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 **Rawat Publications**
www.rawatbooks.com

Head Office: Satyam Apartments, Sector 3,
Jawahar Nagar, Jaipur 302 004 India
Tel: 0141-265 1748 / 7006 e-mail: info@rawatbooks.com

Delhi Office: 4858/24, Ansari Road, Daryaganj,
New Delhi 110 002 Tel: 011-23263290

Also at **Bangalore, Guwahati and Kolkata**

₹ 875

ISBN 978-81-316-1086-2



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DECENTRALIZATION, COOPERATIVES AND RURAL DEVELOPMENT

D. Rajasekhar | M. Devendra Babu
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ISBN 978-81-316-1086-2

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Published by

Prem Rawat for **Rawat Publications**

Satyam Apts., Sector 3, Jawahar Nagar, Jaipur 302 004 (India)

Phone: 0141 265 1748 / 7006 Fax: 0141 265 1748

E-mail: info@rawatbooks.com

Website: www.rawatbooks.com

New Delhi Office

4858/24, Ansari Road, Daryaganj, New Delhi 110 002

Phone: 011-23263290

Also at Bangalore, Guwahati and Kolkata

Typeset by Rawat Computers, Jaipur

Printed at Nice Printing Press, New Delhi

Contents

Preface	7
Contributors	11
1 Introduction: Towards an Interface between Panchayats and Cooperatives	13
<i>D. Rajasekhar, M. Devendra Babu and R. Manjula</i>	
2 Panchayati Raj Movement in India: Some Aspects	35
<i>B.S. Bhargava</i>	
3 Panchayati Raj Institutions and Cooperatives	47
<i>T. Paranjothi</i>	
4 Characteristic Features of Local Governments: Derived from 73rd and 74th Amendment Acts of 1992 on Panchayats and Municipalities	69
<i>Abdul Aziz</i>	
5 Political and Administrative Decentralization in India: Vision and Reality	77
<i>N. Sivanna and Nayakara Veerasha</i>	

3

Panchayati Raj Institutions and Cooperatives

T. Paranjothi

People at the grassroot level in the villages need to participate in the process of economic development. This needs to be done through an institutional mechanism. The cooperatives and village panchayats are the agencies which are expected to play a key role in the development process. It was our first Prime Minister, Pandit Jawaharlal Nehru, who envisaged these two institutions to work together as they possess democratic character, which is the cardinal principle of the people's movement. Indian democracy is the largest democracy in the world and cooperatives are also a key institution functioning at the grassroot level. The objective of this paper is to discuss the role of the cooperative movement, similarities between Panchayati Raj and cooperatives, the National Cooperative Policy, approach in Five Year Plans, the experiences in linkage of Panchayati Raj and cooperatives and the way forward.

Overview of the Cooperative Movement

The Cooperative Movement in India was launched by the British Government through the enactment of the Cooperative Credit Societies Act, 1904, in the year 1904 (GoI, 1904). To remove

certain limitations such as formation of federal and non-credit societies, the Act was repealed and in its place the Cooperative Societies Act – 1912 was passed. The subject of cooperation was transferred from the Centre to the State in 1919. Thereafter, each and every Province in British India had passed their respective Provincial Acts (Vidwans, 1969). The reorganization of States led to the enactment of the State Cooperative Societies Act. The Cooperative Law has undergone a number of changes. According to the policy of the state governments, cooperatives were used as a tool to implement government development and welfare programmes. The All-India Rural Credit Survey Committee of 1954 recommended state partnership in cooperatives with a view to augment the resources of the cooperatives and enhance their maximum borrowing power. The central government played a very important role in promoting the cooperatives and in the process also started intervening in the affairs of cooperatives by superseding the boards of management and deputing state government officials to man the cooperative institutions. The cooperatives were weak but continued to play a very important role in the nation's economy.

The place of cooperatives in a global economy, compared with Publicly Listed Companies (PLC), had been succinctly brought to light by the inaugural edition of McKinsey Report on Cooperatives 2012.¹ McKinsey has made some bold observations about the functioning of cooperatives vis-à-vis the Investor Owned Firms (IOFs) across the globe – (a) out of the growing dissatisfaction of the short-term orientation of stock-traded companies, people have started placing greater interest in cooperatives; (b) research shows that, contrary to popular belief, cooperatives' growth rate is similar to those of publicly-traded companies, though most cooperatives tend to have a more long-term, community-oriented focus that often results in less risk-taking and a more measured approach to growth; and (c) these advantages are found to be the strongest in insurance and diversified financials where majority of cooperative customers are also their owners. While these observations are based on worldwide experiences, these may raise eyebrows in India, where most people and especially our policy makers seem to have lost faith in cooperatives.

There are two primary growth opportunities for cooperatives. First, cooperatives should play to their natural strengths and continue to pursue market-share gains by delivering a unique member and customer experience. The other big growth opportunity for cooperatives, and probably the one with the most, is fast-growing, adjacent markets (products, customers, or geographies). Most cooperatives lagged behind their public limited company competition on this measure.

In an increasingly liberalized economy/market, cooperatives that do not grow would lose the economies of scale that they would need to remain competitors. There are some cooperatives which have performed better than the rest with some best practices like: systematically exploring members unmet needs, leveraging distinctive capabilities to expand in new markets or other areas, and designing formal mechanisms to help finance new opportunities.

The cooperatives in India have been contributing in various ways to the national economy. The share in various fields is given in Table 3.1.

Table 3.1
Share of Cooperatives in Various Fields in India (in %)

<i>Particulars</i>	<i>Share</i>
Rural network (villages covered)	98.0
Total agricultural credit disbursed by cooperatives in the total agricultural credit disbursed	16.9
Short-term agricultural credit disbursed by cooperatives in the total STAC disbursed	20.0
Fertiliser production in the cooperative sector (1365.7 in thousand tonnes for the year 2011–12), total production (4431.6 in thousand tonnes)	30.82
Number of cooperative sugar factories in total sugar cooperatives (324 as on 31.3.2012)	48.2
Share of sugar produced in total sugar production (9.304 million tonnes as on 31.3.2012)	39.7
Capacity utilization of sugar mills (As on 31.3.2012)	44.7
Cooperative retail fair price shops (rural + urban) in the total FPSs (Year)	20.3

Cont'd...

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Particulars	Share
Milk procured to total production (Year)	7.85
Milk procurement to marketable surplus (Year)	16
Spindleage in cooperatives (cotton) (3.636 Million - As on 31.3.2009)	9.83
Handlooms in cooperatives out of the total handloom mills	54
Fishermen in cooperatives (active) *to total fishermen	23
Rubber procured and marketed*to total rubber produced and marketed	18.5
Arecanut processed and marketed (3.65 lakh tonnes)*	15
Salt manufactured (18,226 metric tonnes)* against total salt produced	7.6
Direct employment generated	1.22 Million
Self-employment generated for persons	16.58 Million

Note: Previous Year

Source: Profile of the Cooperative Movement, National Cooperative Union of India, 2012.

The cooperatives have covered 98 per cent of the villages, provided credit for agriculture, distributed fertilizers, and produced sugar, procured wheat, paddy and milk. They have generated direct employment for 1.22 million and self-employment for 16.58 million.

The Primary Agricultural Credit Societies (PACS) at the grassroot level are the main institutions providing credit and input to the farmers. Their performance has improved after the implementation of the recommendations of Task Force on Short Term Cooperative Credit Structure constituted under the Chairmanship of A. Vaidyanathan. Empirical studies carried out in different parts of the country have clearly proved that their financial performance has improved. However, governance and implementation of Common Accounting System and Computerization has not improved. The details relating to Primary Agricultural Credit Societies are given in Table 3.2.

There were 93,042 PACS in India during 2013-14 and the number of villages covered by these PACS was 6,64,312. The extent of loans disbursed was ₹ 1,1,41,956 lakh and their overdues counted for 19.01 per cent.

Table 3.2

Details of Primary Agricultural Credit Societies in India - 2014

Particulars	
Total PACS (Nos)	93,042
Villages Covered (Nos)	6,64,312
Membership (in 000)	1,30,119.64
Viable PACS (Nos)	66,577
Potentially Viable PACSs (Nos)	20,367
Borrowers (000s)	48,081.2
Paid-up Share Capital (₹ lakh)	9,78,880.4
Loans and Advances Disbursed (₹ lakh)	1,71,41,956
Outstanding Loans and Advances (₹ lakh)	1,30,05,386
Overdues (%)	19.01
Profit-Making Societies (Nos)	43,327
Loss-Making Societies (Nos)	37,662

Source: www.nafscob.org

The cooperatives, as mentioned earlier, were under the control of state governments and there was a persistent demand from those involved in cooperatives to liberalize the Cooperative Law in the light of new economic policy adopted in 1991. The state governments did not amend the law, by removing the restrictive provisions. The United Progressive Alliance (UPA) Government brought in the 97th Constitutional Amendment Act, 2011 (GoI, 2011) and all State Governments were required to amend their State Cooperative Societies Act. A Public Interest Litigation (PIL) filed in the Gujarat High Court set aside the Constitutional amendment citing that the due procedure was not followed in amending the Constitution. However, many State Governments such as Tamil Nadu, Kerala, Karnataka, Gujarat, Maharashtra, Haryana, Bihar and Uttar Pradesh amended the Act in accordance with the Constitutional Amendment Act (CAA), 2011. The ills of restrictive provisions have been removed.

The Article 43 of the Constitution states: 'The State shall endeavour to secure, by suitable legislation or economic organization or in any other way, to all workers agricultural, industrial

or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or cooperative basis in rural areas'.

Pandit Jawaharlal Nehru, at a press conference on 7 November 1958, said, 'May I say, when I talk about a cooperative, I mean a village cooperative and nothing bigger; at the most two or three villages if they are nearby. All our thinking now is based on the panchayat and the village cooperative and giving them power and authority to take decisions, and also to make mistakes, as they might. We take the risk. It is better to do that than to hedge their authority and make them feel helpless. Speaking for myself, I have a good deal of faith in the innate good sense of the village people. They will no doubt make mistakes. It does not matter. All of us make mistakes. But if you give them that feeling, they gain self-confidence; they gain initiative and they do things and not wait for officials to do them' (GoI, 1959).

He further opined, 'We have to remember the proportion of land to the population in India. A great deal depends upon this proportion. By and large, the average holding in India is pitifully small. If you divide the land among all the people who wanted it, the holding would be even smaller. In this extremely small holding apart from it being often uneconomic, you cannot expect any progressive methods being employed. What are we to do? It seems to me that the only hope lies in cooperative effort, with the State helping, no doubt. But, again, I am anxious to root out this habit of many of our people, ingrained during British times, of relying on someone to do things for them. I am anxious that the cooperative should be a peasants' cooperative, not a state cooperative imposed on the peasant and run by officials. I do not want State officials. I have too much to do with officials and want to see them cover the whole land with State apparatus and thus reduce the initiative of the peasant. I believe the only way out is to develop a sense of cooperation among our peasantry for real cooperation along will lead to what are called small cooperatives, each covering a village, or two to three small villages together. The point is that the members of the cooperative should be more or less known to one another' (ibid.).

Report of the Working Group on Panchayats and Cooperatives

The National Development Council (NDC), in its resolution on Cooperative Policy in 1958, recommended that responsibility for social and economic development at the village level should be placed fully on the village cooperative and the village panchayat. These two institutions at the village level and their higher tiers must function harmoniously and play a complementary role to one another. Panchayati Raj has been in operation for some time in a few states and has already thrown up certain problems concerning its relationship with cooperatives (GoI, 1960a). The then Central Government constituted a Working Group under the Chairmanship of S.D. Mishra in the year 1960 to go into the question of their inter-relationship (GoI, 1960b). The main observations of this report are presented below:

- The panchayat should have an important role in promotion and development of cooperative institutions within its area. The panchayat may take up the work of dissemination of information on cooperation through organization of talks and lectures by village leaders and by other means. The panchayat should also help in increasing membership, deposits and share capital of the local cooperative and should see that every family in the area join the service cooperative and gives it full support. Where there is village production plan, the cooperatives should first meet the requirement for purposes figuring in the production plan, before undertaking to provide finance for other purposes. Priority, inter se, of the items of expenditure will be decided by agricultural production committee, consisting of representatives of panchayats and cooperatives.
- Panchayat should be permitted and encouraged to deposit their surplus funds with the service cooperative having regard to local conditions.
- Panchayat should help the cooperative union in its education programme in providing accommodation and in seeing that their programmes receive adequate publicity and are well attended.

- When appropriate functional cooperatives such as irrigation societies, soil conservation societies etc., are available, the panchayat should support and help such cooperatives rather than take up the activities itself. Where such cooperatives do not exist, the function should be taken up by the panchayat as far as it is possible for it to do so.
- With regard to pisciculture, the panchayat should lease out the tanks which belong to it to Fishermen's Cooperatives where they exist without calling for competitive tenders. The rate at which the tanks are leased out to the cooperatives should be determined in such a way that a reasonable return on the investment occurs to the panchayat and a minimum wage to the workers. If cooperatives do not exist, steps should be taken to actively promote such a cooperative of the fishermen. Till such cooperatives come up, the panchayat may undertake pisciculture directly.
- In drawing up the village agricultural production plans, there should be close coordination between the panchayat and the cooperative. For the village agricultural production plan to be realistic, it is necessary to know at least two months before the next cultivating season, the amount of credit likely to be available to members of cooperatives and the extent of supplies that are likely to flow. A procedure should be evolved under which the Central Cooperative Bank and other agencies would give such an indication to the panchayat at right time. The panchayat should take the initiative and draw up the plan, which may be placed before a meeting of the Gram Sabha called specifically for the purpose. The members and office-bearers of the cooperatives should make it a point to participate in this meeting.
- The panchayat, as a body and, the entire managing committee of the cooperative, may meet at least once a quarter to thrash out all common problems. This meeting may be informal in character and may not be enjoined by any statute relating to panchayats or cooperatives.
- The cooperative institutions at district level must be represented in the Zilla Parishad (ZP). The ZP should be represented in the managing committee of the District Cooperative Banks and the District Cooperative Union.

- The ZP should maintain close collaboration with the District Cooperative Unions for dissemination of cooperative knowledge and for helping the latter in making arrangements for training camps.
- While PRIs should invest all their surplus funds in the cooperatives at the appropriate level, there is no particular advantage in such institutions taking shares in the cooperatives even out of their own resources.
- The panchayat should take a general promotional interest in the marketing cooperatives.
- The panchayat should help Cooperative Processing Societies by allotting suitable land for them and by sponsoring their applications for licences. They should also coordinate the expansion of processing industry with programmes for village industries.
- The panchayats and their higher organizations have a special responsibility for helping cooperative farming societies within their area.
- Works programmes of panchayats should be executed either through genuine labour cooperatives or through community effort in the village. Panchayats should take a positive interest in the promotion of Labour Cooperatives as important instruments for providing employment in the rural areas and reducing costs of construction.
- Artisans should be encouraged to come into cooperatives and the help available for them in the block budget should be channelized exclusively through cooperatives. The panchayat should give favourable treatment to the Artisans' cooperatives in the matter of allotment of land, etc.
- Panchayats should make efforts to set up housing cooperatives in selected villages and materials like bricks, doors, windows and other components may be produced by cooperatives of artisans.

Similarities between Panchayati Raj Institutions and Cooperatives

The earlier planners, particularly those who formulated the first four Five Year Plans, envisaged village panchayats and village cooperatives as best to institutionalize village people (Mehta,

1978). The panchayat symbolized political democracy and cooperative economic democracy. It was Nehru, who thought these two institutions, working in union, would be ideal to strengthen democratic character of planning and sustain in the long run the process of economic development and establish local self-government.

The similarities between the panchayat and village cooperative (Jakhar and Dwivedi, 2012) are:

- The common objective to promote peoples' welfare, particularly of the poor.
- Both have Constitutional support and recognition. The Constitution has laid down under the Directive Principles of State Policy that 'State shall take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as unit of self-government.' The Constitution (97th Amendment) Act 2011, enshrines the right to form cooperative societies as a Fundamental Right.
- The panchayat and cooperative have distinct legal identity being registered under respective Acts, viz. State Panchayati Raj Act and State Cooperative Societies Act.
- Both the institutions have, in principle, democratic character and functioning.
- Leadership of people of dedication and moral integrity is a precondition for the success of both the institutions.
- Transparency in performance and autonomy for decision-making are basic needs of the two.
- Moral and ethical values are the foundation stones of both.
- Both have immense potential for developmental role.

National Cooperative Policy

The National Development Council, in its meeting held on 8 and 9 November 1958, considered the role of the cooperative movement in intensifying agricultural production, in mobilizing local manpower and other resources, and generally, in rebuilding the rural economy. The Council considered that for the development of cooperation as a people's movement, it was essential that cooperatives should be organized on the basis of the village community as the primary unit and that the responsibility and

initiative for social and economic development at the village level should be on the village cooperative and the village panchayat. The Council recommended that in the light of this general approach, all States should take steps to review their present programmes of cooperative development and formulate fresh programmes to be implemented during the next two years. It recognized that conditions differ in different parts of the country and that it will be necessary for each State, according to its conditions, to organize the development of cooperative movement along lines set out in this resolution during the course of the next few years.

To ensure the success of cooperative development programme on the scale visualized here, training programmes should be organized for village leaders who work in village panchayats and cooperatives, for teachers in village schools, and for young men in rural areas who can serve as secretaries of village institutions. It is also necessary to expand training programmes for personnel serving in cooperative departments and to organize refresher courses for village level workers, and other extension workers. Existing cooperative departments in the States are not adequately equipped in field personnel and at the higher levels for organizing a large programme of cooperative development. The NDC hopes that the States will take early steps to strengthen these departments and to bring into the fold of cooperation a larger number of competent and experienced persons, both non-officials and officials. State governments should make it a point to draw an increasing number of non-official workers for honorary service, so that cooperatives retain their dynamism.

The National Cooperative Policy was formulated in 1977 by the Morarji Desai Government. It defined that:

- Cooperatives to be built up as 'instrument of rural economic development';
- Cooperatives to be associated with planning at all levels;
- Cooperative movement to be the 'shield of the weak';
- Regional imbalances to be removed through cooperatives;
- Cooperative movement to be built up as autonomous and self-reliant movement;

- Cooperative democracy to be built up on the basis of enlightened broad-based membership, free from vested interests;
- Cooperative movement to be cleansed of corruption;
- A strong viable and integrated cooperative system to be built in rural areas;
- A network of cooperative agro-processing and industrial units to be built-up with links with growers and consumer cooperatives;
- Consumer cooperative movement to be built to strengthen public distribution system; consumer protection and for price stabilization.
- Cooperative to be promoted as efficient institutions with simple and rationalized procedures;
- To bring professionalized management in cooperatives.

In order to facilitate the execution of the policy, the concerned Ministry had formulated 42 action points relating to each article of the policy mentioned above.

The National Cooperative Policy was again formulated in 2002 by the then BJP Government at the centre (NCUI, 2002). Some of the important aspects of this policy are as follows:

- While upholding the values and principles of cooperation, it recognizes the cooperatives as autonomous 'associations of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises;
- Upholds the preservation of the distinct identity of cooperatives, its values and principles by providing an appropriate environment and taking the required administrative and legislative measures;
- Recognizes the cooperatives as a distinct economic sector and an integral component of the socio-economic system of the country and an effective and potential instrument of socio-economic development. It considers them as essential community initiatives for harnessing people's creative power, autonomous, democratically managed, decentralized, need based and sustainable economic enterprises. Cooperatives will, however, remain the preferred instruments of execution of the public policy especially in the rural area;

- Accepts the need to phase out its shareholdings/equity participation in the cooperatives. It shall, however, endeavour and extend appropriate support for improving financial viability and resource mobilization by harnessing local savings and adequate refinance facility, and to the possible extent providing a policy framework to ensure that there is no discrimination against the cooperatives in the matter relating to resource mobilization to attain financial viability. The cooperatives shall be enabled to set up holding companies/subsidiaries, enter into strategic partnership, venture into futuristic areas like insurance, food processing and information technology etc., and shall be independent to take the financial decisions in the interest of the members and in furtherance of their stated objectives;
- Recognizes the role of the government in ensuring that the benefits of liberalization and globalization in the emerging economic environment are extended to the cooperatives in equal measure through suitable fiscal policies and pledges to provide support and protection to the cooperative movement through suitably designed investment programmes with a view to providing the cooperatives a level playing field vis-à-vis other competing enterprises especially in the field of agro-processing and marketing;
- Undertakes to devise and execute suitable programmes and schemes to build and develop cooperative institutions in the cooperatively underdeveloped states/regions with particular reference to the North-East states including Sikkim;
- Recognizes need to support the cooperative movement to develop human resources, cooperative education and training, appropriate technologies and infrastructural facilities so as to promote professional management in cooperatives particularly at the primary level, for their functional and operational efficiency. It may also include the introduction of a section on cooperatives in the school curriculum;
- Undertakes to bestow autonomy upon cooperatives to follow appropriate personnel policies, including those relating to recruitment, promotions and other such matter with due emphasis on quality and transparency;

- Undertakes to introduce required electoral reforms through legislative measures. Elections to cooperative societies should be held through an independent authority like the State Election Commission.

Approaches under Various Five Year Plans²

The approach of the Five Year Plans in respect of the panchayats was to frame programmes of production in the village, act as a channel, undertake common working and promote cooperative societies and also associate with the cooperatives in framing the budgets of requirements for supplies and finance for carrying out programmes. It was envisaged that the cooperatives would play an important role in specific and practical tasks of reclaiming land, provide resources for better cultivation and marketing the produce of villagers. It was clearly mentioned that the cooperatives need to conform to the principle of business management and economical working and were conceived as instruments of democratic planning. Cooperative farming was also recognized in the development of cooperatives. The cooperatives were conceived as an agency to organize the village and small industries so as to enable them to market their products within and outside the rural area. In the concept of rural extension, PRIs (Village Panchayats, Panchayat Samitis, ZPs) and cooperative organizations were to function with the support and assistance of various developmental agencies of the government working together as a team. The cooperatives were recognized as appropriate agencies of national policy since their operations are expected to be informed with a social purpose. As democratic organization, they were to meet the needs of the weaker among the members and frame appropriate policies and procedures through the federal level organizations at higher level.

The role of PRIs was widened with the passage of the 73rd Constitutional Amendment as several functions were transferred. Similarly, the 97th Constitutional Amendment was passed in 2011. Thus, constitutionally, the cooperatives as well as panchayats have to shoulder the responsibility and play a very important role as grassroot level institutions in the process of development.

From the first Five Year Plan to Fourth Five Year Plan, the documents specifically mention the role of cooperatives and panchayats. Thereafter the role of panchayats has been recognized. However, in the subsequent plan, the role of cooperatives has not been included. One wonders what made the planners exclude the role of cooperatives while all over the globe their role has been recognized and widely acknowledged. The role of various types of cooperatives such as credit, housing, labour societies, handloom cooperatives, sugar factories, spinning mills needs to be reckoned. Of course, one admits there are weaknesses in the cooperatives, which needs to be rectified. As the government has given a specific role for the cooperatives, it is high time that the panchayats and cooperatives, which are considered the pillars of democracy, need to coordinate and build a pro-active role in development. Kerala state has introduced decentralized planning and here cooperatives do play a limited role.

Relationship between Panchayats and Cooperatives

The PRIs are expected to take up the overall view of the economic and social well-being of the people, while the cooperatives have to meet the economic requirements. Thus, the relationship between the PRIs and cooperatives should be coordinative in nature. There are five broad patterns of functional relationship between the PRIs and the cooperatives:

1. Functions which could more appropriately and effectively be discharged by cooperative institutions.
2. Functions requiring concurrent and conjoint action of Panchayati Raj and cooperative institutions.
3. Cooperatives functioning as agents of PRIs.
4. Functions with respect to which cooperatives require facilities from the PRIs.
5. Functions in which cooperatives participate are essentially the responsibility of PRIs.

The promotional and coordination activities like motivation and organization of cooperatives should be undertaken by the PRIs and the regulatory functions should be done by the cooperatives themselves. Representation from the cooperatives on the

PRIs will be helpful in providing an institutional dialogue between the PRIs and the cooperatives. Integration of rural-urban areas in a balanced reciprocity of economic and social growth can be achieved by linking up the rural areas with urban focal points. Replacement of small panchayats, by the larger mandal panchayats can help in making the relationship between the mandal panchayats and small municipalities more purposive and meaningful; with some amount of equality, they can even enter into formal relationships for supplies and services. The focal points and growth centres will facilitate the merger of small municipalities with the mandal panchayats. For the purpose of composite planning, the district plan should encompass the developmental aspects of urban areas and the civic aspects of rural areas. The representation of the municipalities in ZP and other appropriate areas will strengthen the process of urban bodies integrating their work with that of the mandal panchayats. Smaller municipalities should be treated at par with mandal panchayats for providing benefits flowing through various Special Agencies such as Small Farmers Development Agency (SFDA), Marginal Farmers and Agricultural Labourers Development Agency (MFALDA) to the people living in these towns. PRIs can assist the centre and state-sector corporations and boards, established particularly for commercial activities, with promotional and marketing components. In this context, the role of PRIs would consist of creating the local organization and locating the area-wise specialities while the ZP will be responsible for assessing the overall credit requirements and arranging for its inflow by localizing the needs and locating the areas. Rural electrification is one of the examples, which shows collective working of panchayats, cooperatives and NGOs (Cust et al., 2007).

A study in Madhya Pradesh has observed that while the Public Distribution System (PDS) in the state is largely handled by cooperatives, the same is supervised by the village panchayats. In some cases cooperatives give assistance 'with the knowledge and recommendation of gram panchayat' (Nath, 1997). In a study on *Jatropha* cultivation in Rajasthan, it is reported that 'some panchayats organized women cooperative groups to manage the plantations' (Findlater and Kandlikar, 2011).

Mitra (2001), discussing the trust over PRIs, mentions that the survey data from 1996 reveals that the level of trust in local government is actually higher than other regional or central governments. However, he adds that the effectiveness of Panchayati Raj in terms of trust that people have in it varies widely across India, at a lower end in Bihar and at an upper end over West Bengal and Maharashtra. Discussing the PRIs in Maharashtra, he states that the panchayats became the bastion of local elites, then dominated by the land owning, relatively high-status regional castes. Subsequently, as the political mobilization brought the lower social classes into the political arena, the richer erstwhile social elites fled the panchayats for the higher level political arenas, for lucrative markets abroad, or to take refuge in cooperatives where membership depends on shares. In Maharashtra, the panchayat is an administrative outlet for the largesse of the Welfare State, the more important political decisions and their implementation being more under the control of the regional government, cooperatives, coalitions of agri-business, non-agricultural organizations, NGOs and caste associations.

It is indeed highly essential that the cooperatives and village panchayats have a good working partnership, for the obvious benefits it would confer to the public at large. However, the ground realities suggest that there is neither close collaboration, nor does the ways and means of facilitating such collaboration adequately explored. It is, therefore, pertinent to examine the impediments for their partnership and possible ways of realizing a partnership between them.

Implementers

1. The most important problem is lack of a proper policy framework facilitating collaboration between these two crucial institutions at the village level. It is just a local arrangement where such give and take does exist. In fact state governments have not given any attention to put in place a policy initiative specifying the need for and nature of collaboration between panchayats and cooperatives.
2. The functional domain of these two institutions is generally perceived to be different with scope for them to function in

isolation. While the panchayats generally focus on village level administration and development in general, cooperatives deem it fit to confine themselves to their business activity and responding to the needs of their members.

3. One significant problem is that the panchayat leadership emerges directly from political roots. Even though it is not desirable, panchayat elections are fought almost on party lines and thus a panchayat normally functions with political identities. This builds a distance between panchayat and cooperative, the latter being an economic enterprise.
4. It is observed in many cases that panchayats being part of the government, often think that they are a superior institution to that of a cooperative, which in fact is controlled by the government. Cooperatives on the other hand tend to believe that they are the ones who actually cater to the mundane needs of the people while panchayats, according to many cooperative leaders, are a mere political appendage with no significant role and contribution. Therefore, the two institutions are more often in conflict than collaboration.
5. Cooperatives (and NGOs if any) are generally the only autonomous institution in a village set-up. Most others, like the panchayat, school, hospital and even a bank are mostly government organizations. Cooperative leadership often feels that their institution is superior to and/or there is a need to retain their identity and maintain distance from other government organizations.

Facilitators

1. The most important need is for the state governments to indicate the areas of collaboration and the ways of achieving such collaboration. This is possible only through a policy initiative. Such a policy will create awareness among both the institutions about the need for collaboration and will also bring them closer through an official channel. Once they start working, with closer interaction, it is possible that both the institutions will further explore new possibilities.
2. It is preferable that the leadership should emerge from cooperatives and move towards panchayats. Leadership emerging from an autonomous economic enterprise often are

better informed and will have the ability to take informed decisions. Hence, there is greater possibility for the panchayats to be run more efficiently. This, however, can be made possible only through the choice of the electorate.

3. Panchayats can help cooperatives by providing them with data support, information related to collateral etc. while cooperatives can help panchayats by implementing programmes suggested by panchayats, providing financial contribution to developmental works initiated by panchayats etc.
4. Inter institutional relations, when positive, are sure to develop healthy competition, facilitate transfer of technology and thus enhance efficiency of all the institutions. It is therefore necessary to take steps to create this both among cooperative and panchayat leadership. This may be done either through state initiative or through NGOs.
5. Of course, the most important need is realization on the part of the local populace that no institution can succeed in isolation. Panchayat, through its Gram Sabhas, can bring all people as well as institutional representatives together and facilitate a dialogue to pinpoint on the expectations of people and how collaborations between different institutions can help meeting such expectation.

While panchayats are essential tools of local governance, cooperatives are the pivotal institutions for economic resource mobilization and self-help. Both can succeed better with an effective collaboration. Hence, the need to make conscious efforts to facilitate such institutional partnerships.

The Way Forward

In Kerala, the decentralization process, has enabled the local governments to receive the required resources from various sources for their plan. The total plan size of local governments during 2012-13 was ₹ 8594.96 crore, of which the plan grant from government constituted 7.41 per cent and the rest was from other sources. The share of cooperatives in the year 2012 was five per cent and the same is reduced to one per cent in the year 2013.

The Citizen Charter published by different district panchayats discusses matters related to cooperatives. It promises

the services to cooperative sector. It assures the formation of new cooperatives and the revival of cooperatives. The district panchayats were getting the services Assistant Registrar of Cooperative Societies (ARCSs) on deputation for looking after the services to cooperatives channelized through District Panchayat. However, the present government has discontinued this.

There is no uniform approach towards cooperatives by block panchayat. Separate funds under non-plan are not available. Hence the Block Panchayat Committee in their own interest has to propose certain schemes for cooperatives. The schemes so planned shall be got sanctioned by District Planning Committee (DPC). If DPC raises any issues, the project must be submitted before the state coordination committee. The state coordination committee consists of minister for local government, rural development and social welfare.

The GP does not have exclusive programme for cooperatives. The Elamkulam Manakkal Sankaran Namboodiripad (EMSN) housing schemes was implemented through Service cooperatives and now the scheme has been stopped as the Direct Benefit Transfer (DBT) provision is not there for cooperatives.

The role of cooperatives has been recognized in all sectors throughout the globe. In India, there are about 64,930 villages and the total number of GPs in India is about 2,38,617 and the linkage between the cooperatives and panchayats has been discussed in detail. What is required now really is the synergy between the panchayats and cooperatives. The respective departments of the state governments need to have to think seriously and bring out an action plan of coordination between these two important institutions at the grass-roots level.

Notes

1. McKinsey being an MNC Consulting Firm structured the cooperatives across the globe by using Organizational Health Index methodology to understand how the cooperatives performed well even during and after the economic crisis in comparison with PLCs.
2. This section is based on various documents on Five Year Plans published by the Planning Commission, New Delhi.

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