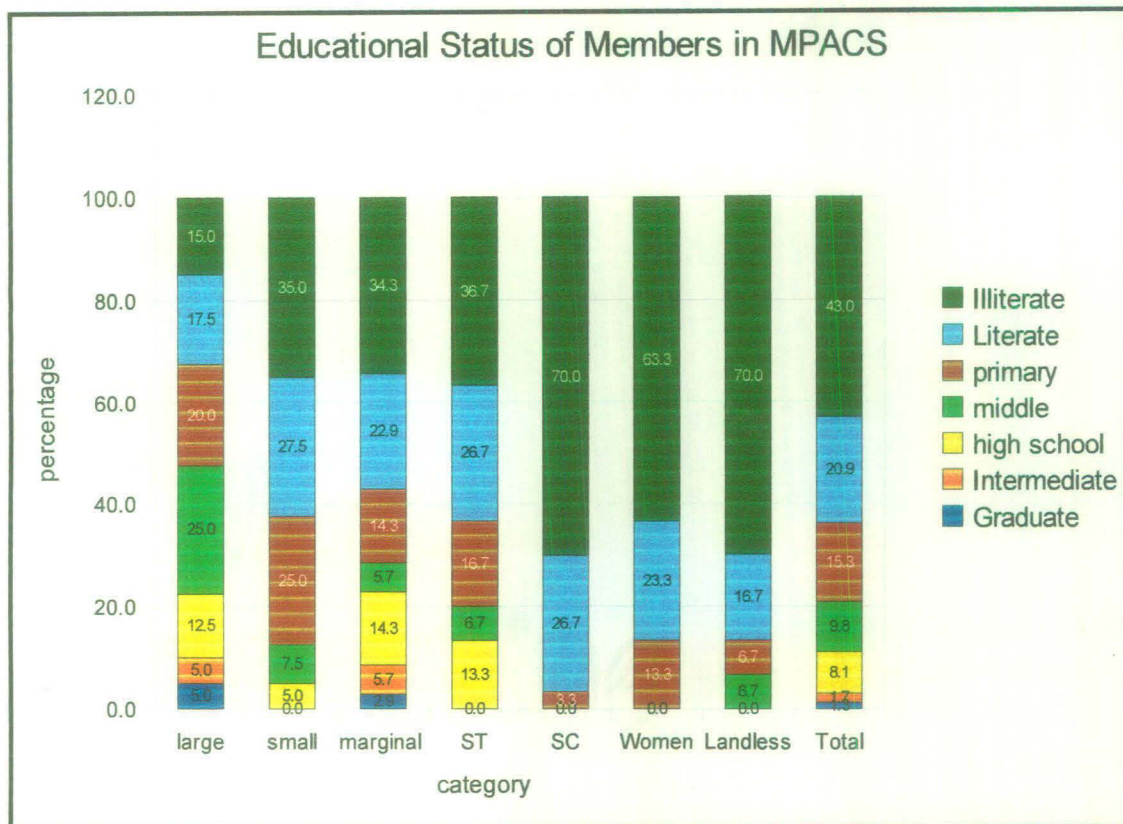
Education plays the enabling role for the members with respect to cooperatives like making an informed decision making, assertion of collective interests , inculcating cooperative values and creating awareness about various activities of the society. Importance of Education for cooperatives is also acknowledged by ICA⁸. Member education plays several important roles like, to highlight the importance of participation of members in general body meetings and bestow enough care in choosing the right type of leaders. The second and more important role of a member is to encourage other members to be vocal and vigilant while formulating policies. But once the majority takes a decision, he/she should learn to abide by it. The third role of member education is to highlight the importance to honour his/her commitment to make use of the co-operative. Being owners, everyone should be fully conscious that their collective loyalty is the key to the success and survival of the organisation. (Datta S K, 2004).

In order to compare the educational status of two PACS information are obtained

⁸ In 1995 , ICA released the principles of co-operative movement with a Statement of Co-operative Identity and in this the fifth principle is 'Education, Training and Information'. Information is meant to educate the potential members about the role and utility of co-operatives.

from members . Fig 4.2 and 4.3 shows the educational profile of MPACS and NPACS .

Fig : 4.2

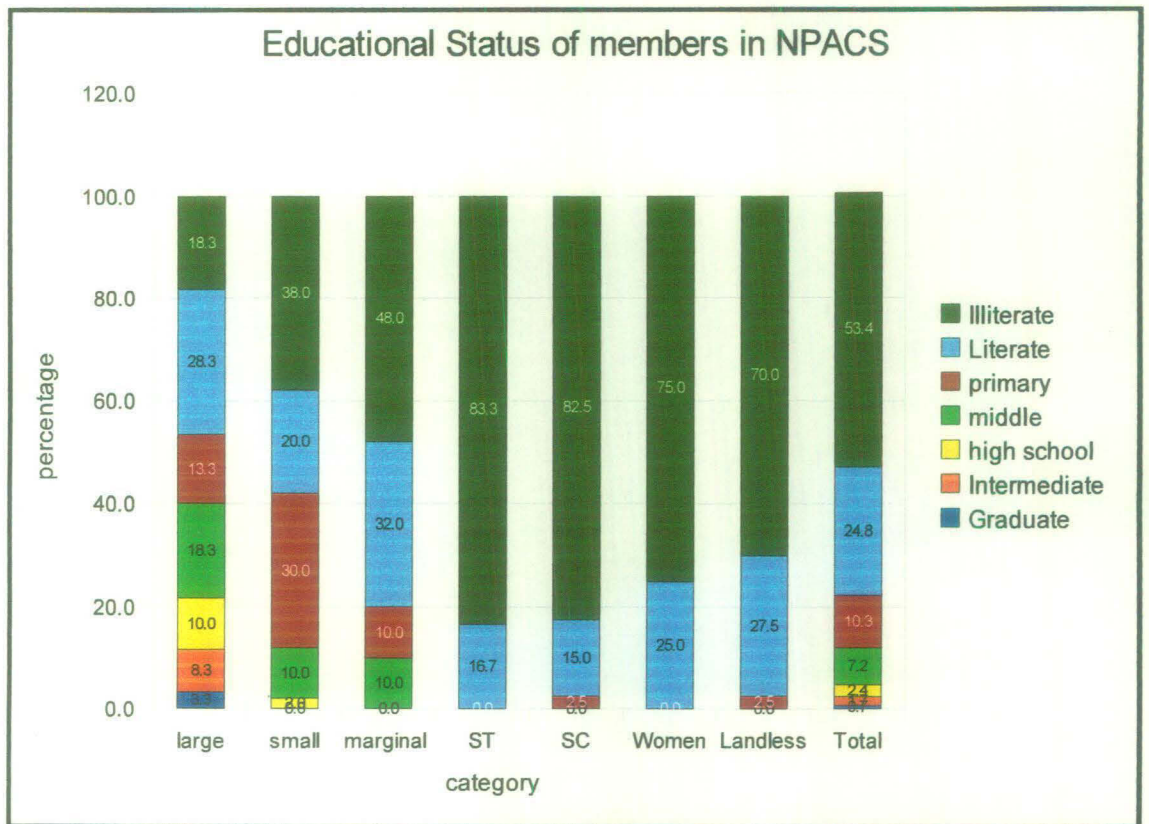


The members have been categorized into Educated, Literate and Illiterate. Educated members are those who have completed school education or college education or higher education. Literate are those who are able to read and write their names while Illiterate members are those who can neither read or write.

Based on the data obtained from the field survey it can be observed that that overall educational status of members of MPACS is better that of NPACS. 57 percent of the members of M PACS are educated and literate while only it is only 47 percent in case of

NPACS. Category wise analysis in MPACS shows that literacy level is progressively increasing from landless, SC, Women, ST, marginal, small farmers to large farmers category. Large and small farmers are more educated with illiteracy only 15 and 18.3 percent, while Landless, Women and SCs least literate among members. Similar status is present in NPACS where Large and small farmers are more educated while among STs, SCs, Women and landless 83, 82, 75, 70 percent respectively are illiterate.

Fig 4.3

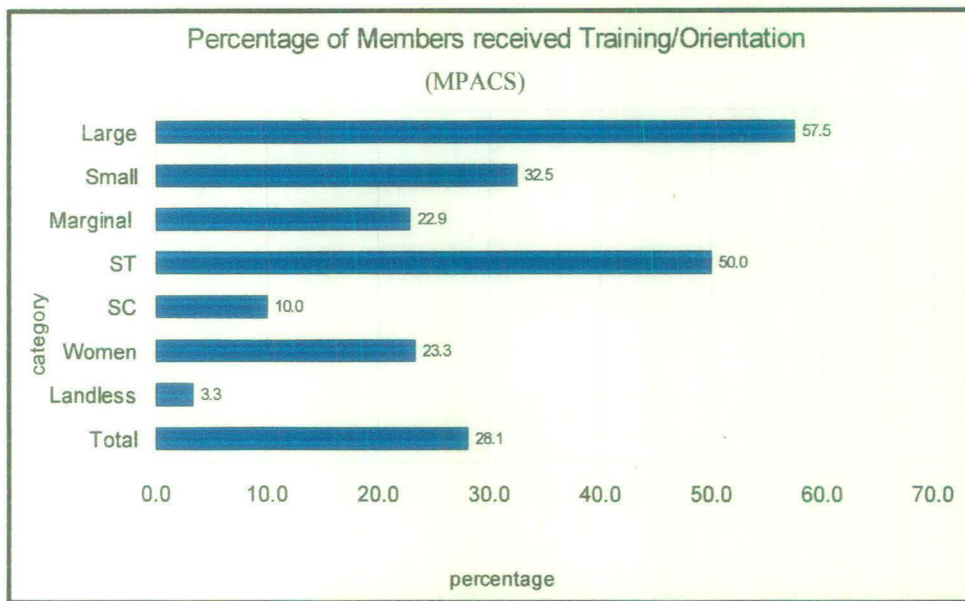


Training / Orientation

Cooperative societies imparts Training/Orientation programmes to the members and staff. The emphasis is on making the members and employees understand the unique values, principles, and practice of co-operation. Its a part of capacity building

programme by which members can better participate in the activities of the society. Data collected on category wise members received training in two PACS shows (Fig 4.4 & 4.5) that higher number of members in MPACS (28 percent) than of NPACS (8.2 percent) have received training on cooperative activities.

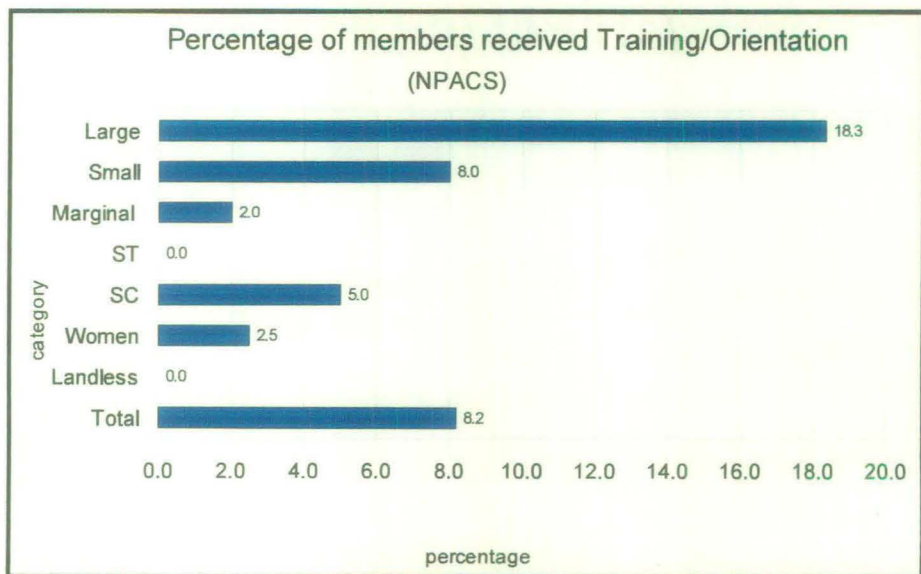
Fig : 4.4



There exist category wise differences in percentage of members received training with in the PACS and between the PACS. Higher percentage of Large farmers have invariably received training as compared to other member categories in both the PACS. Their proportion are 57 percent in MPACS and 18 percent in NPACS . Lesser percentage of SC, Landless , Women and small and marginal farmers are the recipients of Training leaving the exception of ST in MPACS among which considerable number (50 percent) of members have received training. None of the ST and landless members in NPACS have received training. Inaccessibility to training to some section of members

due to communication gap, long distance and lack of motivation leads to either their inability to enjoy certain benefits or exploitation on the hands of paid employees. One instance come up during field survey revealed that, one SC member of NPACS alleged the secretary of diverting their reimbursed money to his pocket. Members expressed their lack of knowledge about the lower interest rates given on loan taken by him. Government periodically subsidize the interest rate on loans taken by marginalized sections like SC, ST and women. Member takes the loan on pre-defined interest rate (11 percent in this case). He/She have to repay in a given period depending upon whether the loan is short term or medium term. In the meantime if Government subsidize the interest rate, the surplus repayed amount is reimbursed to members account. Many members do not have the information regarding this and they continue to repay on higher interests rates. This is due to lack of Education and Training for them. Their socio-economic disabilities acts as a barrier in their fuller participation.

Fig : 4.5



Members participation

Attendance in Annual General Body Meetings

One objective way of studying member control through member participation is by examining the participation of members in the annual general meetings of cooperative society. The annual general body meeting is an occasion for members to assess the year long activities of their association, to raise queries and even make suggestions. It is legally stipulated in the statute of the cooperatives that members presence is required in such meetings. The law states that “ the balance sheet, the profit and loss account, the auditor's report shall be placed for adoption...”. The committee report will inform about the “state of society's affairs”. This meeting will be held within three months after the year ending”.⁹ If one examine the records of attendance at annual meetings in both cooperative societies (Table 4.7) following observations can be made.

Table 4.7

Annual General Body Meeting attendance in last 10 years						
Year	MPACS			NPACS		
	Total Members	Attended	Percentage	Total Members	Attended	Percentage
1997-98	3573	2675	74.9	2655	NH	NH
1998-99	3699	2480	67.0	3230	1578	48.9
1999-00	3821	2630	68.8	3767	NH	NH
2000-01	3903	2776	71.1	3881	NH	NH
2001-02	3967	2305	58.1	4271	2105	49.3
2002-03	4133	NA	NA	4650	NH	NH
2003-04	4301	3022	70.3	4880	NH	NH
2004-05	4463	2170	48.6	5365	NH	NH
2005-06	4541	2617	57.6	5561	NH	NH
2006-07	4567	2515	55.1	5800	1877	32.4
2007-08	4653	2440	52.4	6012	NH	NH
Total	45621	25630	56.2	13301	5560	41.8

Source : Annual Reports
 NH : AGBM not held
 NA : Not Available

⁹ State Agricultural Credit Corporations Act, 1968.

In last ten years Annual general body meetings have been conducted regularly in MPACS while in NPACS only three meetings were conducted in last ten years in the year of 1998-99, 2001-02 and 2006-07. When the reason for this regularity in meetings in MPACS and visible irregularity in NPACS was asked, it was told (by the respective secretaries) that viability of cooperative society due to higher level of participation in MPACS led to regularity in conduct of meetings. While NPACS have been declared nonviable many times as result its governance board have been dissolved many times in past. Recently its board is dissolved by the state government in 2007 since than there has been no meetings and elections. Attendance in annual general meeting is usually low at about fifty percent. The average attendance in last ten years of MPACS is higher than of NPACS. It is 56.2 percent in former and 41.8 percent in latter. Though the attendance percentage is higher in MPACS, it has gradually declined in last ten years. The attendance in 1997-98 was 74.9 percent, it reduced to 58.1 percent in 2001-02 than to 52.4 percent in 2007-08. Similarly in NPACS the attendance has reduced to 32.4 in 2006-07 from 48.9 percent in 1998-99.

The reason why there is lack of active participation as reflected in poor attendance and in not asking questions in meetings is more to do with the social structure of the society, educational status, cooperative size and Training inputs. First of all, in the wider social structure inequality is wide and sharp. It is reflected in the membership composition of both the PACS also (Table 4.2 & 4.3). Members may be equal in a cooperative they are unequal in social status. The leader of the cooperative, who is usually wealthy and powerful, brings benefits or helps them in other spheres of life. Although as an equal, one may question the leader in the annual general meeting, the fear that the cost of raising embarrassing questions may be counter productive to the members

elsewhere, may inhibits active participation. Members rationalize their silence by saying that we have elected leaders who can take care of such issues. A leader is one who is wealthy and powerful and who can help his supporters.

Distribution of credit by different Agencies

In District Udham Singh Nager, the infrastructure of cooperative societies are well developed due to agriculturally prosperity and high demand for agricultural credit. The share of cooperative credit is higher (41 percent) among members in MPACS (Table 4.7). While in NPACS this share is considerably lower (28 percent). Members of MPACS prefer cooperative credit to any other credit institution. Banks form the second most important agency for fulfilling credit needs followed by other informal sources and Relatives.

Table 4.8

Different Agencies of Credit used by member categories

	MPACS									
	Cooperatives		Banks		Relatives		Other Informal Source		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Large	17	42.5	18	45.0	5	12.5	0	0.0	40	100
Small	24	60.0	11	27.5	4	10.0	1	2.5	40	100
Marginal	18	51.4	9	25.7	3	8.6	5	14.3	35	100
ST	18	60.0	6	20.0	2	6.7	4	13.3	30	100
SC	6	20.0	8	26.7	2	6.7	14	46.7	30	100
Women	8	26.7	6	20.0	9	30.0	7	23.3	30	100
Landless	3	10.0	6	20.0	8	26.7	13	43.3	30	100
Total	94	40.0	64	27.2	33	14.0	44	18.7	235	100

	NPACS									
	Cooperatives		Banks		Relatives		Other Informal Source		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Large	31	51.7	17	28.3	6	10.0	6	10.0	60	100
Small	17	34.0	19	38.0	3	6.0	11	22.0	50	100
Marginal	12	24.0	12	24.0	15	30.0	11	22.0	50	100
ST	1	8.3	4	33.3	5	41.7	2	16.7	12	100
SC	6	15.0	8	20.0	5	12.5	21	52.5	40	100
Women	13	32.5	10	25.0	3	7.5	14	35.0	40	100
Landless	2	5.0	5	12.5	3	7.5	30	75.0	40	100
Total	82	28.1	75	25.7	40	13.7	95	32.5	292	100

Source: Field Survey

In NPACS, the members find Banks and other informal sources more preferable for credit needs than cooperatives. More the half of the Large farmers utilizes cooperative credit followed by small (32 percent) and marginal (24 percent) farmers. SC, Women and landless members mostly resort to informal credit. This pattern of choice of credit agency can be explained taken the above factors like membership, caste composition, PACS size, Educational status of members. NPACS is large in size covering 34 villages (65 Km² area), more than 6000 members, with dominance of Higher caste (37.7 percent) members and low educational status of members (46 percent) particularly those belonging to the marginalized sections like SC, Women, ST and landless. Members of the marginalized sections who live in villages away from PACS at Neoria Town and have to cover long distance to reach there generally resorts to credit from nearby sources like Banks, relative or moneylenders. Also they mainly needed the short term loans for purposes other than cultivation like for livestock, ceremonies and domestic consumption (Table 4.10), for which credit from PACS not always available except under some scheme.

Access to credit by different member categories

Although, there has been substantial increase in membership of PACS, the borrowing membership .i.e the number of borrowing members from the societies has not increased correspondingly. At the same time different member categories don't have equal access to credit in the cooperative societies. It is contradictory to the democratic principle of equality which forms the core of any democratic institutional functioning. As described earlier various socio-economic and geographical factors determines the nature of access of the members to the services provided by the cooperatives.

Table 4.8

Number of Members Borrowing loans (All Type) – MPACS												
Years	Farmers											
	Total	Loanee	Percentage	General								
				Large			Small			Marginal		
				Total	Loanee	Percentage	Total	Loanee	Percentage	Total	Loanee	Percentage
1997-98	3573	1098	30.7	973	275	28.3	1074	270	25.1	731	213	29.1
1998-99	3699	1290	34.9	1023	365	35.7	1099	306	27.8	742	262	35.3
1999-00	3821	1117	29.2	1043	387	37.1	1138	293	25.7	778	170	21.9
2000-01	3903	1398	35.8	NA	NA	NA	NA	NA	NA	NA	NA	NA
2001-02	3967	1312	33.1	1153	401	34.8	1204	361	30.0	813	224	27.6
2002-03	4133	1182	28.6	1173	355	30.3	1214	329	27.1	816	180	22.1
2003-04	4301	1073	24.9	1192	313	26.3	1235	301	24.4	818	176	21.5
2004-05	4463	1350	30.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
2005-06	4541	1680	37.0	1219	490	40.2	1279	501	39.2	855	234	27.4
2006-07	4567	1635	35.8	1229	547	44.5	1305	467	35.8	871	255	29.3
2007-08	4653	1769	38.0	1247	561	45.0	1358	482	35.5	892	280	31.4
Total/Average	45621	14904	32.7	10252	3694	36.0	10906	3310	30.4	7316	1994	27.3

Years	Farmers											
	ST			SC			Women			Landless		
	Total	Loanee	Percentage	Total	Loanee	Percentage	Total	Loanee	Percentage	Total	Loanee	Percentage
1997-98	433	157	39.0	70	32	45.7	277	149	53.8	45	2	4.4
1998-99	439	167	38.0	71	30	42.3	274	155	56.6	51	5	9.8
1999-00	478	176	36.8	102	25	24.5	289	61	21.1	120	5	4.2
2000-01	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2001-02	488	178	36.5	107	27	25.2	289	113	39.1	121	8	6.6
2002-03	489	181	37.0	109	21	19.3	289	111	38.4	132	5	3.8
2003-04	485	155	31.3	109	17	15.6	290	108	37.2	131	3	2.3
2004-05	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2005-06	519	234	45.1	139	35	25.2	309	175	56.6	201	11	5.5
2006-07	522	210	40.2	143	25	17.5	310	127	41.0	205	4	2.0
2007-08	531	231	43.5	145	29	20.0	314	178	56.7	210	8	3.8
Total/Average	4364	1689	38.7	995	241	24.2	2641	1177	44.6	1216	51	4.2

Source : PACS Records

NA : Not Available

Percentage¹: of Total creditorsPercentage²: of total category membership

As shown by Table 4.8 and 4.9, the percentage of loanee in last ten years in MPACS, have increased minimally from 31 percent (1997-98) to 38 percent (2007-08). While in NPACS, it has reduced from 42.6 percent (1997-98) to 39.5 percent (2007-08). Emergence of other different sources of credit like Banks and defective loaning policies leading to ever-increasing number of defaulting members inhibited the growth of borrowing membership.¹⁰ Inter-category analysis of access to credit shows that

¹⁰ Sinha S K (1998), Cooperatives in India, pg 79.

in both the PACS though there exist disparity in access to credit as shown by number of person who got credit from society due to credit being linked with ownership landholding, it is less in MPACS as compared to NPACS. There exist more homogeneity in credit distribution across different member categories in former than in latter. In MPACS (2007-08) out of total creditors large (31 percent), small (27 percent) and marginal (16 percent) farmers, ST (13 percent), SC (1.6 percent), Women (10 percent) and landless (.5 percent) were given the credit. The corresponding figure for the NPACS were large (40 percent), small (31 percent) and marginal (18 percent) farmers, ST (2 percent), SC (6.5 percent), Women (2.8 percent) and landless (.6 percent). This disparity in credit access between two PACS becomes more stark when number of creditors in each category is seen as percentage of their total category membership. In MPACS, large (36 percent), small (30 percent) and marginal (27 percent) farmers, ST (43 percent), SC (24 percent), Women (44 percent) and landless (4 percent) while in NPACS large (87 percent), small (36 percent) and marginal (24 percent) farmers, ST (20 percent), SC (29 percent), Women (33 percent) and landless (8 percent). Land ownership holding is the criteria for amount of credit one member can avail from society. Consequently, members with large ownership holding generally benefits with larger share of credit from society. While members with small ownership holding and landless inevitably find themselves in the disadvantaged position with relation to credit benefits.

Table 4.9

Number of Members Borrowing loans (All Type) – NPACS												
Years	Farmers											
	Total	Loanee	Percentage	General								
				Large			Small			Marginal		
				Loance	Percentage ¹	Percentage ²	Loance	Percentage ¹	Percentage ²	Loance	Percentage ¹	Percentage ²
1997-98	2655	1132	42.6	462	40.8	85.7	367	32.4	44.6	188	16.6	21.8
1998-99	3230	1390	43.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
1999-00	3767	1321	35.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
2000-01	3881	1477	38.1	626	42.4	88.9	413	28.0	32.0	299	20.2	23.0
2001-02	4271	1681	39.4	731	43.5	90.8	480	28.6	33.4	298	17.7	21.6
2002-03	4650	1793	38.6	779	43.4	92.7	557	31.1	34.8	267	14.9	18.0
2003-04	4880	1701	34.9	NA	NA	NA	NA	NA	NA	NA	NA	NA
2004-05	5365	1912	35.6	692	36.2	75.1	676	35.4	34.9	326	17.1	19.4
2005-06	5561	2227	40.0	898	40.3	92.6	721	32.4	34.9	416	18.7	25.2
2006-07	5800	2456	42.3	916	37.3	87.7	790	32.2	37.2	489	19.9	28.4
2007-08	6012	2668	44.4	945	35.4	86.8	897	33.6	41.0	565	21.2	31.9
Total/Average	50072	19756	39.5	6049	39.9	87.5	4901	31.6	36.6	2848	18.5	23.7

Years	Farmers									Landless		
	SC			ST			Women			Loance	Percentage ¹	Percentage ²
	Loance	Percentage ¹	Percentage ²	Loance	Percentage ¹	Percentage ²	Loance	Percentage ¹	Percentage ²			
1997-98	89	7.86	29.2	0	0.00	0.0	24	2.12	30.8	2	0.18	4.0
1998-99	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1999-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2000-01	79	5.35	20.9	1	0.07	14.3	44	2.98	36.4	15	1.02	19.0
2001-02	112	6.66	27.2	1	0.06	14.3	51	3.03	38.1	8	0.48	8.2
2002-03	135	7.53	32.1	2	0.11	28.6	48	2.68	32.9	5	0.28	3.3
2003-04	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2004-05	131	6.85	27.9	3	0.16	30.0	72	3.77	42.4	9	0.47	5.1
2005-06	121	5.43	24.8	2	0.09	20.0	55	2.47	29.1	11	0.49	5.8
2006-07	172	7.00	34.3	3	0.12	27.3	61	2.48	30.8	21	0.86	13.3
2007-08	185	6.93	35.5	3	0.11	25.0	53	1.99	25.2	18	0.67	8.2
Total/Average	1024	6.5	29.0	15	0.10	19.9	408	2.8	33.2	89	0.6	8.0

Source : PACS Records NA: Not Available

Percentage¹: of Total creditorsPercentage²: of total category membership

Credit Utilization

Proper utilization of credit is very essential for financial health of cooperatives because it promotes the income and increases the repaying capacity of the members. PACS provides the credit to all its members for agricultural purposes like inputs, assets and livestock. Beside these productive purposes members utilize credit for non-productive purposes like for ceremonies, consumptions as repaying past debt etc. The pattern of credit utilization varies across different member categories. Data have been collected on credit utilization of members of both the PACS (Table 4.10 and 4.11).

Table 4.10

Utilization pattern of last loan

		MPACS						
Category		Agricultural	Agricultural	Livestock	Ceremonies	Domestic	Others	Total
		Inputs	Assets		/Marriages	Consumption		
large	Number	22	18	2	0	0	0	40
	Percentage	55.0	45.0	5.0	0.0	0.0	0.0	100.0
small	Number	23	7	1	8	0	1	40
	Percentage	57.5	17.5	2.5	20.0	0.0	2.5	100.0
marginal	Number	17	3	2	5	2	6	35
	Percentage	48.6	8.6	5.7	14.3	5.7	17.1	100.0
ST	Number	21	4	2	0	0	3	30
	Percentage	70.0	13.3	6.7	0.0	0.0	10.0	100.0
SC	Number	11	2	14	2	1	0	30
	Percentage	36.7	6.7	46.7	6.7	3.3	0.0	100.0
Women	Number	12	7	6	2	2	1	30
	Percentage	40.0	23.3	20.0	6.7	6.7	3.3	100.0
Landless	Number	0	0	9	13	4	4	30
	Percentage	0.0	0.0	30.0	43.3	13.3	13.3	100.0
Total	Number	106	41	36	30	9	15	235
	Percentage	45.1	17.4	15.3	12.8	3.8	6.4	100.0

Source: Field Survey conducted in feb-mar (2009).

Credit utilization for productive purposes is higher (77.8 percent) in MPACS while it is lower (67.8 percent) in NPACS. It is much higher for agricultural inputs like fertilizers, seeds and pesticides. Forty five percent members of MPACS and thirty eight percent of MPACS members utilized the last credit taken for Agricultural inputs. More members of MPACS (17.4 percent) have utilized the credit for creating Agricultural assets like buying tubewell, implements, irrigation channel etc than of NPACS (9.6 percent). Utilization for livestock is higher among NPACS members.

Credit utilization for non-productive purposes like ceremonies, consumption and repayment of old debt etc is higher among NPACS members. One-third of the last credit taken by the NPACS members were utilized for these purposes. Among these ceremonies and domestic consumption accounted for 19.0 and 10.6 percent of credit utilization. MPACS members have shown more efficient utilization of credit. Only one-fifth among

them have spent the last loan for non-productive purposes.

Table 4.11

Utilization pattern of last loan

		NPACS						Total
Category		Agricultural	Agricultural	Livestock	Ceremonies	Domestic	Others	
		Inputs	Assets		/Marriages	Consumption		
large	Number	35	18	7	0	0	0	50
	Percentage	58.3	30.0	11.7	0.0	0.0	0.0	100.0
small	Number	26	5	11	2	2	4	50
	Percentage	52.0	10.0	22.0	4.0	4.0	8.0	100.0
marginal	Number	22	2	14	6	1	5	50
	Percentage	44.0	5.7	40.0	17.1	2.9	14.3	20.7
ST	Number	5	1	0	6	0	0	12
	Percentage	41.7	8.3	0.0	50.0	0.0	0.0	100.0
SC	Number	4	0	11	7	6	12	40
	Percentage	10.0	0.0	27.5	17.5	15.0	30.0	100.0
Women	Number	13	2	9	4	6	6	40
	Percentage	32.5	5.0	22.5	10.0	15.0	15.0	100.0
Landless	Number	0	0	11	7	16	6	40
	Percentage	0.0	0.0	27.5	17.5	40.0	15.0	100.0
Total	Number	105	28	63	56	31	33	292
	Percentage	36.0	9.6	21.6	19.0	10.6	11.3	100.0

Source: Field Survey conducted in feb-mar (2009)

Credit utilization among various member categories varies. Larger pattern which emerges is that members in both PACS of General farmers category more commonly utilize the credit for productive purpose while ST, SC, Women and landless for non-agricultural non-productive purposes. As has been found already by the researchers, landless and other marginalized sections like SC, ST borrow a relatively major amount for domestic expenses, while large farmers borrow mainly for production investments (Galgalikar and Gadre 1978, Long 1968). Often credit from cooperative is used to repay the moneylenders loan and/or for consumption purposes (Singh and Dhawan 1978). This can be observed across all member groups particularly in NPACS.

Loan Repayment

The intensity of non-repayment is directly related to the access to institutional credit. In NPACS where institutional credit contributes more than 50 percent to total credit (Table 4.7), the percentage of members who have not made repayment of last loan is 40 percent more than of MPACS (Table 4.12). The proportion of repayment is higher among small farmers, ST in NPACS, SC in MPACS, women. And landless. While it lower in large farmers and marginal farmers in both the PACS. In general, large farmers, being politically and economically influential, may averse financial discipline more easily (Chand and Sidhu). Credit non-repayment among marginal farmers, however, can be explained by the fact that their demand for credit is related to both production and consumption needs and a small repayment obligation of their income (Desai 1978; Pande and Viruthiyet 1983).

Table 4.12

Repayment of last Loan taken by members

Category	MPACS					
	Yes		No		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Large	23	57.5	17	42.5	40	100
Small	36	90.0	4	10.0	40	100
Marginal	24	68.6	11	31.4	35	100
ST	18	60.0	12	40.0	30	100
SC	21	70.0	9	30.0	30	100
Women	28	93.3	2	6.7	30	100
Landless	26	86.7	4	13.3	30	100
Total	176	74.9	59	25.1	235	100

Source: Field Survey

Category	NPACS					
	Yes		No		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Large	21	35.0	39	65.0	60	100
Small	35	70.0	15	30.0	50	100
Marginal	21	42.0	29	58.0	50	100
ST	12	100.0	0	0.0	12	100
SC	18	45.0	22	55.0	40	100
Women	34	85.0	6	15.0	40	100
Landless	32	80.0	8	20.0	40	100
Total	173	59.2	119	40.8	292	100

Source: Field Survey conducted in feb-mar (2009)

Financial Resources of Society

An important indicator of members economic participation in societies is the level of share capital, deposits, reserves and working capital in the society. Details in this regard are provided in the following table for the sample societies.

Paid up share capital consists of mandatory share contribution by person for membership¹¹ and share contribution for borrowings¹². Member share capital represents individual member commitment to the cooperative. It also identifies the individual member's financial stake. It is withdrawn only when the member leaves the cooperative. The total share capital hold by the society is in its turn a determinant of borrowing power from the external sources.

Table 4.13

Financial Resources of society (per member)							Rs
Year	MPACS						
	Paid Up Share Capital	Govt Share	Total Reserves	Total Deposits	Total Borrowings	Working Capital	
2005-06	85	21	216	1,442	560	2,323	
2006-07	88	20	224	1,520	489	2,340	
2007-08	104	20	254	1,562	428	2,368	
<i>Total</i>	92	20	231	1,508	492	2,344	

Source : Annual Reports

Financial Resources of society (per member)							Rs
Year	NPACS						
	Paid Up Share Capital	Govt Share	Total Reserves	Total Deposits	Total Borrowings	Working Capital	
2005-06	97	44	140	462	1,461	2,203	
2006-07	98	43	148	476	1,261	2,026	
2007-08	102	47	146	479	1,298	2,072	
<i>Total</i>	99	45	144	472	1,340	2,100	

Source : Annual Reports

¹¹ Each member have to buy one share in order to get membership in credit society. It is the precondition for membership.

¹² Member intended to borrow loans from credit society legally bound to purchase shares in a fixed proportion to their borrowings from the society. This is done to ensure repayment of loans.

The average paid up share capital per member is slightly higher (Rs 99) in NPACS than in MPACS (Rs 92) in last three years. Autonomy of the credit societies comes from the degree to which funds mobilized by the cooperative belongs to the members. If large share of the funds comes from external sources like Government and borrowings, it compromises with the ability of the cooperative to function according to interests of all members. Hence, members fund both in terms of quantity and quality becomes Important source of member control and indicator of members participation. Table 4.13 shows that average per member government share is higher in NPACS (Rs 45) than in MPACS (Rs 20). Similar pattern is shown in total borrowings per member in both the PACS. It is quite higher in NPACS (Rs 1340) than MPACS (Rs 492). Amount of Reserves held by the is an important indicator of performance of cooperative. It is the amount held by society in the form of surpluses which comes from profit. MPACS have quite higher average reserves per member (Rs 231) than NPACS (Rs 144). One of the foremost aims of the credit cooperatives is the encouragement of savings and consequent mobilization of rural deposits. Member deposits also reflects the members confidence in its society. MPACS members seems to have higher confidence in their society than members of NPACS in their own. It can be corroborated from the per member deposits in both the PACS. It is almost four times in MPACS (Rs 1508) than in NPACS (Rs 472). Besides other factors high rate of mobilization in MPACS can be attributed to high rate of literacy, smaller size (area) of society, and members confidence.

The comparative analysis between two cooperative societies showed that participation of members is unequal in society's functioning. This difference in participation among two societies arises due to varying socio-economic and geographical factors in the region of their operation. Various factors are cooperative (membership) size, cooperative (area size), membership composition along class and caste lines, educational status and training experience. It is evident from the analysis that MPACS showed the higher level of membership participation than NPACS. NPACS is smaller and both membership and area size have relatively homogenous membership composition and its members have higher level of education status and training experience. All these background factors have contributed in higher level of members participation resulting into participatory development in MPACS. Members in MPACS are more engaged in workings of their credit institution which can be shown by various indicators of participatory development. Greater degree of members participation in MPACS is reflected in higher attendance level of members in Annual General Body Meetings (AGBMs). Higher participation in such meetings shows higher degree of members confidence in their credit society. Higher share of cooperative loans shows that economic participation of members is more than in NPACS. Higher level of cooperative credit to its members fulfills the most basic objective of credit society i.e. providing financial support to its members at concessional rates for agricultural development. The proportion of cooperative credit is important but its efficacy is more when it is equitably distributed among member group. In MPACS, members have more equitable access to credit. Cooperative credit is development specific loan [Parikh and Sharma, 1976] and its purposive utilization for intended purpose is beneficial for society as well as members in long run. In MPACS members have been found to be using credit for intended purpose i.e.

agricultural development. Higher repayment level of members (MPACS) and better financial resources of the MPACS than NPACS in terms of share capita, reserves and deposits over the years shows that greater member participation of members in MPACS have resulted in MPACS being more contributing in participatory development in its region.

CHAPTER FIVE

CONCLUSIONS

Conclusions

Every democratic institution is based on the fundamental premise that every member is equally capable of participation and their participation is basic to the institution's functioning and achievement of goals. The idea of Participatory Development despite of conflicting interpretations, embodies similar principle.

Various strands of literature on participatory development and cooperatives reveals that, participatory development taken as involvement of stakeholders in democratic institution like cooperatives is fundamental to its functioning. To what degree a local institution based on member participation could be able to achieve its stated goals largely depends on members consent manifested in their active participation at every level of its functioning.

Cooperatives are said to be the unique human endeavour which puts most basic human behavior i.e cooperation into institutional mode that too in economic field. Cooperatives theoretically embodies the participatory principles but actual implementation of these principles into actions is contingent upon various socio-economic and geographical factors. Cooperative movement in India was started by state support in credit field. Credit cooperatives today constitutes more than two third of cooperatives operating in India. But at macro-level itself cooperative movement in India have overlooked the participation at regional level i.e not every region have equally participated equally in the development of cooperative movement. There exist wide regional disparities in cooperative development particularly primary credit societies. Some regions like western and eastern India together constitutes more that fifty percent of the credit cooperatives while north-eastern and southern region have least number of

cooperatives, together these constitutes only eighteen percent of total number of credit cooperatives. But the scenario is totally different when disparity is seen in terms of number of members. Due to larger member per cooperative, southern and eastern regions have high membership share .i.e two third of total membership, while north-eastern, central and western region have very low membership share. This is despite of the fact that central and western region have high share of rural based population with high demand for agricultural credit. Unequal spread of number of credit cooperatives and membership led to varying average membership per society. Southern, eastern and north-eastern regions have high member per society. It is lowest in western region. Membership per society has been found to be positively correlated with economic viability of PACS. States with higher membership per PACS is found to be higher number of nonviable (loss making) PACS. Similar pattern of lop-sided development in credit cooperatives is evident state wise. There are some states with very high concentration of credit cooperatives like Maharashtra (one fourth of total in 2000). Uttar Pradesh (one tenth) while some states like Haryana, Punjab and Assam lag behind in cooperative development. Andhra Pradesh, Uttar Pradesh, Kerala and Maharashtra have higher share of membership in credit cooperatives.

The household survey of two PACS in different region have been conducted in order to come out with factors affecting the members participation and understanding their role in influencing members social, economic and political participation. Following findings have come out from analysis:

Size of the operational area of credit cooperatives directly influence the members participation. Members of cooperative with smaller operational area (MPACS) are more likely to approach cooperative to participate for meetings, training or avail services.

Large operational size acts as barrier for members residing at long distance from society office. Members of poorer sections like landless, SC, STs and women due to higher transaction cost while negotiating long distance tend to distance itself from societies programmes leading to their lower participation.

Membership size is also the determinant factor in members participation . Small membership size provides the group with cohesion and familiarity which is very important for decision making and repayment behavior of the borrower members. It is found that PACS with small membership size (MPACS) have shown better economic participation in terms of repayment and members financial control.

Membership composition in terms of class and caste do influence the equity in participation. Society with more homogenous class and caste structure shows the greater participation of marginalized member groups like SC, ST, Women and landless. Cooperative with composition skewed towards large farmers or upper castes (NPACS in this case) showed lower economic and political participation of members of marginalized group as reflected in attendance, credit access, credit choice, credit utilization and repayment.

Educational status and Training experience are the enabling factors for members participation. PACS with higher educational status and training experience of members have shown greater awareness of cooperative functioning and its services.

Member's political participation in cooperatives is made possible by Annual General Body Meetings (AGBMs) , in which all members assess the performance of the society in whole year and do decision making through voting or consensus. Cooperative with small membership size, operational area, homogeneous membership composition and higher educational status have shown regular occurrence of meetings as well as

higher attendance over the years.

Members of cooperatives have different choices available for credit. Higher choice for cooperative among the members shows members faith in cooperative. Cooperative with favourable socio-economic and geographical conditions for participation have shown higher preference for cooperative credit. There exists variation among different members group in the society for choice of credit source. Most of the member belonging to large and small farmers are use more of the benefits of institutional credit while most of women, SC, ST and landless members are more utilizing the informal credit.

Differential access to credit by members belonging to different categories is found to be using credit linked with landownership. Class composition of members is a determining factor in getting the credit as well as its amount. In case of MPACS in which class composition of members are relatively more homogenous than of NPACS, access to credit is more equitable.

PACS provides the credit to all its members for agricultural purposes like inputs, assets and livestock. Beside these productive purposes members utilize credit for non-productive purposes like for ceremonies, consumptions repaying past debt. Credit utilization varies among different member categories. In both the PACS large and small farmers have utilized the credit for productive purposes while marginal farmers, SC, ST, women and landless labourers have utilized it for non-productive purposes. But this pattern is less rigid in cooperative with more favourable participatory factors .i.e MPACS.

Loan repayment behavior of members is also linked with members

economic participation. It varies across member categories. Cooperative with higher level of cooperative borrowings of members (MPACS) have shown higher repayment behavior. Also the member of marginalized groups have higher repayment behavior than those belonging to large farmers.

Financial resources at the behest of society indicates the nature of member's economic control on society. It is found that cooperative with higher participatory level due to favourable participatory conditions have higher member control indicated by higher per member share holding, deposits and reserves. At the same time per member government share and borrowings is of lower level which indicates greater level of autonomy and financial health.

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QUESTIONNAIRE

Surveyor Name :

Name of Village :

Village Code ('m' for MPACS , 'n' for NPACS) :

Member Code :

['1' for large farmer , '2' for small farmer , '3' for marginal farmer , '4' for SC , '5' for ST, '6' for Women , '7' for landless]

A GENERAL INFORMATION:-

1.0 PERSONAL DATA:

1.1 Name :

1.2 Age : (1) < 25 (2) 25-40 (3) 41-55 (4) >55

1.3 Sex (M/F) :

1.4 Religion : (1) Hindu (2) Muslim (3) Christian (4) Sikh

(5) Others

1.5 Category : (1) Farmer (non SC/ST) (2) Landless Agricultural Laborer

(3) Scheduled Caste (4) Scheduled Tribe

(5) Women

1.6 Caste :

2.0. ECONOMIC STATUS:

2.1 Employment (1) Employed (2) Unemployed

(3) Self employed (4) Professional

2.2 Approx. Annual Income (Rs.)

2.3 Subsidiary employment - (1) Agriculture (2) Animal Husbandry

(3) Labour

2.4 Landholding Size (in acres)- _____

3.0 EDUCATIONAL STATUS:

3.1 Education - (1) Illiterate (2) Literate (3) Primary

(4) Middle Class (5) High School (6) Intermediate

(7) Graduation and above

4.0 PARTICIPATION STATUS:

4.1 Year of joining cooperative society -

4.2 Who suggested to join the society?

(1) Self (2) Family Members

(3) Friends/ Relatives (4) Other members of the Group

4.3 How many other members of your kinship are members of society-

4.4 Why you joined the cooperative society-

(1) To avail the credit and saving facilities

(2) To get the farming inputs

4.5 Whether you received training/ orientation/ exposure related to society's activities

(1) Yes (2) No

4.6 How many times have you attended the Annual General Body Meeting of the society

4.7 How is the decision taken?

(1) By consensus (2) By voting (3) Representatives

4.8 Do you think the large membership size of cooperative society hinders in decision making process-

(1) Yes (2) No

4.9 Do you think long distance to Cooperative society hinders in participation in the

meetings of society?

(1) Yes (2) No

4.10 You participate in the society as-

(1) Depositor (2) Borrower (3) Both

4.11 Which source you prefer for availing loans-

(1) Cooperatives (2) Banks

(3) Relatives (4) Other Informal Source

4.11.1 If Cooperatives why?

(1) Loans are easy to avail

(2) Interests rate are low

(3) Easy Repayment

(4) Possibility of loan waiver from Government

4.12 Purpose of credit from cooperative society -

(1) Agricultural Inputs (2) Agricultural Assets

(3) Livestock (4) Ceremonies and marriages

(5) Domestic Consumption (6) Others

4.13 Did you make repayment for last loan taken on time?

Yes No

