



DIPLOMA IN RURAL DEVELOPMENT

DRD-04

Rural Development Institutions & Entrepreneurship

Block

1

INSTITUTIONS OF RURAL DEVELOPMENT

Unit – 1

Panchayat Raj Institutions (PRIs)

Unit – 2

Participatory Development

Unit – 3

Cooperative Institutions



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 Bhubaneswar, Odisha

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 Ravenshaw University, Cuttack, Odisha

Dr. M.G.Bage (Member)

Associate Professor, Dept. of Rural Development,
 Utkal University, Bhubaneswar, Odisha

Ms. Dipti Ray (Member)

Assistant Professor, Dept. of Rural Management,
 NISWASS, Bhubaneswar, Odisha

Dr. Rabindra Garada (Special Invitee)

Associate Professor, Dept. of Rural Development,
 Utkal University, Bhubaneswar, Odisha

Sri S T Rehman (Convenor)

Academic Consultant (Rural Development),
 Odisha State Open University,
 Sambalpur, Odisha

DIPLOMA IN RURAL DEVELOPMENT

Course Writers:

Dr.Ashish Ku. Das

Retd. Head of the Department
 Department of Political Science and Public Administration
 Nilgiri College (under Utkal University), Odisha

Unit – 1

Panchayati Raj Institutions (PRIs)



Learning Objectives:

After completion of this unit, you should be able to:

- *Explain the concept of Panchayati Raj Institutions*
- *Understand the historical backdrop of evolution, structure and functions of PRIs*
- *Differentiate the structure and functions of the three tier system of Panchayati Raj Institutions in India*

Structure:

- 1.1 Introduction
- 1.2 Evolution of Panchayati Raj Institutions (PRIs)
- 1.3 Structure of Panchayati Raj Institutions (PRIs)
- 1.4 Functions of Panchayati Raj Institutions (PRIs)
- 1.5 Salient Features of 73rd Constitutional Amendment
- 1.6 Self Assessment Questions
- 1.7 Let Us Sum Up
- 1.8 References

1.1 Introduction:

A very significant influence over the years on Government and public leaders in regard to development of rural local self-government has been the philosophy of Mahatma Gandhi, the father of the Indian nation, who advocated the revival of the traditional panchayats so that ***Gram Swaraj*** can become a reality. In his writings and statements he drew attention of the people and government to the urgent need for building panchayats as instrument for the governance of the country and rebuilding the village as self-sufficient and self-reliant entities with the village panchayat playing the central role in encouraging and supporting productive and creative activities among the people. According to him, greater the power of the

panchayat the better for the people as true democracy has to work from below by the people of every village. Panchayati Raj approach thus became the objective of local self-government in India.

The Community Development Programme (CDP) 1952 and the National Extension Service was introduced in 1953 to implement Community Development Programme. The introduction of the Community Development Programme (CDP) in 1952 was a major step for bringing about economic development and social welfare in rural India. For this, it was considered necessary to develop adequate administrative set-up, which could promote people's welfare and cope with the problems of development at the local level. The National Extension Service (NSE) followed the Community Development Programme through which the CD programme was sought to be implemented in the newly created 'Block' consisting of a number of villages in 1953.

The rational and philosophy of these programmes were to implement the socio-economic development programmes by the people under the guidance and financial assistance of the government.

The Planning Commission strongly advocated making the panchayats as the nucleus of the planning and implementation of schemes of the Community Development Programme and the National Extension Service, and suggested steps for reorganizing the administrative set-up so as to galvanize public opinion and develop the spirit of self-help and local initiative of the people.

1.2 Evolution of Panchayati Raj Institutions (PRIs)

(i) Balwant Rai Mehta Committee

The National Development Council appointed a Committee on Plan Projects to look into this problem. This Committee appointed a study team in 1956 under the

Chairmanship of a senior legislator, Balwant Rai Mehta, to review critically Community Development Projects and National Extension Service and suggest measures needed for effecting economy and improving efficiency in their implementation. The team was also asked to examine, “the extent to which community development movement has succeeded in utilizing local initiatives and in creating institutions to ensure continuity in the process of improving economic and social conditions in rural areas”.

To sum up, the basic principles emphasized by the Committee were:

1. There should be a three-tier structure of local self-governing bodies from the village to the district, with organic linkage among them well defined and practical.
2. Adequate administrative powers may be entrusted to these bodies to avoid excessive state control.
3. There should be real transfer of power and responsibilities to them so that they can discharge their duties effectively.
4. Adequate resources should be transferred to the new bodies to enable them to discharge their responsibilities.
5. All developmental programmes should be implemented through these bodies.
6. The system evolved should aim at further devolution and dispersal of responsibilities in future in the real sense.
7. State Government should not duplicate their functioning.

After acceptance of these recommendations by the National Development Council (NDC), the State legislatures passed legislations to create these bodies in their states. Different States created different types of structures keeping in view the existing structure as well as the requirements of the states. These legislations provided for development of districts as the main unit. Simultaneously, these bodies were given enough powers not only to raise resources but also to requisition the machinery at the district and lower levels to implement

development plans of Panchayat Raj Institutions (PRIs). The idea of decentralization was again reiterated in the Third Five-Year Plan and it was proposed that the States should formulate their annual plans, at least in the following activities on the basis of district and block level plans:

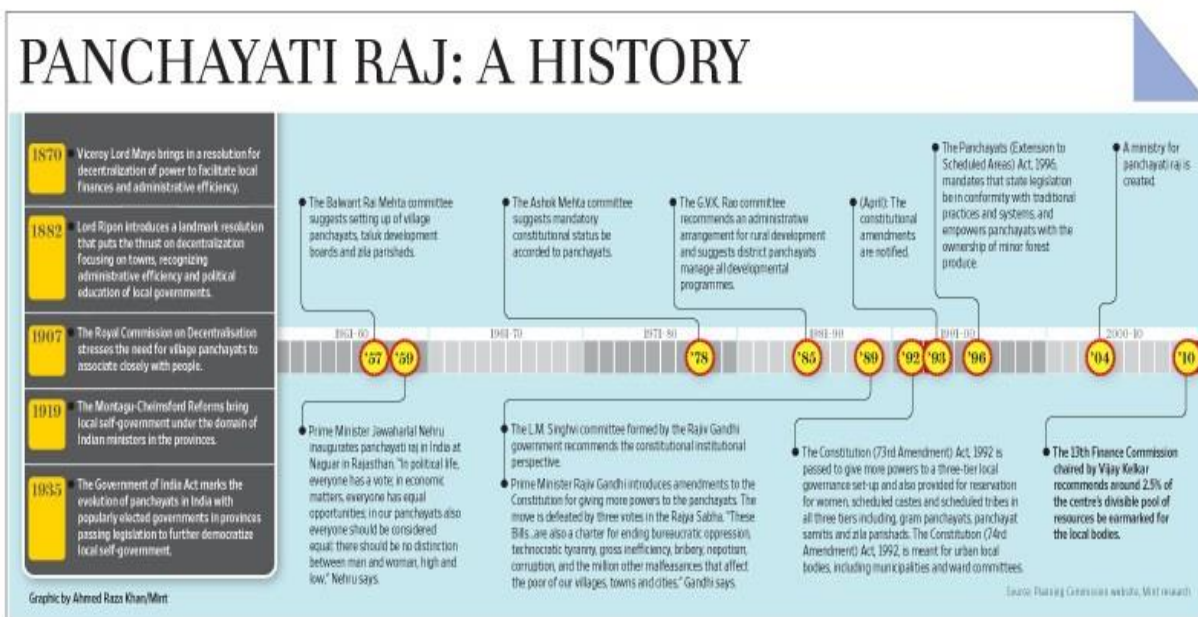
1. Agriculture, including minor irrigation, soil conservation, village forests, animal husbandry, dairying etc.;
2. Development of co-operatives;
3. Village industries;
4. Elementary education, especially provision of school buildings for local communities;
5. Rural water supply, programme of minimum rural amenities, including construction of approach roads linking each village to the nearest road for rail head; and
6. Works/programmes for fuller utilization of manpower resources in rural areas.

(ii) Ashok Mehta Committee

During the same period, another committee, headed by Ashok Mehta, was appointed to inquire into the working of the Panchayat Raj institutions and to suggest measures to strengthen them so as to enable the decentralized system of planning and development to be effective. Ashok Mehta Committee felt that development work in future needs intricate designing and greater co-ordination, which would be unwise to attempt at the State level. It also suggested that district planning unit consisting of a professionally qualified team should be placed with the ZP.

The Ashok Mehta Committee concluded that, “a number of developments in the past have conspired to undermine the Panchayati Raj structures and make them ineffective”. In fact, “Except in Maharashtra and Gujarat, the PRIs have been merely given an opportunity to take up planning or implementation work on a sizeable scale”.

The Planning Commission again set-up a Working Group on district planning under the chairmanship of C.H. Hanumantha Rao. The Working Group submitted its report in 1984, recommending the ‘stages approach’ to district planning. The Seventh Plan document (1985-90) re-affirmed its faith in the process of decentralization and resolved to follow the process on the lines suggested by the Rao Committee. In 1985, the Planning Commission appointed a committee under the chairmanship of G.V.K. Rao to review existing administrative arrangements for rural development and to suggest appropriate structural mechanism to activate PRIs.



Source: www.slideshare.net

(iii) L.M. Singhvi Committee:

In 1986 appeared the L.M. Singhvi Committee Report submitted at the instance of the Ministry of Rural Development. After tracing the growth and development of democratic decentralization, the Singhvi Committee resurrected the nearly forgotten Gram Sabha, comprising all the inhabitants of a village and called it as the embodiment of direct democracy.

(iv) Sarkaria Commission:

The Sarkaria Commission on Centre-State Relations (1988) did not favour the idea of L.M. Singhvi Committee recommendations to confer constitutional status to the PRIs. The Commission advocated that the power of enacting any law on the Panchayats vests with States. Uniformity in these aspects of the law throughout the territory of India is essential. The uniformity can be secured by adopting in the following order of preference any of the alternatives given below.

- (i) By law with respect to this matter made by all the State Legislatures in accordance with a model bill prepared on the basis of consensus at the forum of the Inter-State Council, recommended by us to be established under Art. 263.
- (ii) By a law on this subject made by Parliament under Art. 252 (1) with the consent of the Legislatures of all the States.
- (iii) By a parliamentary law uniformly applicable throughout India containing provisions analogous to Articles 172 and 174 of the Constitution.

1.3. Structure of Panchayati Raj Institutions (PRIs)

Hitherto, the question of decentralized planning has been restricted to one of planning techniques but it needs to be extended to the whole process of socio-political changes. The electorate, elected representatives and the bureaucracy, have to jointly create an environment conducive for these institutions to take roots. As the economy develops and the functions of government expand, it is no longer possible for the central guidance cluster to deal with all the day-to-day administrative problems and to meet the critical situations, which are constantly arising. It is generally recognized that too great a concentration of power with the central guidance cluster causes delay, increases costs, reduced efficiency, limits initiative, discourages innovation and causes the cluster itself to become a bottleneck in the process of development. Hence, there are at least six areas where

local government empowerment is sought to be achieved through constitutional means”. These are:

- (i) Typology and Size,
- (ii) Electoral representation,
- (iii) Institutional existence and autonomy.
- (iv) Local functions,
- (v) Local finance, and
- (vi) External accountability.

While ‘social audit and transparency’ in the functioning of PRIs is crucial for evoking people’s participation, the institutional structure should support financial and administrative devolution of power. While rural development necessitates decentralization, political compulsions, many a times pull towards centralization. Political parties in power are always uncertain of their position. So they tend to resist and resent any attempt at setting up of local organizations outside their control. The Central and State leaderships look with suspicion at the emergence of any strong decentralized institutional political leadership and hence evolve ways and means of controlling the power and authority of the local government.

1.3.1 Structure of the Three-tier System of Panchayati Raj in India

1. Village Panchayat:

In the structure of the Panchayati Raj Institutions, the village Panchayat is the lowest unit. There is a Panchayat for each village or a group of villages in case the population of these villages happens to be too small. The Panchayat chiefly consists of representatives elected by the people of the village.

As regards the principal functions performed by the Village Panchayat, they include maintenance of roads, wells, schools, burning and burial grounds, sanitation, public health, libraries, reading rooms, community centre etc.

The Panchayat also keeps records of births and deaths. It makes necessary provisions for the promotion of agriculture and animal husbandry, cottage

industries, co-operative societies etc. The minor disputes among residents of village are also settled by the Village Panchayat.

It seeks to ensure a minimum standard of cultivation for raising agricultural production. In addition, the Panchayat also acts as the agent of the Panchayat Samiti in executing schemes of development at the village level.

2. Panchayat Samiti :

The Panchayat Samiti is the second tier of the Panchayati Raj System. The Balwant Rai Mehta Committee report had envisaged the Samiti as a single representative and vigorous democratic institution to take charge of all aspects of development in rural areas. The Samiti, according to the Committee, offers “an area large enough for functions which the village Panchayat cannot perform and yet small enough to attract the interest and services of residents”.

Usually a Panchayat Samiti consists of 20 to 60 villages depending on area and population. The average population under a Samiti is about 80,000 but the range is from 35,000 to 1,00,000. The Panchayat Samiti generally consists of (1) about twenty members elected by and from the Panches of all the Panchayats falling in the block area; (2) women members and one member each from the Scheduled Castes and Scheduled Tribes to be co-opted, provided they do not get adequate representation otherwise; (3) two local persons possessing experience of public life and administration, which may be beneficial for the rural development; (4) representatives of the co-operative working within the jurisdiction of the block; (5) one representative elected by and from the members of each small municipality lying within the geographical limits of a block; (6) the members of the State and Union legislatures representing the area are to be taken as associate members.

The president of the Panchayat Samiti is the Pradhan, who is elected by an electoral college consisting of all members of the Panchayat Samiti and all the Panchayats of the Gram Panchayat failing within the areas. Besides the Pradhan, the Up-Pradhan is also elected. The Pradhan convenes and presides over the

Panchayat Samiti meetings. He guides the Panchayats in making plans and carrying out development programmes.

He ensures the implementation of the decisions and resolutions of the Samiti and its Standing Committees. He exercises administrative control over the Block Development Officer (BDO) / Vikas Adhikari and his staff. He is a member of the Zilla Parishad by virtue of his office as a Pradhan. He is the ex-officio Chairman of the Standing Committees of the Samiti.

As the Chief Executive Officer of the Panchayat Samiti, the Block Development Officer (BDO) is entrusted with the responsibility for implementing the resolutions of the Samiti and its Standing Committees. He prepares the budget of the Samiti and places it before the Samiti for approval. Preparing the annual report of the Samiti and sending it to the Zilla Parishad and State Government also comes within the purview of his responsibility. He is accountable to the President of the Samiti for his actions.

The principal function of the Panchayat Samiti is to co-ordinate the activities of the various Panchayats within its jurisdiction. The Panchayat Samiti supervises the work of the Panchayats and scrutinizes their budgets. It also reserves the right to suggest measures for improving the functioning of the Panchayats. The Samiti is charged with the responsibility of preparing and implementing plans for the development of agriculture, animal husbandry, fisheries, small scale and cottage industries, rural health etc.

On the face of things it may appear that the Panchayat Samiti enjoys enormous powers. But the reality is something different. It has no independence in instituting special programmes or development projects of its choice. It simply carries out the directives of the State Government pertaining to specific projects.

Furthermore, the primacy of the non-elected members of the Samiti over the elected members amounts to a mockery of democracy so far as democratic decentralization is concerned. Despite all these it cannot be gainsaid that the

Panchayat Samiti serves as a launching pad for the political leaders for higher responsibilities at the district and state levels.

3. Zilla Parishad:

The Zilla Parishad stands at the apex of the three-tier structure of the Panchayati Raj System. Generally, the Zilla Parishad consists of representatives of the Panchayat Samiti; all the members of the State Legislature and the Parliament representing a part or whole of the district; all district level officers of the Medical, Public Health, Public Works, Engineering, Agriculture, Veterinary, Education and other development departments.

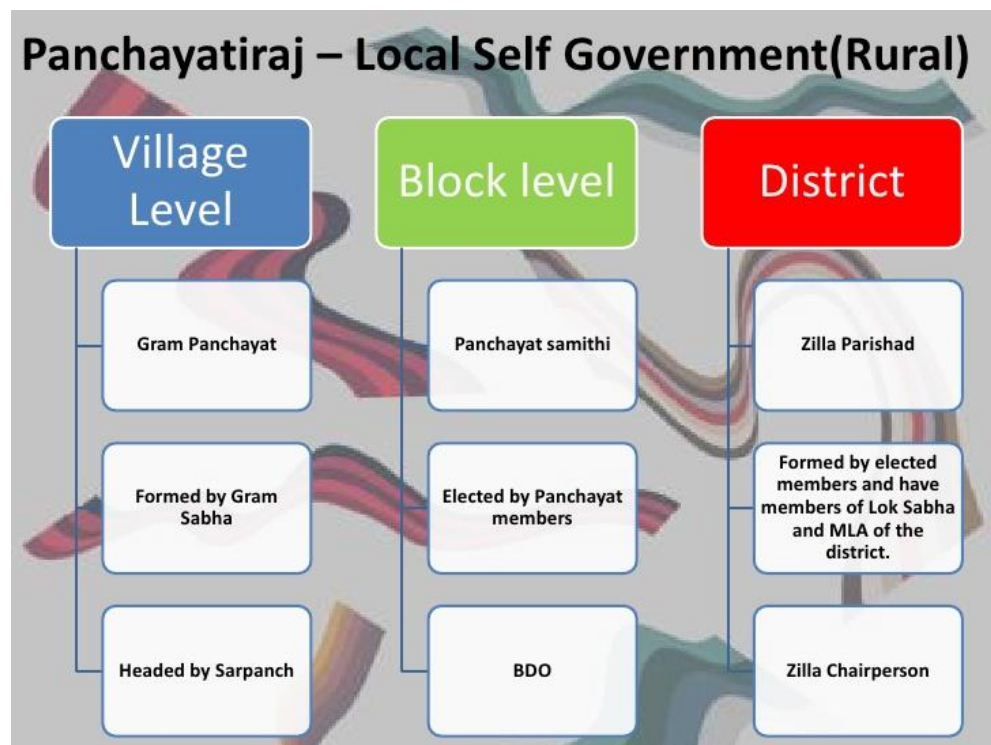
There is also a provision for special representation of women, members of Scheduled Castes and Scheduled Tribes provided they are not adequately represented in the normal course. The Collector is also a member of the Zilla Parishad.

The Chairman of the Zilla Parishad is elected from among its members. There is a Chief Executive Officer of the Zilla Parishad. He is deputed to the Zilla Parishad by the State Government. There are subject matter specialists or officers at the district level in all the states for various development programmes.

The Zilla Parishad, for the most part, performs co-ordinating and supervisory functions. It coordinates the activities of the Panchayat Samitis falling within its jurisdiction. In certain States the Zilla Parishad also approves the budgets of the Panchayat Samitis.

The Zilla Parishad also renders necessary advice to the Government with regard to the implementation of the various development schemes. It is also responsible for the maintenance of primary and secondary schools, hospitals, dispensaries, minor irrigation works etc. It also promotes local industries and art.

The finances of the Zilla Parishad consist of the grants received from the State Government and share among in the local governments.



Structure of the Three-tier System of Panchayati Raj in India

Source: www.slideshare.net

1.4. Functions of Panchayati Raj Institutions (PRIs)

POWERS AND FUNCTIONS OF GRAM PANCHAYAT

Primary Functions:

The Panchayat Act specifies the functions, powers and duties of the Gram Panchayats. A Gram Panchayat shall provide for:

1. Sanitation, conservancy and drainage and the prevention of public nuisances;
2. Curative and preventive measures in respect of any epidemic,
3. Supply of drinking water and disinfecting the sources of supply and storage of water;
4. The maintenance, repair, construction and protection of public streets;
5. The removal of encroachments of public streets or public places;

6. The management and care of public tanks;
7. Organizing voluntary labor for upliftment of its area;
8. The control and administration of the Gram Panchayat Fund;
9. The imposition, assessment and collection of the taxes, rates or fees;
10. The maintenance and control of Dafadars and Chowkidars;
11. Administration of Nyay Panchayat, etc.

Other Functions assigned by the State Government:

A Gram Panchayat is to perform such functions in respect of:

1. Primary, Social, technical, vocational, adult or non-formal education;
2. Rural dispensaries, health centers, maternity and child welfare centers;
3. Management of any public ferry.
4. Irrigation;
5. Grow-more-food campaign;
6. Rehabilitation of displaced persons;
7. Improved breeding of cattle;
8. Bringing waste land under cultivation through land improvement and soil conservation;
9. Promotion of village plantations, social forestry and farm forestry;
10. Arranging for co-operative management of land;
11. Assisting the implementation of land reform measures;
12. Rural housing programs;
13. Rural electrification;
14. Women and child development;
15. Implementation of such other schemes as entrusted to the Gram Panchayats by the Government, etc.

Optional Functions:

A gram Panchayat may make provision for:

1. Maintenance of lighting of public streets;
2. Planting and maintaining of trees on the sides of public streets;

3. The sinking of wells and excavation of ponds and tanks;
4. The introduction and promotion of cooperative farming and enterprises;
5. The construction and regulation of markets;
6. The promotion and encouragement of cottage, khadi, village and small-scale including food processing industries;
7. The destruction for rabid or ownerless dogs;
8. The disposal of unclaimed cattle's;
9. The construction and maintenance of dharmasalas, rest houses, cattle sheds and cart sheds;
10. The establishment and maintenance of libraries and reading rooms;
11. Promotion of dairy-farming and poultry;
12. Promotion of fishery;
13. Cultural activities including the sports and games;
14. Social welfare of the handicapped and mentally retarded;
15. Welfare of socially and educationally backward classes;
16. Maintenance of community assets etc.

Functions of Panchayat Samiti:

The Panchayat Samiti meets at regular intervals to take stock of the activities and discuss developmental matters of local interest. Broadly, the functions of the Panchayat Samiti can be classified as:

1. Delegated function,
2. Community development function, and
3. Supervisory functions.

1. Delegated functions: The delegated functions include implementation and co-ordination of policies of development as determined by the state government. It is through the Samitis that the state government implements the developmental projects in the grass-root level and associates the people with such activities.

2. Community Development Function: The function of community development include the planning and implementation of social welfare programs especially in the field of

- agriculture,
- irrigation,
- cottage and small scale industries,
- co-operatives,
- education, etc.

Through this programme the Samiti gets a chance to tackle the peculiar problems of the area and provides an opportunity to experiment developmental projects for the area.

3. Supervisory Functions: The Panchayat Samiti has another very important function of supervising the work of the Gram Panchayats within the block. It may also examine and modify the budget of the Gram Panchayats.

This mid level unit of Panchayat Raj system works as an instrument of democratic decentralization of power. The seeds of developmental projects in the rural sectors are actually shown through these bodies which work as a link between the other two tiers of the system.

Functions of Zilla Parishad:

Zilla Parishad is located at the apex of the Panchayat System at the district level. It consists of the Chairman of the Panchayat Samities as ex-officio Members, M.L.As, M.Ps. of the area. Representatives of women, scheduled castes and tribes and backward class are co-opted as members.

The representatives of co-operative societies in the area like co-operative central bank and marketing society are nominated to Zilla Parishad to act as official members. The chairman and Vice-chairman are elected by the Chairman of Panchayat Samitis in the district.

Functions:

The main functions of the Zilla Parishad may be categorized as:

- 1) Development,
- 2) Civic,
- 3) Welfare,
- 4) Coordinative,
- 5) Supervisory,
- 6) Financial and
- 7) Advisory.

1. **Development Functions:** The developmental function includes looking after developmental work in the district and secures the execution of developmental projects and other activities in the blocks under the district. The problems and difficulties arising out of the execution of the projects are discussed at the apex body which finds out ways and means to solve them through negotiation with the state government.
2. **Civic Activities:** Construction and maintenance of public roads, bridges, culverts, parks and water supply system come under the civic activities of Zilla Parishad.
3. **Welfare Functions:** Establishment of markets, running of public libraries, dispensaries, public health and family planning centers, providing relief in times of calamities is some examples of its civil welfare activities.
4. **Coordinative:** The Zilla Parishad also works as the chief coordinator of the activities of the Panchayat Samities in the block level. It is through the blocks that the districts prosper. Therefore the Zilla Parishads coordinate and consolidate the developmental projects in the block levels.
5. **Financial Functions:** It has financial functions also It examines and approves the budgets of the Panchayat Samities and distributes funds to them. It exercises financial control over the Panchayat Samities and the Village Panchayats.
6. **Advisory Functions:** By virtue of working with the other two levels of Panchayati System it is in a position to advice the state government about the activities to be taken up at the grass-root level. The advice offered to the state government in right earnest can ever be hardly overlooked or neglected.

1.5. Salient Features of 73rd Constitutional Amendments

The provisions of the act were divided into two sub-parts:

1. **Compulsory Provisions** – The compulsory provisions of the act have to be included in the state laws creating the new Panchayati Raj System. These provisions include:

Organisation of Gram Sabha:

- Creation of three-tier Panchayati Raj at District, Block and Village level.
- All the seats in Panchayati Raj shall be filled by people chosen by direct elections from territorial constituencies in panchayat areas.
- Minimum age for contesting for elections to panchayats is 21 years, for fixed 5 years’.
- Reservation of seats for SC/ST in panchayats shall be in proportion of their population
- Reservation of women in Panchayats is up to 33%
- Each state is to constitute a state election commission to conduct elections and state financial commission every 5 years to review financial positions of the panchayats.

2. Voluntary Provisions: The voluntary provisions may be included at the discretion of the states. These provisions include:

- Providing reservation for backward classes.
- Giving voting rights to members of union and state legislatures in these bodies.
- Giving panchayats financial autonomy and powers to levy taxes, fees etc.

Salient Features of the 73rd Amendment Act 1992:

- This means that all the persons registered in the electoral rolls of a village is the Gram Sabha.
- This is a village assembly consisting of all the registered voters in a Village Panchayat.
- The Gram Sabha functions are determined by the state legislature.

Establishment of 3-tier Structure:

- The act provides for the establishment of a 3-tier Panchayati Raj structure at the state level and this system is to be the uniform throughout the country.
 - Village Panchayat (Village Level)
 - Mandal Panchayat (Panchayat Samitis at Block Level)

- Zilla Parishad (District Level)
- But, a state with a population not exceeding 20 Lakh may not constitute Mandal Panchayat. It means the states with a population less than 20 Lakh may constitute only Village Panchayat and Zila Parishad.
- Members of Rajya Sabha, Lok Sabha and State Assembly in district may be included in the panchayat in which he / she registered as an elector.

Elections of Members and Chairperson:

- All the members of the Panchayats at all levels (i.e. Village, Mandal and District levels) shall be elected directly by the people.
- The manner and procedure of election of Chairperson at the village level (Sarpanch or President) is determined by the state legislature.
- The Chairpersons of Mandal Panchayat (Mandal President) and Zilla Parishad (Chairman) shall be elected directly from amongst the elected members.
- A district (Zilla) is divided into number of ZPTCs (Zilla Parishad Territorial Constituencies). AZPT member is directly elected by the people. The directly elected ZPTC members from amongst themselves elect the chairman of Zilla Parishad.
- Similarly, each mandal is divided into MPTCs (Mandal Parishad Territorial Constituencies). AMP is elected directly by the People. The President of Mandal is elected by the MPTCs from amongst themselves.
- Hence, except the Zila Parishad Chairman and the Mandal President all the members in the Panchayats are elected directly.

Reservation of Seats:

- Reservation of seats for SCs and STs (at all the 3 levels) shall be in proportion of their population to total population in panchayat area.
- Further, state legislature shall provide for reservation of offices of Chairperson in panchayat at all levels for SCs and STs.
- Further, not less than $\frac{1}{3}^{\text{rd}}$ of total no. of offices of Chairperson in the panchayats at each level shall be reserved for women.

Term of Panchayats:

- The term of office is 5 years.
- The office can be dissolved earlier before the completion of the term in accordance with the procedure prescribed by state law.
- In case of dissolution, election should be conducted before the expiry of the 6 months from the dissolution.
- A Panchayat that is reconstituted after premature dissolution shall continue only for the remaining period.
- Fresh election to the panchayats can be conducted before the expiry of the term of 5 years.

Qualifications:

- Article 243(g) provides that all persons who are qualified to be chosen to the state legislature shall be qualified to be chosen as a member of a panchayat.
- A person who attained the age of 21 years is eligible to contest in the Panchayat elections.

Disqualifications:

- If a person is disqualified under any law for the time being in force for the purpose of elections to the legislature of the state concerned.
- If a person is disqualified under any law made by the state legislature.
- No person can be disqualified on the grounds that he is less than 25 years of age, if he has attained the age of 21 years.
- All questions of disqualifications shall be referred to such authority as the state legislature determines.

Powers, Authority and Responsibilities of Panchayats :

- Article 243(G) and 243 (H): The state legislatures confer on the panchayats such powers and authority as may be necessary to enable them to function as institutions of self-government.
- The panchayats may be entrusted with the responsibilities of :
 - Preparing plans for economic development and social justice.

- Implementation of schemes for economic development and social justice.
- With regard to the subjects that are mentioned in the 11th schedule of the Indian Constitution.
- Thus, the 11th schedule distributes powers between the state legislature and panchayats.
 - State legislature may authorize the panchayats to levy, collect and appropriate taxes, duties tolls, etc.
 - The state legislature can also assign to a panchayat various taxes, duties, etc., collected by the state government.
 - From the Consolidated Fund of the State Grants-in-aid may be given to the Panchayats.

Finance Commission:

- The State Finance Commission is constituted by the Governor every 5 years. It recommends about the division of net proceeds of taxes, duties, tolls and fees leviable by the state may be divided between the state government and the Panchayats and how allocation would be made among various levels of Panchayats.
- The State Finance Commission also recommends about the grants-in-aid to be given to the panchayats.
- The State Finance Commission submits the report along with the memorandum of action taken on it to the Governor. The report of the Finance Commission along with a memorandum of action taken on it is laid before the state legislature by the Governor.

State Election Commission:

- Article 243(K) provides for the constitution of a State Election Commission. The State Election Commissioner is appointed by the Governor and vested with the responsibilities of :
 - Superintendence
 - Direction
 - Control of elections to the panchayats

- Preparation of electoral rolls.
- The State Election Commissioner can be removed in the same manner and on the same grounds as that of a judge of a High Court.
- The State Legislature has the power to legislate on all matters relating to elections to panchayats.
- An election to a panchayat can be called in question only by an election petition which should be presented to such authority and in such manner as may be prescribed by or under any law made by the state legislature.

Exempted States and Areas:

- The President may direct the provisions of this act shall apply to any Union Territory subject to exceptions and modifications as he specifies.
- The 73rd amendment act is not applicable to the states of Jammu and Kashmir, Meghalaya, Mizoram, Nagaland etc.
- The act is also not applicable to Scheduled areas and tribal areas.

1.6. Self Assessment Questions:

Check Your Progress - I

Note: a) Use the space provided for your answers.

b) Check your answers with the possible answers provided at the end of this unit.

1) Write in detail about the names of the committees constituted by Government of India to recommend on PRI.

Ans.

2) When the Sarkaria Commission was constituted by Government of India and why it was constituted?

Ans.

3) Describe the structure of Three Tier system of Panchayati Raj in India?

Ans.

1.7. Let Us Sum Up:

The idea of local self-government had existed in India even in ancient times. Even if we accept its beginning as an organizational concept with Lord Ripon's resolution it is more than a century and two decades old. In its tumultuous career it has seen many ups and downs. In spite of a formal inauguration by the Prime Minister Jawaharlal Nehru in 1959, after the Balwant Rai Mehta Committee recommendation in 1957, these institutions could not take proper roots in the country. Some of the scholars even declared that Panchayati Raj Institutions (PRI) were like failed God. The Janata Government appointed the Ashok Mehta committee to rejuvenate the PRIs. But the 73rd and 74th amendment, which were passed in 1992 and came into force in April 1994, have virtually revolutionized the idea of local self-government-both in rural and urban- by bestowing

constitutional status on them. These amendments were passed in the light of the experience of the Local-Self Governing Institutions in India. They have made a sincere attempt to overcome the limitations faced by these institutions.

The beginning of the idea of decentralization in India as an organizational concept can be traced to Ripon's Resolution in 1882 which aimed at involving the 'intelligent class of public spirited men in the management of rural areas under the British rule. In the years to come district boards and taluka boards were set up with nominated members to look after health, roads and education. But this effort did not succeed in making villages as basic unit of local self-government. A resolution of 1918 restated that the objective of self-government is to train people in the management of their own local affairs. The District Board Act of 1922 led to the reconstitution of the Boards. They were entrusted with the responsibilities of road maintenance, tree planting, hospitals, schools and drainage etc.

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Unit – 2

Participatory Development

Learning Objectives:

After completion of this unit, you should be able to:

- *Analyse devolution of powers of Panchayati Raj Institutions*
- *Describe the role of Panchayati Raj Institutions in Rural Development*
- *Understand the process of evolution of participator development in rural area*

Structure:

- 2.1 Introduction
- 2.2 Devolution of Powers of Panchayati Raj Institutions (PRIs)
- 2.3 Role of Panchayati Raj Institutions (PRIs) in Rural Development
- 2.4 Evolution of Participatory Development
- 2.5 Self Assessment Questions
- 2.6 Let Us Sum Up
- 2.7 References

2.1 Introduction:

The Panchayati Raj in India generally refers to the system introduced by constitutional amendment in 1992, although it is based upon the traditional panchayat system of South Asia. The modern Panchayati Raj and its gram panchayats are not to be confused with the extra-constitutional khap panchayats (or caste panchayats) found in northern India. The Panchayati Raj system was formalized in 1992, following studies conducted by a number of Indian committees on various ways for implementing more decentralized administration.

Mahatma Gandhi advocated panchayati raj as the foundation of India's political system, as a decentralized form of government in which each village would be responsible for its own affairs. The term for such a vision was Gram Swaraj

(“Village Self-Governance”). Instead of it India developed a highly centralized form of government. However, this has been moderated by the delegation of several administrative functions to the local level, empowering elected gram panchayats. There are significant differences between (1) the traditional panchayati raj system, (2) that envisioned by Gandhi, and (3) the system formalized in India in 1992.

In India, the Panchayati Raj now functions as a system of governance in which gram panchayats are the basic units of local administration. The system has three levels: gram panchayat (village level), Mandal Parishad or Block Samiti or Panchayat Samiti (block level) and Zila Parishad (district level). It was formalized in 1992 by the 73rd amendment to the Indian Constitution.

2.2. Devolution of Powers of Panchayati Raj Institutions (PRIs):

Devolution is a form of decentralization which seeks to create independent level of authority of government with functions and responsibilities. It is an arrangement for central or state governments to relinquish some of its functions to the new units of government that are outside its control. This can be achieved by providing for it in the Constitution itself or by ordinary law of the land. One of the major reasons for the failure of the local self-government institutions in India has been half-hearted devolution of powers to them. The 73rd and 74th amendments also contained provisions for the devolution of powers and responsibilities to rural (Panchayati Raj Institutions) and urban (Nagarpalikas) local self-government institutions. These amendments respectively provided that the panchayats at village, block and district levels would have 19 subjects of rural importance as listed in the 11th schedule and municipalities would have 18 subjects of urban importance as listed in the 12th schedule. These amendments bestowed upon the local self-government bodies-both rural and urban-the responsibility to prepare and implement a number of development plans based on the needs of local people. They operationalise the concepts of spatial planning and micro level planning to

facilitate decentralized socio economic development in India. With the help of these powers the local self government institutions are supposed to promote agricultural, industrial, infrastructural and ecological development, poverty alleviation and development of women, children, scheduled and backward castes. These development functions are in addition to the obligatory functions such as ensuring the supply of drinking water, street lighting, maintenance of schools and hospitals etc.

The experience of the PRIs in different states of the country has not been the same. The formal beginning was made when Jawaharlal Nehru inaugurated PRIs at Nagaur in Rajasthan in October 1959. The Rajasthan model of PRIs revolved around the three tiers, village panchayat, panchayat samiti and zilla parishad. The panchayat samiti at the block level was the kingpin of the Rajasthan model. In contrast to the executive role of the panchayat samiti, the zilla parishads were advisory bodies. Maharashtra and Gujarat followed a model in which zilla parishads were nodal point of action as main units of planning, development and administration. In Maharashtra, the zilla parishad executed not only the schemes under Community Development Programme but also a large portion of programmes of various government departments. In Karnataka, after the introduction of panchayat act of 1985, all functions and functionaries of development departments were transferred to panchayati Raj Institutions. The District Rural Development Agencies were merged with the Panchayati Raj Institutions. To give substance to the idea of decentralization, the state budget of Karnataka was split into two providing a separate budget for PRIs. The plans and budgets prepared by Mandal Panchayats could not be altered by Zilla Parishad or state government in Karnataka. Similarly district plans of the zilla parishad could not be touched by the state government. In Andhra Pradesh, the Zilla Parishads endowed with limited functions have shown encouraging results in the field of education. Even in Tamil Nadu PRIs have done a commendable job in the fields of education, water supply, roads and nutrition.

The PRIs had been functioning in West Bengal, Karnataka, Kerala, Maharashtra, Gujarat and Andhra Pradesh with varying degree of success. But the experience in the field of local self governing institutions is qualitatively different after the 73rd and 74th amendments became acts because they made parliamentary democracy in our country participatory in the real sense. These amendments gave substance and meaning to the local self-governing institutions. These amendments removed the bottlenecks from the paths of empowerment of the weaker sections of society like the dalits, tribals and the women. Consequent upon the enactment of the act almost all the states and union territories have enacted their legislation. Elections to the PRIs have been held all over the country. The elections to PRIs in different parts of the country have brought out some encouraging facts. Karnataka sends maximum number of women to the PRIs followed by Kerala and Manipur. Uttar Pradesh ranks the lowest in this regard. Empowerment of women has not been a very smooth affair. There are instances of women members being accompanied by their husbands or a male member of the family. Maharashtra and Madhya Pradesh have earned the distinction of electing all women panchayats. The provision of reservation of seats for Scheduled Castes and Scheduled Tribes has ensured greater representation to people from these sections.

In many of the states local level functionaries of government departments have been placed under the control of panchayats. The governments of Gujarat, Karnataka and Kerala have passed orders to this effect. In Madhya Pradesh recruitment of school teachers have started at the block level and the powers of evaluating their performance and confirmation have been transferred to the PRIs at the block level. Rajasthan and Haryana witnessed strikes by the staffs of veterinary and education departments against the move of the state governments to transfer their services under the control and supervision of panchayats. The Apex district level development agency - District Rural Development Agency [DRDA] is in the stage of its merger with the PRIs in Orissa, MP and Maharashtra. In Karnataka the merger was achieved way back in 1987. The

government of Rajasthan has not been in favour of the merger. Instead it aims at securing effective coordination between DRDA and Zilla Parishad.



2.3 Role of Panchayati Raj Institutions (PRIs) in Rural Development:

India has been a welfare state ever since her independence and the primary objective of all governmental endeavors has been the welfare of its millions. Elimination of poverty, ignorance, diseases and inequality of opportunities and providing a better and higher quality of life were the basic premises upon which all the plans and blue-prints of development were built.

According to Ministry of Rural Development (Govt. of India) “Rural Development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes. Decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged”.

Initially, main thrust for development was laid on agriculture, industry, communication, education, health and allied sectors but later on it was realized that accelerated development can be provided only if governmental efforts are adequately supplemented by direct and indirect involvement of people at the grass root level. Keeping in view the needs and aspirations of the local people, Panchayati Raj Institutions have been involved in the programme implementation and these institutions constitute the core of decentralized development of planning and its implementations. The Ministry is also vigorously pursuing with the State Governments for expeditious devolution of requisite administrative and financial powers to PRI's as envisaged under 73rd Amendment Act of the Constitution of India.

Rural Development:

Development of rural areas has been at the core of planning process in the country and also in the State. Rural Development is a broad, inclusive term which takes in its consideration socio-economic and political development of the rural areas. It includes measures to strengthen the democratic structure of society through the Panchayati Raj Institutions as well as measures to improve the rural infrastructure, improve income of rural households and delivery systems pertaining to education, health and safety mechanisms. Poverty alleviation is a key component of rural development.

Government of India has taken many initiatives for rural development. For this purpose it has setup the Ministry of Rural Development. This Ministry is a nodal department for the two international organizations viz., the Centre for Integrated Rural Development of Asia and the Pacific (CIRDAP) and the Afro-Asian Rural Development Organization (AARDO).

The Ministry consists of the following three Departments:

1. Department of Rural Development
2. Department of Land Resources
3. Department of Drinking Water Supply.

The Department of Rural Development implements schemes for generation of self employment and wage employment, provision of housing and minor irrigation assets to rural poor, social assistance to the destitute and rural roads. Apart from this, the Department provides the support services and other quality inputs such as assistance for strengthening of DRDA Administration, Panchayati Raj Institution, training & research, human resource development, development of voluntary action etc. for the proper implementation of the programmes. The major programmes of the deptt. of Rural Development are

- Pradhan Mantri Gram Sarak Yojana
- Rural Housing

- Swarna Jayanti Gram Swarozgar Yojana
- MGNREGA etc.

The Five year Plans also included following features aimed at rural development.

These are:

- (a) Clear cut agricultural development,
- (b) Animal husbandry, dairy and fishery development,
- (c) Forestry including development of social forestry,
- (d) Agricultural research and education,
- (e) Co-operation and credit,
- (f) Rural development and poverty alleviate
- (g) Irrigation, command area development, flood control,
- (h) Village and small industries, and
- (i) Employment, manpower planning

In April, 1978 Integrated Rural Development Programme (IRDP) was introduced not only to integrate all ongoing programmes pertaining to rural areas but to launch a rigorous drive for eradicating rural poverty and providing economic benefits to landless labourers, marginal farmers and village artisans.

The major thrust of the Fifth Five Year Plan (1980-85) was on strengthening the socio-economic infrastructure of development in the rural areas, alleviating rural poverty and reducing regional disparities.

The Ninth Five Year Plan has focused on four important dimensions of State Policy-quality of life, generation of productive employment, regional balances and self-reliance. With the multi-pronged approach adopted by the Ministry of Rural Development in areas of employment through a wide range of programmes it is hoped that adequate productive employment will be generated to eradicate rural poverty which would lead to significantly better living conditions, Rural development, thus, implies both the economic betterment of people as well as greater social transformation.

Increased participation of people in the rural development process, decentralization and greater access, better enforcement of land reforms and greater access to credit and inputs go a long way in providing the rural people with better prospects for economic development. Improvement in welfare measures like education and health etc. constitute the social aspect of the rural development. Eradicating rural poverty, increase in rural employment and productivity constitutes the main tasks of such development.

The term ‘rural development’ is used in a wider connotation which implies the integrated development of rural areas. Here the emerging focus is the human development which strikes a harmonious balance between the individual, the community and the country and which carried the planning to the grass-root level into the hands of rural people, the beneficiaries, who can meaningfully contribute to its formulation and implementation.

2.4 Evolution of Participatory Development:

Participatory development seeks to engage local populations in development projects. Participatory development has taken a variety of forms since it emerged in the 1970s, when it was introduced as an important part of the “basic needs approach” to development. Most manifestation of PD seek “to give the poor a part in initiatives designed for their benefit” in the hopes that development projects will be more sustainable and successful if local populations are engaged in the development process. Two perspectives that can define Participatory development are the “Social Movement Perspective” and the “Institutional Perspective”.

The “Social Movement Perspective” defines participation as the mobilization of people to eliminate unjust hierarchies of knowledge, power, and economic distribution. This perspective identifies the goal of participation as an empowering process for people to handle challenges and influence the direction of their own lives. Empowerment participation is when primary stakeholders are capable and willing to initiate the process and take part in the analysis. This leads to joint decision making about what should be achieved and how. While outsiders are

equal partners in the development effort, the primary stakeholders are *primus inter pares*, i.e., they are equal partners with a significant say in decisions concerning their lives. Dialogue identifies and analyzes critical issues and an exchange of knowledge and experiences leads to solutions. Ownership and control of the process rest in the hands of the primary stakeholders.

The “Institutional Perspective” defines participation as the inclusion of inputs by relevant groups in the design and implantation of a development project. The “Institutional Perspective” uses the inputs and opinions of relevant groups, or stakeholders in a community, as a tool to achieve a pre-established goal defined by someone external to the community involved. The development project, initiated by an activist external to the community involved, is a process by which problem issues in a community can be divided into stages, and this division facilitates assessment of when and to what degree a participatory approach is relevant. From an institutional perspective, there are four key stages of a development project: Research Stage, Design Stage, Implementation Stage and Evaluation Stage that are defined in later sections of this unit. The institutional perspective can also be referred to as a “Project-Based Perspective”.

Types of Participation:

1. **Participation by consultation** is an extractive process, whereby stakeholders provide answer to questions posed by outside researcher or experts. Input is not limited to meetings but can be provided at different points of time. In the final analysis, however, this consultative process keeps all the decision-making power in the hands of external professionals who are under no obligation to incorporate stakeholders’ input.
2. **Participation by collaboration** forms groups of primary stakeholders to participate in the discussion and analysis of predetermined objectives set by the project. This level of participation does not usually result in dramatic changes in what should be accomplished, which is often already determined. It does, however, require an active involvement in the decision-making process about how to achieve it. This incorporates a

component of horizontal communication and capacity building among all stakeholders – a joint collaborative effort. Even if initially dependent on outside facilitators and experts, with time collaborative participation has the potential to evolve into an independent form of participation.

3. **Empowerment participation** is where primary stakeholders are capable and willing to initiate the process and take part in the analysis. This leads to joint decision making about what should be achieved and how. While outsiders are equal partners in the development effort, the primary stakeholders are *primus inter pares*, i.e., they are equal partners with a significant say in decisions concerning their lives. Dialogue identifies and analyzes critical issues and an exchange of knowledge and experiences leads to solutions. Ownership and control of the process rest in the hands of the primary stakeholders.
4. **Passive Participation** is where primary stakeholders of a project participate by being informed what is going to happen or has already happened. Participation is assessed through feedback, attendance & contribution to the discussion.

A co-operative is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled business. Cooperatives include non-profit community organizations and businesses that are owned and managed by the people who use their services.

In short, a cooperative can be defined as a jointly owned enterprise engaging in the production or distribution of goods or the supplying of services, operated by its members for their mutual benefit, typically organized by consumers or farmers.

The cooperative movement in India owes its origin to agricultural and allied sectors. Towards the end of the 19th century, the problems of rural indebtedness and the consequent conditions of farmers created an environment for the and cooperative societies. The farmers generally found the cooperative movement an

attractive mechanism for pooling their meager resources for solving common problems relating to credit, supplies of inputs and marketing of agricultural produce. The experience gained in the working of cooperatives led to the enactment of Cooperative Credit Societies Act, 1904. Subsequently, a more comprehensive legislation called the Cooperative Societies Act was enacted. This Act, inter alia, provided for the creation of the post of registrar of cooperative societies and registration of cooperative societies for various purposes and audit. Under the Montague-Chelmsford Reforms of 1919, cooperation became a provincial subject and the provinces were authorized to make their own cooperative laws. Under the Government of India Act, 1935, cooperatives were treated as a provincial subject. The item “Cooperative Societies” is a State Subject under entry No. 32 of the state list of the constitution of India.

After India attained independence in August, 1947, cooperatives assumed a great significance in poverty removal and faster socio-economic growth. With the advent of the planning process, cooperatives became an integral part of the Five Year Plans. As a result, they emerged as a distinct segment in our national economy. In the First Five Year Plan, it was specifically stated that the success of the Plan would be judged, among other things, by the extent it was implanted through cooperative organizations.

Evolution:

In 1958 the National Development Council (NDC) had recommended a national policy on cooperatives. Jawaharlal Nehru had a strong faith in the cooperative movement. While opening an international seminar on cooperative leadership in South-East Asia he had said “But my outlook at present is not the outlook of spreading the cooperative movement gradually, progressively, as it has done. My outlook is to convulse India with the Cooperative Movement or rather with cooperation to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the cooperative approach the common thinking of India. Therefore, the whole future of India

really depends on the success of this approach of ours to these vast numbers, hundreds of millions of people”.

The cooperative sector has been playing a distinct and significant role in the country's process of socio-economic development. There has been a substantial growth of this sector in diverse areas of the economy during the past few decades. The number of all types of cooperatives increased from 1.81 lakh in 1950-51 to 4.53 lakh in 1996-97. The total membership of cooperative societies increased from 1.55 crore to 20.45 crore during the same period. The cooperatives have been operating in various areas of the economy such as credit, production, processing, marketing, input distribution, housing, dairy and textiles. In some of the areas of their activities like dairying, urban banking and housing, sugar and handlooms, the cooperatives have achieved success to an extent but there are larger areas where they have not been so successful. The failure of cooperatives in the country is mainly attributable to: dormant membership and lack of active participation of members in the management of cooperatives. Mounting over dues in cooperative credit institution, lack of mobilization of internal resources and over-dependence on Government assistance, lack of professional management, bureaucratic control and interference in the management, political interference and over-politicization have proved harmful to their growth. Predominance of vested interests resulting in non-percolation of benefits to a common member, particularly to the class of persons for whom such cooperatives were basically formed, has also retarded the development of cooperatives. These are the areas which need to be attended to by evolving suitable legislative and policy support.

2.5 Self Assessment Questions:

Check Your Progress - II

Note: a) Use the space provided for your answers.

b) Check your answers with the possible answers provided at the end of

this unit.

1) What do you mean by devolution of powers?

Ans.

2) What is Participatory Development? Explain the main areas of People's participation?

Ans.

2.6 Let Us Sum Up:

Decentralization is the process of redistributing or dispersing functions and powers to the people away from a central location or authority. While centralization, especially in the governmental sphere, is widely studied and practiced, there is no common definition or understanding of decentralization. The meaning of decentralization may vary in part because of the different ways it is applied. Concepts of decentralization have been applied to group dynamics and management science on private business and organizations, political science, law and public administration, economics and technology.

Political decentralization aims to give citizens or their elected representatives more power. It may be associated with pluralistic politics and representative government, but it also means giving citizens, or their representatives, more influence in the formulation and implementation of laws and policies. Depending on the country, this may require constitutional or statutory reforms, the development of new political parties, increased power for legislatures, the creation of local political units, and encouragement of advocacy groups.

- Decentralization, the weakest form of decentralization, shifts responsibility for decision-making, finance and implementation of certain public functions from officials of central governments to those in existing districts or, if necessary, new ones under direct control of the central government.
- Delegation passes down responsibility for decision-making, finance and implementation of certain public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. It involves the creation of public-private enterprises or corporations, or of ‘authorities’, special projects or service districts. All of them will have a great deal of decision-making discretion and they may be exempted from civil service requirements and may be permitted to charge users for services.

- Devolution transfers responsibility for decision-making, finance and implementation of certain public functions to the sub-national level, such as a regional, local, or state government.
- Disinvestment, also called privatization, may mean merely contracting out services to private companies. Or it may mean relinquishing totally all responsibility for decision-making, finance and implementation of certain public functions. Facilities will be sold off, workers transferred or fired and private companies or non-for-profit organizations allowed to provide the services. Many of these functions originally were done by private individuals, companies, or associations and later taken over by the government, either directly, or by regulating out of business entities which competed with newly created government programs.

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Participatory Development

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Unit – 3

Cooperative Institutions



Learning Objectives:

After completion of this unit, you should be able to:

- *Understand the concept of cooperative principles*
- *Describe the role of Cooperative Institutions in Rural Development*
- *Differentiate between different types of cooperatives in Rural Development*

Structure:

- 3.1 Introduction
- 3.2 Cooperative Institutions in India
- 3.3 Concept and Principles of Cooperation
- 3.4 Types and Working of Rural Cooperatives
 - 3.4.1. Rural Cooperative Credit Societies
 - 3.4.2. Marketing Cooperatives
 - 3.4.3. Diary Cooperatives
 - 3.4.4. Weavers Cooperatives
- 3.5 Self Assessment Questions
- 3.6 Let Us Sum Up
- 3.7 References
- 3.8 Self Assessment Questions – Possible Answers

3.1 Introduction:

A cooperative is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled business. Cooperatives include non-profit community organizations and businesses that are owned and managed by the people who use their services.

In short, a coop can be defined as “a jointly owned enterprise engaging in the production or distribution of goods or the supplying of services, operated by its members for their mutual benefit, typically organized by consumers or farmers. Cooperatives frequently have social goals which they aim to accomplish by investing a proportion of trading profits back into their communities”.

3.2 Cooperative Institutions in India:

National Policy and Objectives:

Since independence, a multi-agency approach consisting of co-operatives, commercial banks and regional rural banks-known as institutional credit – has been adopted to provide cheaper and adequate credit to farmers. The major policy in the sphere of agricultural credit has been its progressive institutionalization for supplying agriculture and rural development programmes with adequate and timely flow of credit to assist weaker sections and less developed regions.

The basic objectives of this policy are:

- (a) to ensure timely and increased flow of credit to the farming sector;
- (b) to reduce and gradually eliminate the money lenders from the rural scene;
- (c) to make available credit facilities to all the regions of the country, i.e., reduce regional imbalances; and
- (d) to provide larger credit support to areas covered by special programmes like Pulses Development Programmes, Special Rice Production Programme and the National Oilseeds Development Project.

Institutional credit, as mentioned earlier, refers to the funds made available by co-operative societies, commercial banks, and Regional Rural Banks (RRBs).

Cooperative principles

Cooperatives around the world generally operate according to the same core principles and values, adopted by the International Co-operative Alliance in

1995. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rockdale, England in 1844.

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members-those who buy the goods or use the services of the cooperative – who actively participate in setting policies and making decisions.

3. Members' Economic Participation.

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

5. Education, Training and Information.

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

While focusing on need of the members, cooperatives work for the sustainable development of communities through policies and programmes accepted by the members.

Evolution of Multi-agency Approach:

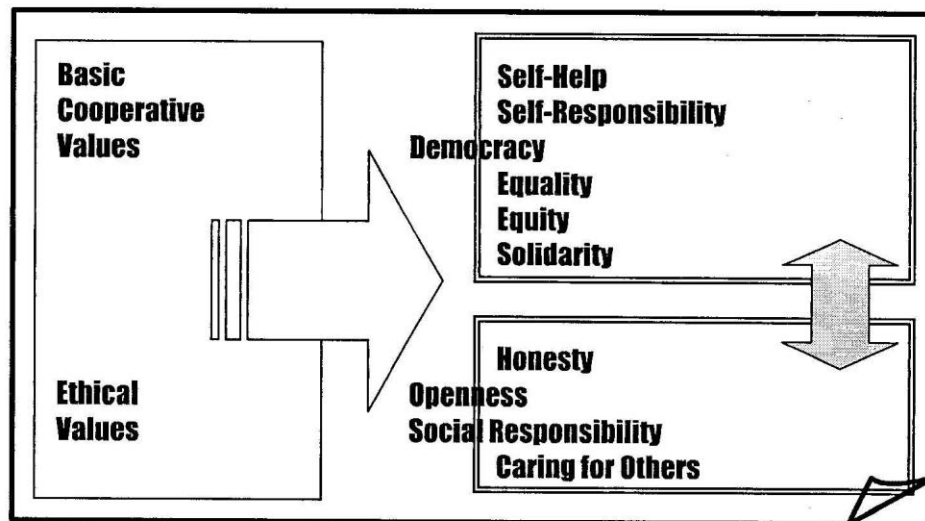
Faced with the serious problem of deteriorating agricultural production and the rapacious money lenders, the Government set up co-operative credit societies and land mortgage banks. Much was expected from co-operative credit movement as it was led by the farmers themselves. A survey of rural credit in 1950-51 showed that the co-operative could meet barely 7 percent of the total credit requirements of farmers, while the money lenders accounted for 93 per cent of the credit needs of the farmers. The All-India Rural Credit Survey committee (1954) stated: “co-operative has failed, but co-operation must succeed”. On the recommendations of this committee, RBI took a series of measures to strengthen the co-operative movement.

The State Bank of India was set up in 1955 to show, among other things, a special concern for agricultural credit. It was the All India Rural Credit Survey Committee (1969) which recommended the adoption of “multiagency approach” to finance the rural sector. For the first time, the Government openly accepted that rural credit could not be met by co-operative societies alone and that commercial banks should play an important role in the rural sector. This was a basic reason for the nationalization of 14 leading banks in 1969. This was followed by the setting up of Regional Rural Banks (RRBs). Thus, the multi agency approach of institutional credit to agriculture was evolved over a period of time.

While RBI was helping the co-operative sector directly, it was felt that the multi-agency approach to rural finance required a special banking institution to coordinate and help all the institutions specializing in rural finance. It was for this reason that NABARD was set up as the apex bank for rural finance in 1982.

3.3. Concept & Principles of Cooperation:

‘Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility caring for others.’



The Cooperative Movement has a deep and distinguished intellectual history. During each of the last ten generations of human history, many theorists in many parts of the world have made major contributions to cooperative thought, and most of that thought has been concerned with ‘**cooperative values**’.

- A) ‘Self Help’ is based on the belief that all people can and should strive to control their own destiny. Cooperators believe that full individual development can take place only in association with others. Individuals also develop through cooperative action by the skills they learn in facilitating the growth of their cooperative. Cooperatives are institutions that foster the continuing education and development of all those involved with them;
- B) ‘Self-Responsibility’ means that members assume responsibility for their cooperative-for its establishment and its continuing vitality. Members have the responsibility of promoting their cooperative among their families,

friends and acquaintances. Members also ensure that their cooperative remains independent;

- C) Cooperatives are based on ‘equality’. Members, whether an individual or a group, are all equal. It does not depend on the social and economic status of the member;
- D) Achieving ‘equity’ with a cooperative is continuing, never-ending challenge. It also refers to how members are treated within a cooperative. They should be treated equitably in how they are rewarded for their participation in a cooperative, normally through patronage dividends, allocation to capital reserves in their name, or reduction in charges;
- E) ‘Solidarity’ ensures that cooperative action is not just a disguised form of limited self-interest. A cooperative is more than that of an association of members; it is also a collectivity. All members including the employees and the non-members who are closely associated with the cooperative should be treated fairly.

This also means that the cooperative has a responsibility for the collective interest of its members. It has historical roots. Cooperators and cooperatives stand together. Solidarity is the very cause and consequence of self-help and mutual help – two of the fundamental concepts at the heart of cooperative philosophy. It is this philosophy which distinguishes cooperatives from other forms of economic organizations;

- F) Founders of the Cooperative Movement have, through their foresight and deep involvement has been able to refine the concept. They are found everywhere. Their contributions were practical, ethical and moral. Many of the early cooperatives of the 19th century, most obviously the Rochdale Pioneers, had a special commitment to honesty – fair dealings in the market place, honest measurements, high quality and fair prices. Over the decades agricultural cooperatives have prospered because of their commitment to high quality, honesty-labelled produce.

Honesty, openness, social responsibility and care for others are values which may be found in all kinds of organizations, but they are particularly cogent and undeniable within cooperative enterprise.

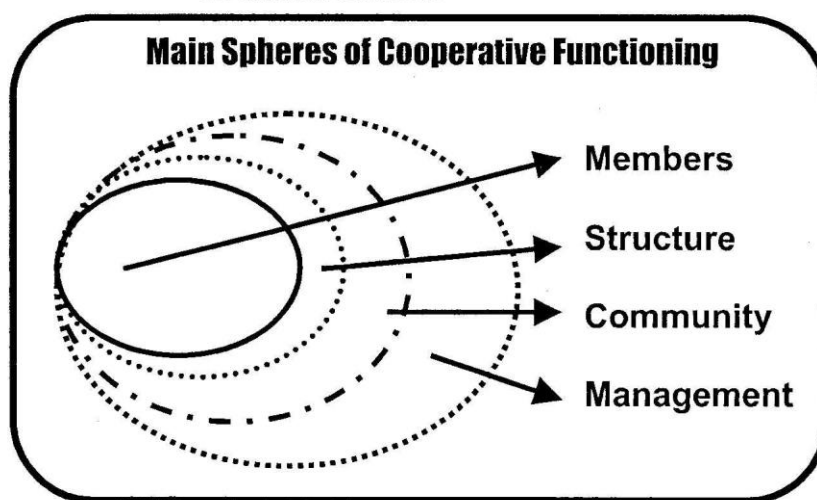
The Principles of the Cooperation – Standards of Measurement:

Many people understand principles as ironclad commandments that must be followed literally. In one sense that is true in that Principles should provide standards of measurement. In another sense, they should restrict, even prohibit, certain actions while encouraging others.

The Principles that form the heart of cooperatives are not independent of each other. They are subtly linked; when one is ignored, all are diminished. *Cooperatives should not be judged exclusively on the basis of any one principle; rather they should be evaluated on how well they adhere to the principles as an entirety.* The first three principles essentially address the internal dynamics typical of any cooperative; the last four affect both the internal operations and the external relationships of cooperatives.

Cooperatives function:

There are four main spheres:



Members: There is special emphasis on members. They are the owners, managers and controllers of their cooperative, and they are the ones who have formed the cooperative to serve them;

Structure: There are two clear structures- the cooperative organizational structure and the government structure which provide a legal identity to the cooperative. Although cooperatives are autonomous organizations it does not mean that they do not need government structure. Both of them are needed and necessary;

Community: It deals with the social structure of the society which sponsors cooperative members and cooperative leaders and which also has certain social and economic needs which need to be satisfied; and

Management: There are two dimensions of management – one is which strives to make the organization efficient and effective, and the other is relating to the management of cooperative by board members and the employees of the cooperative.

3.4 Types and Working of Rural Cooperatives:

3.4.1. Rural Co-operative Credit Societies:

Indian planners considered co-operation as an instrument of economic development of the disadvantaged, particularly in the rural areas. They saw in a village panchayat, a village co-operative and a village school, as the trinity of institutions on which a self reliant and just economic and social order was to be built. The non-exploitative character of co-operatives, voluntary nature of membership, the principle of one man one vote, decentralized decision making and self imposed curbs on profits eminently qualified them as an instrument of development combining the advantage of private ownership with public good.

The co-operative movement was started in India largely with a view to providing agriculturists funds for agricultural operations at a low rates of interest and protect them from the clutches of moneylenders.

The organization of the co-operative credit for short period may is briefly outlined here:

a) Primary Agricultural Credit Society (PACS): A co-operative credit society, commonly known as the primary agricultural credit society (PACS) may be

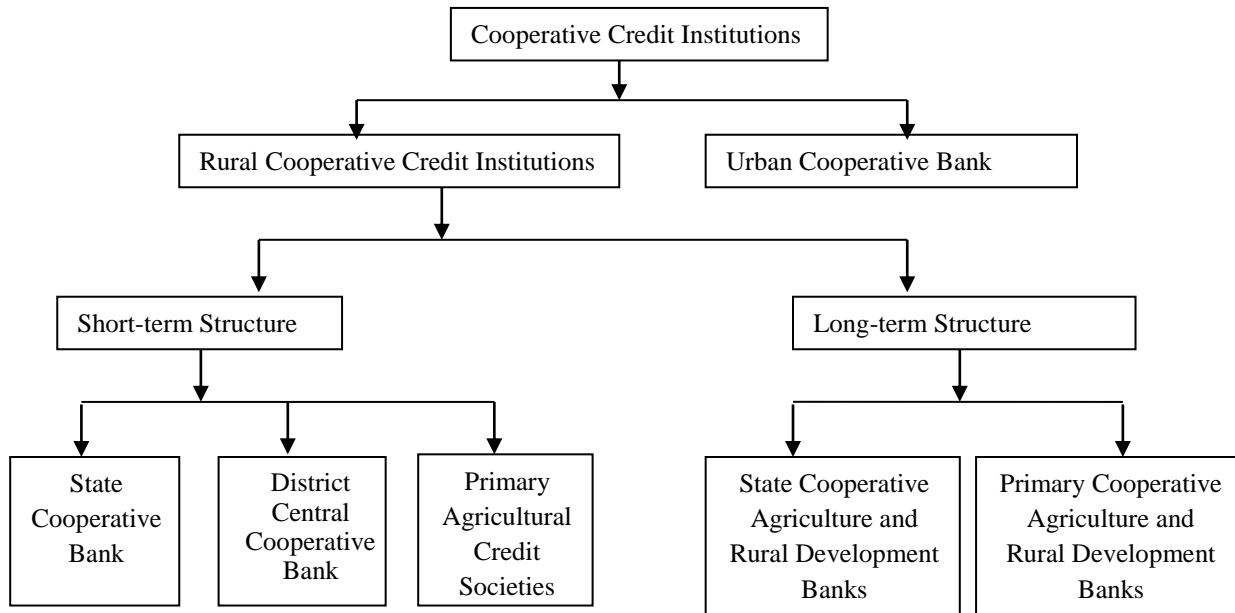
started with ten or more persons, normally belonging to a village. The value of each share is generally nominal so as to enable even the poorest farmer to become a member. Primary Agricultural credit societies (PACS) are the grass root level arms of the short term cooperative credit structure. PACS deal directly with farmer borrowers, grant short term and medium term loans and also undertake distribution and marketing functions.

The management of the society: It is under an elected body consisting of President, Secretary and Treasurer. The management is honorary, the only paid member being normally, the accountant (in case the society is large and requires a paid whole-time accountant). Loans are given for short periods, normally for one year, for carrying out agricultural operations, and the rate of interest is low. Profits are not distributed as dividend to shareholders but are used for the welfare of the village, in the construction of a well, or maintenance of the village school, and so on.

The usefulness of PACS has been rising steadily, in 1950-51, it advanced loans worth Rs. 23 crores; this rose to Rs. 200 crores in 1960-61, and to Rs. 34,52 crores in 2000-01. The PACS have stepped up their advances to the weaker sections particularly the small and marginal farmers. This progress has been quite spectacular but not adequate considering the demand for finance from farmers. However, the primary credit society has continued to remain the weakest link in the entire co-operative structure.

Restructuring of PACS: Considerable attention was given during the past few decades to build the PACS into strong institutions. Such a structure, close to the farmers, is very essential for disbursing rural credit, particularly to small farmers. A programme was introduced by the Government and RBI to reorganize and revitalize the primary agricultural credit societies. It was completed in Rajasthan, Orissa, Madhya Pradesh, Kerala, Tamil Nadu and Gujarat. It reorganize and revitalize the primary agricultural credit societies. It was completed in Rajasthan, Orissa, Madhya Pradesh, Kerala, Tamil Nadu and Gujarat. In other States, it has

not made much headway. The number of PACS had come down from 2,12,000 in 1960-61 to 1,61,000 in 1970-71 and 92,000 in 1999-2000. According to estimates there are nearly 1 lakh PACS at the end of March 2001, with membership of 10 crore farmers.



Most of the PACS are dependent on the finance provided by central cooperative banks (CCBs). In case, the CCBs are weak, the PACS are starved of finance which affects the expansion of credit functions of PACS. As at the end of March 2002, the loans outstanding for PACS were over Rs. 32,520.

Financial Strength of PACS: To make all primary agricultural societies viable and ensure adequate and timely flow of co-operative credit to the rural areas the Reserve Bank of India, in collaboration with State Governments, had been taking a series of steps to strengthen PACS and to correct regional imbalance in co-operative development. Steps were taken to reorganize viable PACS and for amalgamation of non-viable societies with farmer's societies or large sized multipurpose societies. These efforts are being intensified by providing larger funds to weak societies to write off their losses and over dues. The programme of re-organisation of PACS has been under implementation for the two decades and

is almost completed in all states except Gujarat, Maharashtra and Jammu & Kashmir.

PACS and Weaker Sections: The major objective of the co-operative development programmes to ensure that the benefits of co-operative activities flow increasingly to weaker sections including schedule castes and scheduled tribes. The government seeks to achieve this through expanding the membership of the weaker sections in the existing PACSs and ensuring larger flow of funds and services to them. In the tribal areas, large sized multipurpose societies are being organized mainly for the benefit of the tribal.

PACS and Commercial Banks: The commercial banks in India introduced in 1970 a scheme of financing PACS, through which the funds of the commercial banks are being made available to PACS. This scheme came in handy to commercial banks which could use PACS for disbursing agricultural loans and this find a way out of the serious problem of not having close contacts with farmers through their own branches and field staff. The scheme, however, has not been as successful as was anticipated. Firstly, the two systems with two unrelated cultures – one commercial of the other co-operative – could not be linked effectively. Difficulties have arisen from this basic incompatibility. Secondly, state co-operative banks as well as central co-operative banks have not liked successful PACS being taken away from their fold by the commercial banks. However, a good deal of scope for co-ordination exists between PACS and the branches of commercial banks in rural areas.

- a) The rural branches of commercial banks can assist such of those members of the PACS who are eligible for loans but who are unable to get finance from PACS due to lack of funds.
- b) They can also help the PACS with advice on management e.g., proper maintenance of books of accounts, accounting procedures, etc.
- c) The PACS, in their turn, can help commercial bank branches to identify eligible borrowers and to recover loans.

Shortcomings of PACS: The co-operative credit system makes credit available to the farmers of convenient distances and has intimate knowledge of the local conditions and problems. But it is organizationally and financial weak and hence, in practice, its ability to support credit to the agricultural sector is considerably limited. The All –India Rural Credit Review Committee brought out the following weakness of the primary credit societies.

- i) Co-operative credit still forms a small portion of the total borrowings of the farmers;
- ii) Tenants and small farmers find it difficult to satisfy their need for funds fully from PACS alone.
- iii) Most primary credit societies are weak and are not able to meet fully the production oriented credit need of farmers.
- iv) Over dues at all levels are increasing alarmingly indicating the failure of co-operative credit institutions, and
- v) PACS have not been able to ensure adequate and timely credit for the borrowing farmers.

Central Co-operative Banks: There are now (2001-2) 369 District central cooperative banks. The loans outstanding came to Rs. 56, 650 crores. There are federations of primary credit societies in specified areas normally extending to the whole district (hence they are sometimes known as district co-operative banks). These banks have a few private individuals as shareholders who provide both finance and management. Their main task is to lend to village primary societies, but they were expected to attract deposits from the general public. But the expectation has not been fulfilled and many of the co-operative central banks act as intermediaries between the State Co-operative Bank on the one hand and the village primary credit societies on the other. The Reserve Bank now NABARD has formulated a scheme for the rehabilitation of weak central co-operative banks. NABARD is providing liberal assistance to the State Governments for contributing to the share capital of the weak central co-operative banks selected for the purpose.

State co-operative Banks: There are now 30 State Co-operative Banks (SCBs) in the country. They form the apex of the co-operative credit structure in each State. The SCB finances and controls the working of the central co-operative banks in the State. It serves as a link between NABARD the co-operative central banks and village primary societies. The State Co-operative Bank obtains its working funds from its own share capital and reserves, deposits from the general public and loans and advances from NABARD (formerly RBI). The last mentioned source is quite important, as it constitutes between 50 and 90 per cent of the working capital of State Co-operative Banks in the country. The State Co-operative Bank is not only interested in helping the rural co-operative credit movement but also in promoting other co-operative ventures and in extending the principle of co-operation. In 2001-02, the 30 state cooperative banks had lent about Rs. 34, 220 crores to central cooperative banks and primary cooperative societies.

3.4.2. Marketing Co-operatives:

Marketing is a comprehensive term covering a large number of functions. Recently the concept of marketing has broadened considerably. It includes not only purchases and sales of products, but also the various business activities and process involved in bringing the products from the producer to the consumer. So an efficient and organized marketing strategy is essential for the healthy growth of any community.

Marketing is one of the major problems of Indian agriculture. Owing to lack or shortage of suitable market, infrastructure, farmers are compelled to dispose off their produce at very low prices and, thus, they are deprived of the real income which they should get out of their venture. At this condition, co-operative marketing can prove very beneficial and of course the only solution.

According to the Reserve Bank of India, a co-operative marketing society is an association of cultivators formed primarily for the purpose of helping the

members to market their produce more profitably than possible through the private trade.” In general it is a process of marketing of products which enables the growers to market their produce at better prices, followed by the intention of securing better marketing services and ultimately contributing to improvement in the standard of living of members.

The following are some of the important reasons which justify the establishment of co-operative marketing structure.

- To overcome the malpractices.
- To reduce the price-spread between the producer and the consumer.
- For large-scale expansion of co-operative credit.
- For integration.
- To improve the economic conditions of the producers by strengthening his bargaining power.
- To educate the farmers.
- To overcome the problem of unwanted participation of multi-national companies in domestic marketing.

Role of Co-operative Marketing:

Co-operative marketing plays a significant role in the following areas;

- Optimization in resource use and output management.
- Widening the markets
- Growth of agro-based industries
- Generates Employment.
- Increase in farm income.

Aims and objectives of Co-operative marketing:

The broad aim of co-operative marketing societies is to rationalize the whole marketing system so that it may be beneficial to the producer. Its basic objective is to strengthen the bargaining capacity of the farmer so as to secure him better price and eliminate the superfluous middlemen.

3.4.3. Dairy Cooperatives:

Dairying is a centuries-old tradition for millions of Indian rural households; domesticated animals have been an integral part of the farming systems from time immemorial. Milk contributes more to the national economy than any other farm commodity-more than 10.5 billion dollars in 1994-95 (*Dairy India 1997*). In the context of poverty and malnutrition, milk has a special role to play for its many nutritional advantages as well as providing supplementary income to some 70 million farmers in over 500,000 remote villages (*Dairy India 1997*). More importantly, the farmers earn an average 27.3 percent of their income from dairying, with as high as 53 percent for landless and as low as 19 percent for the large farmers.

Milk-marketing System:

India has the largest cattle and buffalo population in the world. More than 67 percent of dairy animals are owned by marginal and small farmers, which constitute the core milk-production

Table 1: Share of Household Income (%) by Source:

Household	Dairying	Crop husbandry	Others	Total
Landless	53.08	0.00	46.92	100
Marginal	30.14	46.55	23.30	100
Small	29.67	53.75	16.58	100
Semi-medium	26.25	58.98	14.76	100
Medium	25.33	62.77	11.91	100
Large	19.02	71.48	9.50	100
All	27.28	55.36	17.36	100

Source : Shukia and Brahmanekar (1999)

Table -2: Productivity of Milk Animals by Zone, 1995-96

Zone	Crossbred cows		Indigenous cows		Buffalo
	Kgs/day	Lactation (days)	Kgs/day	Location (days)	Kgs/day
Location (days)					
East	5.82	300	3.01	150	5.39
	200				
North	7.07	300	3.29	200	5.25
	250				
West	7.80	300	3.19	200	4.51
	250				
South	6.39	300	3.35	150	3.96
	200				

Source: Shukia and Brahmarkar (1999)

Table -3: Distribution of Milk Animals in Rural Households (HH) by Land-Holding Category, 1992.

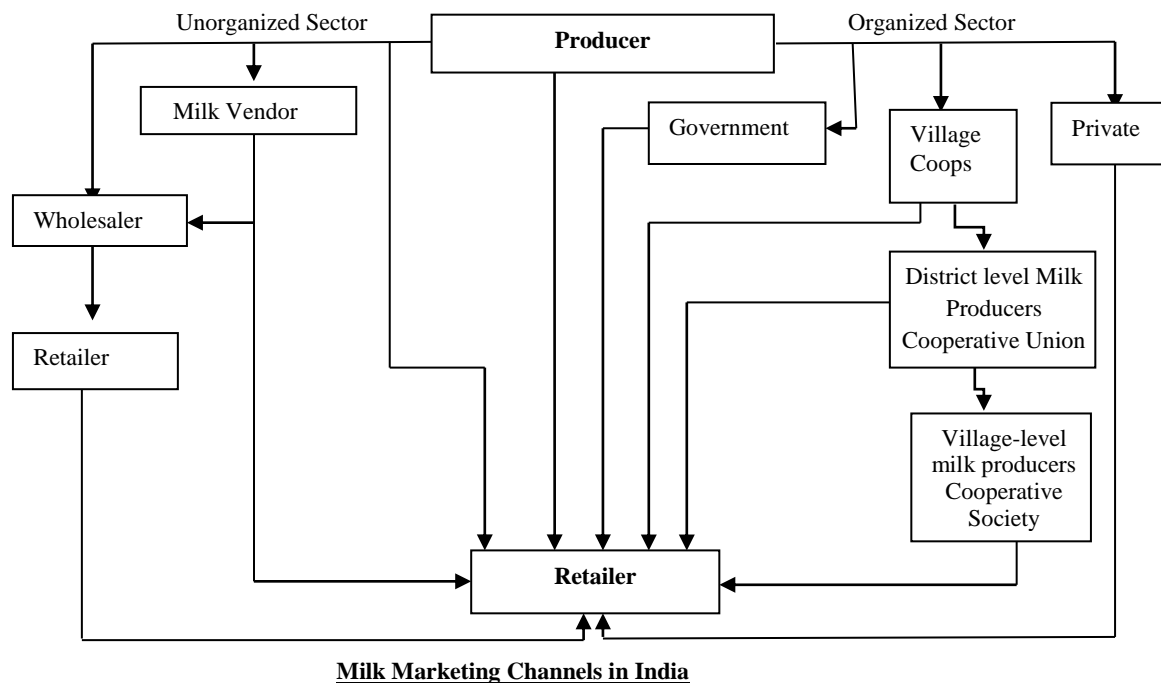
Category	Number of HH	Total number of milk animals	Number of crossbred milk animals
	(x 10 ²)	(per 100HH)	(per 100 HH)
Landless	254,249	11	1
Marginal	561,777	68	8
Small	165, 486	114	8
Semi-medium	112,911	136	9
Medium	57,369	168	10
Large	12,382	239	7

* Milk animals comprise dry, in-milk, and others (Livestock Census Classification : adult breed able females), including cross breads.

* Landless category includes HH with <0.002 ha of land, as well as those without any land sector in the country. Many of these farmers own diary animals primarily to supply milk for their own consumption. Slightly more than 30 percent of the milk produced in the country is retained in producer households.

Source: NSSO (1992)

Eighty percent of milk is marketed through the highly fragmented unorganized sector, which includes local milk vendors, wholesalers, retailers, and producers themselves. On the other hand, the organized dairy industry, which accounts for about 20 percent of total milk production, comprises two sectors: government and co-operatives. Even though co-operatives provide a remunerative price to the producer, the unorganized sector plays a major role in milk marketing because of three factors.



Source: Journal of Food Distribution Research –July, 2004

The first factor is the pricing policy of the co-operatives; their purchase price is based on the fat content of the milk, whereas the private sector pays a flat rate per liter of milk. The second factor, which motivates the milk producers to sell milk to private vendors, involves the type of milk animals reared by the producer. Crossbred cows yield more milk with a lower fat than do buffalo. The crossbred cow population has increased over the years because of artificial insemination and improvements in management practices. The third factor is payment policy. The private sector can pay their producers every day, whereas the co-operatives pay

weekly or fortnightly. Producers sometimes have to fight with the co-operatives to get their payments.

With the organized sector, the co-operative sector is by far the largest in terms of volumes of milk handled, installed processing capacities, and marketing infrastructure. The eighty-two thousand Dairy Co-operative Societies (DCSs) across the countries have a strong membership of nearly 10 million landless, marginal, and small holder milk-producer families.

Although the organized sector handles less than 20 percent of the production, it has an installed capacity to process about 33 percent of India's total milk production. The co-operative and private sectors have more or less equal capacities. Much of the processing capacity created by the private sector in the wake of the liberalization of the Indian economy in 1991 remains idle; only about 60 percent of the installed capacity of the private sector is operated on a day-to-day basis. In the government sector, too, most of the primary processing facilities installed in rural areas (mainly milk-chilling centers) are not functional and dairy plants in the smaller towns and cities are grossly under-utilized. In the co-operative sector, all plants are used to their full capacity and remain under-utilized only during the lean production season.

The Roles of Co-operatives in Milk Marketing:

Operation Flood, launched in 1970, introduced co-operatives into the dairy sector with the objectives of increasing milk production, augmenting rural income, and providing fair prices for consumers. It was started to effectively utilize donated milk products from abroad for domestic dairy development. These surpluses were used to speed up Indian dairy development in two ways.

Table 4:- Current Milk-Processing Capacity.

Sector	Number of plants	Capacity (10 ⁶ liters/day)
Cooperative	218	32.47
Private	366	30.26
Government	39	3.87
Total	623	66.60

First, the donated milk products were used to reconstitute milk and therefore provide the major cities' liquid-milk schemes with enough milk to obtain a commanding share of their markets. Secondly, the funds realized from the reconstitution and sale of donated products were used to resettle city-kept milk animals and permit their progeny to multiply; to increase organized milk production, procurement, and processing; and to stabilize the major liquid-milk schemes' position in their markets. The objectives of Operation Flood can be summarized as follows:

1. To enable each city's liquid-milk scheme to restructure and capture a commanding share of its market;
2. To identify and satisfy the needs of milk consumers and producers, so that consumers' preferences can be fulfilled economically and producers can obtain a larger share of the price paid by consumers for their milk;
3. To facilitate long-term productive investment in dairying and cattle development; and
4. To ensure a sufficient supply of personnel to handle each aspect of the Project.



Source: www.indiandairyassociation.org



Major Diary Cooperatives of India



Major Diary Cooperatives of Odisha

Source: Maps of India

Constraints in Milk Marketing:

The dairy sector is characterized by small-scale, scattered, and unorganized milk – animal holders; low productivity; inadequate and inappropriate animal feeding and health care; lack of an assured year-round remunerative producer price for milk; an inadequate basic infrastructure for provision of production inputs and services; an inadequate basic infrastructure for procurement, transportation, processing and marketing of milk; and lack of professional management. Other important characteristics of the dairy sector are the predominance of mixed crop-livestock farms and the fact that most of the milk animals are fed on crop by-products and residues, which have very low opportunity costs. Additionally, the dairy-development policies and programs that are followed, including those relating to foreign trade, are not congenial to the promotion of sustainable and equitable dairy development.

3.4.4. Weaver's Cooperatives:

The human race with perception invented so many things of which handlooms plays a major role for the civilized modern world. Handlooms are part of the Indian rural life. Weaver's co-operative societies occupy a very important place in the Indian co-operative movement. The age old Indian handloom Industry is the largest of all cottage industries which ranks next to agriculture and provides employment opportunity to the world's second largest man power nation. The tradition of handloom weaving in this country has been long and distinguished and the skill of Indian handloom weavers has been of very high order. Prof. Weber remarked. "The skill of Indians in the production of delicate woven fabric, in the mixing of colours, and in all the matters of technical arts has from very early times enjoyed a world-wide celebrity".

The handloom weaver's co-operative societies were started mainly for the benefits of the coolie weavers from the clutches of master weavers and to improve the economic conditions of weavers. Before starting handloom weavers co-operative societies the handloom weavers depend on master weavers for getting yarn, finance and for marketing their products. Master weaves supply yarn to them and collects the finished products from them. They pay wages to the handloom weavers at piece rate. The handloom weavers thus depend on master weavers for getting employment. In certain occasions like festivals, marriage and death of a member of the family, they also borrow money from the master weavers. They pay them low wages and they do not maintain proper accounts for the loans given and the amount deducted. Weaver's co-operative societies have been started as a remedy against the exploitation of poor weavers by master weavers. So the weavers were attracted towards handloom weaver's co-operatives to have a better path of life. Thus the co-operative societies contributed in promoting the interests of weavers.

Objectives and Functions of Weavers Co-operative Societies:

Weaver's Co-operative Societies are established in any area where there is concentration of weavers with the following main objectives:

1. Improvement of the handloom industry
2. Improvement of the economic condition of the weavers residing in the area of operation. For achieving these two main objectives, the society undertakes the following functions.
 - a. Raising money from the weavers and others by
 - i) issue of shares
 - ii) borrowing
 - iii) receiving deposits.
3. Purchasing raw materials and appliances as may be required for the industry.
4. Distributing raw materials and appliances for cash or credit to the members.
5. Purchasing yarn and other raw materials.
6. Advancing yarn and other raw materials to the weaver – members for the purpose of converting the same into finished products.
7. Payment of wages to members for converting the raw materials into finished goods.
8. Arranging for the marketing of the finished goods to the best advantage of the society.
9. Purchasing and holding in common or letting on hire improved appliances connected with the industry.
10. Acting as an agent for the joint purchase of the domestic and other requirements of its members and for the sale of their finished products.
11. Taking up insurance agency and arranging for the insurance of the lives of the members.
12. Opening sales depots in places selected by the Board of Directors subject to the previous approval of the Registrar.

13. Borrowing funds from the Government to be utilized for the issue of loans to members for the discharge of prior debts to master weavers contracted prior to the admission into the society and
14. Doing any other acts conducive to the attainment of the main objectives.



Major Weaver's Cooperatives of India

Source: www.yarnsandfibers.org

Handloom industry of Odisha

- ☐ Odisha handloom products are mainly famous for their colour & designs.
- ☐ In Odisha there are 43,652 looms & 1,92,339 workers are working for weaving handloom items.
- ☐ Nearly 62 weave communities are available in Odisha.
- ☐ ₹30 crores of selling made each year in local market as well as in international market.
- ☐ Now time the textile market eaten by less expensive powerlooms & mill products so weavers are begun to diversify their product range to small products like bedlinen, Cushion covers etc.

9

Source: www.slideshare.net



Major Weaver's Cooperatives of Odisha

Types of Weaver's Societies:

The organization of production in the co-operative sector is carried through the formation of different types of weaver's societies to suit the needs of different categories of weavers in the state.

1. Primary weaver's co-operative societies covering mostly cotton varieties.
2. Silk weaver's co-operative societies for pure silk varieties.
3. Industrial weaver's co-operative societies which provide worked type infrastructural facilities for loomless weavers.
4. Industrial societies are also set up for Adi-Draviar weavers with financial assistance from Special Components Plan and cluster Development Programme. In addition, there are industrial weavers co-operative societies formed exclusively for the rural women.
5. Co-operative Intensive Handloom Development Projects for providing continuous employment and increased earnings to the weaver members through modern methods of production and innovative marketing strategies. The projects also provide all the pre-loom infrastructural facilities to the weavers.

3.5 Self Assessment Questions:

Check Your Progress - III

Note: a) Use the space provided for your answers.

b) Check your answers with the possible answers provided at the end of this unit.

1) Discuss the main spheres of Co-operative functioning?

Ans.

2) Discuss about Primary Agricultural Credit Society (PACS) as a part of Rural Cooperative Credit Societies?

Ans.

3) Write an essay on the types & function of weaver's cooperatives?

Ans.

3.6 Let Us Sum Up:

The cooperative movement in India has its origin in agriculture and allied sectors. The first Cooperative Credit Societies Act was enacted in 1904. Subsequently a more comprehensive legislation called the Cooperative Societies Act was enacted. This Act provided for the creation of the post of registrar of cooperative societies and registration of cooperative societies for various purposes and audit. Under the Montague- Chelmsford Reforms of 1919 cooperation became a provincial subject and provinces were authorized to make their own cooperative laws. Under the Government of India Act 1935 cooperatives were treated as a provincial subject. The 'Cooperative Societies' is a state subject under entry No 32 of the State List of the Constitution of India.

Thus, Panchayati Raj Institutions and cooperative sector can bring about positive change in the rural areas. Cooperatives have extended across the entire country and there are currently estimated 230 million members nationwide. The cooperative credit system has the largest network in the world and cooperatives have advanced more credit in the Indian agricultural sector than commercial banks. In fertilizer production and distribution the Indian Fertilizer Cooperative commands over 35% of the market. In the production of sugar the cooperative share of the market is over 58% and in cotton they have share of 60%. The cooperative sector accounts for 55% of the looms in the hand-weaving sector.

Cooperative process, market and distribute 50% of the edible oil. Dairy cooperative operating under the leadership of the National Dairy Development Board and through 15 state cooperative milk marketing federations have now become the largest producer of milk. With the rapid growth of the cooperative sector a supportive climate has been created for the development of cooperatives with the opportunities for diversification.

3.7 References:

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3.8 Self Assessment Questions – Possible Answers:

Check Your Progress I

1. (i) Balwant Rai Mehta Committee
(ii) Ashok Mehta Committee
(iii) L.M. Singhvi Committee
(iv) Sarkaria Commission
2. The Sarkaria Commission on Centre-State relations (1988) did not favour the idea of L.M. Singhvi Committee to confer constitutional status to the PRIs. The Commission advocated that the power of enacting any law on the Panchayats vests under entry 5 list 11 exclusively with States. Uniformity in these aspects of the law throughout the territory of India is

essential. The uniformity can be secured by adopting in the following order of preference any of the alternatives given below.

- (i) By law with respect to this matter made by all the State Legislatures in accordance with a model bill prepared on the basis of consensus at the forum of the Inter-State Council, recommended by us to be established under Art. 263.
- (ii) By a law on this subject made by Parliament under Art. 252(1) with the consent of the Legislatures of all the States.
- (iii) By a parliamentary law uniformly applicable throughout India containing provisions analogous to Articles 172 and 174 of the Constitution.

3. The three – tier structure of Panchayati Raj System are as follows:

1. Village Panchayat:

In the structure of the Panchayati Raj Institutions, the village Panchayat is the lowest unit. There is a Panchayat for each village or a group of villages in case the population of these villages happens to be too small. The Panchayat chiefly consists of representatives elected by the people of the village.

As regards the principal functions performed by the Village Panchayat, they include maintenance of roads, wells, schools, burning and burial grounds, sanitation, public health, libraries, reading rooms, community centre etc.

The Panchayat also keeps records of births and deaths. It makes necessary provisions for the promotion of agriculture and animal husbandry, cottage Industries, Co-operative Societies etc. The minor disputes among residents of village are also settled by the Village Panchayat.

It seeks to ensure a minimum standard of cultivation for raising agricultural production. In addition, the Panchayat also acts as the agent of the Panchayat Samiti in executing schemes of development at the village level.

2. Panchayat Samiti :

The Panchayat Samiti is the second tier of the Panchayati Raj. The Balwant Rai Mehta Committee report has envisaged the Samiti as a single representative and vigorous democratic institution to take charge of all aspects of development in rural areas. The Samiti, according to the Committee, offers “an area large enough for functions which the village Panchayat cannot perform and yet small enough to attract the interest and services of residents”.

Usually a Panchayat Samiti consists of 20 to 60 villages depending on area and population. The average population under a Samiti is about 80,000 but the range is from 35,000 to 1,00,000. The Panchayat Samiti generally consists of (1) about twenty members elected by and from the Panchas of all the Panchayats falling in the block area; (2) women members and one member each from the Scheduled Castes and Scheduled Tribes to be co-opted, provided they do not get adequate representation otherwise; (3) two local persons possessing experience of public life and administration, which may be beneficial for the rural development; (4) representatives of the co-operatives working within the jurisdiction of the block; (5) one representative elected by and from the members of each small municipality lying within the geographical limits of a block; (6) the members of the State and Union legislatures representing the area are to be taken as associate members.

The president of the Panchayat Samiti is the Pradhan, who is elected by an electoral college consist of all members of the Panchayat Samiti and all the Panchayats of the Gram Panchayat failing within the areas. Besides the Pradhan, the Up-Pradhan is also elected. The Pradhan convenes and presides over the Panchayat Samiti meetings. He guides the Panchayats in making plans and carrying out production programmes.

He ensures the implementation of the decisions and resolutions of the Samiti and its Standing Committees. He exercises administrative control over the Block Development Officer (BDO) / Vikas Adhikari and his staff. He is a member of the

Zilla Parishad by virtue of his office as a Pradhan. He is the ex-officio chairman/chairperson of the Standing Committees of the Samiti.

As the Chief Executive Officer of the Panchayat Samiti, the Block Development Officer (BDO) is entrusted with the responsibility for implementing the resolutions of the Samiti and its Standing Committees. He prepares the budget of the Samiti and places it before the Samiti for approval. Preparing the annual report of the Samiti and sending it to the Zilla Parishad and State Government also comes within the purview of his responsibility. He is accountable to the President of the Samiti for his actions.

The principal function of the Panchayat Samiti is to co-ordinate the activities of the various Panchayats within its jurisdiction. The Panchayat Samiti supervises the work of the Panchayats and scrutinizes their budgets. It also reserves the right to suggest measures for improving the functioning of the Panchayats. The Samiti is charged with the responsibility of preparing and implementing plans for the development of agriculture, animal husbandry, fisheries, small scale and cottage industries, rural health etc.)

On the face of things it may appear that the Panchayat Samiti enjoys enormous powers. But the reality is something different. It has no independence in instituting special programmes or development projects of its choice. It simply carries out the directives of the State Government pertaining to specific projects.

Furthermore, the primacy of the non-elected members of the Samiti over the elected members amounts to a mockery of democracy so far as democratic decentralization is concerned. Despite these shortcomings it cannot be gainsaid that the Panchayat Samiti serves as a launching pad for the political leaders for higher responsibilities at the district and state levels.

3. Zilla Parishad :

The Zilla Parishad stands at the apex of the three-tier structure of the Panchayati Raj System. Generally, the Zilla Parishad consists of representatives of the Panchayat Samiti; all the members of the State Legislature and the Parliament representing a part or whole of the district; all district level officers of the Medical, Public Health, Public Works, Engineering, Agriculture, Veterinary, Education and other development departments.

There is also a provision for special representation of women, members of Scheduled Castes and Scheduled Tribes provided they are not adequately represented in the normal course. The Collector is also a member of the Zilla Parishad.

The Chairman of the Zilla Parishad is elected from among its members. There is a Chief Executive Officer in the Zilla Parishad. He is deputed to the Zilla Parishad by the State Government. There are subject matter specialists or officers at the district level in all the states for various development programmes.

The Zilla Parishad, for the most part, performs co-ordinating and supervisory functions. It coordinates the activities of the Panchayat Samitis falling within its jurisdiction. In certain States the Zilla Parishad also approves the budgets of the Panchayat Samitis.

The Zilla Parishad also renders necessary advice to the Government with regard to the implementation of the various development schemes. It is also responsible for the maintenance of primary and secondary schools, hospitals, dispensaries, minor irrigation works etc. It also promotes local industries and art.

The finances of the Zilla Parishad consist of the grants received from the State Government and share among in the local governments.

Check Your Progress II

1. Devolution is a form of decentralization which seeks to create independent level of authority of government with functions and responsibilities. It is an arrangement for central or state governments to relinquish some of its functions to the new units of government that are outside its control. This can be achieved by providing for it in the Constitution itself or by ordinary law of the land. One of the major reasons for the failure of the local self-government institutions in India has been half-hearted devolution of powers to them. The 73rd and 74th amendments also contained provisions for the devolution of powers and responsibilities to rural (Panchayati Raj Institutions) and urban (Nagarpalikas) local self-government institutions. These amendments respectively provided that the Gram Panchayats at village, Panchayat Samitis at block and Zila Parishad at district levels would have 19 subjects of rural importance as listed in the 11th schedule and municipalities would have 18 subjects of urban importance as listed in the 12th schedule. These amendments bestowed upon the local self-government bodies-both rural and urban-the responsibility to prepare and implement a number of development plans based on the needs of local people. They operationalise the concepts of spatial planning and micro level planning to facilitate decentralized socio economic development in India. With the help of these powers the local self government institutions are supposed to promote agricultural, industrial, infrastructural and ecological development, poverty alleviation and development of women, children, scheduled and backward castes. These development functions are in addition to the obligatory functions such as ensuring the supply of drinking water, street lighting, maintenance of schools and hospitals etc.
2. Participatory development seeks to engage local populations in development projects. Participatory development has taken a variety of forms since it emerged in the 1970s, when it was introduced as an important part of the “basic needs approach” to development. Most manifestation of PD seek “to give the poor a part in initiatives designed for

their benefit” with the hope that development projects will be more sustainable and successful if local populations are engaged in the development process. Two perspectives that can define Participatory development are the “Social Movement Perspective” and the “Institutional Perspective”.

Types of Participation:

1. Participation by consultation
2. Participation by collaboration
3. Empowerment participation
4. Passive Participation

Check Your Progress III

1. There are four main spheres of cooperative functioning:

- a. Members
- b. Structure
- c. Community
- d. Management

2. A co-operative credit society, commonly known as the primary agricultural credit society (PACS) may be started with ten or more persons, normally belonging to a village. The value of each share is generally nominal so as to enable even the poorest farmer to become a member. Primary Agricultural Credit Societies (PACs) are the grass root level arms of the short term cooperative credit structure. PACs deal directly with farmer borrowers, grant short term and medium term loans and also undertake distribution and marketing functions.

3. The types of weaver’ s societies are as follows:

Types of Weaver’s Societies:

The organization of production in the co-operative sector is carried through the formation of different types of weaver's societies to suit the needs of different categories of weavers in the state.

1. Primary weaver's co-operative societies covering mostly cotton varieties.
2. Silk weaver's co-operative societies for pure silk varieties.
3. Industrial weaver's co-operative societies which provide workers infrastructural facilities for loomless weavers.
4. Industrial societies are also set up for Adi-Draviar weavers with financial assistance from Special Components Plan and cluster Development Programme. In addition, there are industrial weavers co-operative societies formed exclusively for the rural women.
5. Co-operative Intensive Handloom Development Projects for providing continuous employment and increased earnings to the weaver members through modern methods of production and innovative marketing strategies. The projects also provide all the pre-loom infrastructural facilities to the weavers.

The functions of weaver's societies are as follows:

For improvement of the economic condition of the weavers residing in the area of operation, the society undertakes the following functions:

- a. Raising money from the weavers and others by
 - i) issue of shares
 - ii) borrowing
 - iii) receiving deposits.
- b. Purchasing raw materials and appliances as may be required for the industry.
- c. Distributing raw materials and appliances for cash or credit to the members.
- d. Purchasing yarn and other raw materials.

- e. Advancing yarn and other raw materials to the weaver – members for the purpose of converting the same into finished products.
- f. Payment of wages to members for converting the raw materials into finished goods.
- g. Arranging for the marketing of the finished goods to the best advantage of the society.
- h. Purchasing and holding in common or letting on hire improved appliances connected with the industry.
- i. Acting as an agent for the joint purchase of the domestic and other requirements of its members and for the sale of their finished products.
- j. Taking up with insurance agency and arranging for the insurance of the lives of the members.
- k. Opening sales depots in places selected by the Board of Directors subject to the previous approval of the Registrar.
- l. Borrowing funds from the Government to be utilized for the issue of loans to members for the discharge of prior debts to master weavers contracted prior to the admission into the society and
- m. Doing any other acts conducive to the attainment of the main objectives.
