

Problems of the Gaon Panchayat Level Co-Operative Societies in Assam

(A Case Study of Dibrugarh, Sivasagar and Jorhat Districts)

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Abstract

Gaon Panchayat Level Cooperative Societies (GPCS) in Assam were organized in 1973 to provide cheaper credit to agriculture sector and distribute consumer goods to their members. Over four decades of their existence, GPCS have not been able to ameliorating rural poverty and boosting up the economy of the state due to several constraints. The GPCS in the state have been confronting multitudes of problems such as, infrastructural, financial, managerial and other problems. Bad road conditions in rural Assam especially in rainy season create difficulties in transporting PDS goods resulting high carrying cost. Moreover, insufficient storage facility in GPCS delays in lifting PDS goods. Working capital of GPCS has been found to be inadequate for business. As such, they have to rely heavily on government subscribed capital and receive advances from their agents to meet working capital need. In addition to that mounting over dues of agricultural loan blocks working capital of GPCS. Huge accumulation of transportation cost receivable from state government has further aggravated the financial condition of GPCS. Though GPCS are grass roots level democratic institutions yet most of the GPCS leaders do not possess deep knowledge on cooperative management. As a result, small section of leaders with vested interest uses the society for their own benefit. In addition to these absence of cooperative education among general members, improper supervision on the part of GPCS, excessive government control, non-diversification of business, absence of professionalism and apathy of general members on cooperative affairs have found standing on the way of progress of GPCS in the state.

Key words : *GPCS, Working capital, Poverty, Finance, Cooperative Education, Management.*

Introduction :

Gaon Panchayat Level Co-operative Societies (GPCS) currently functioning

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in Assam are basically village level cooperatives having multifarious character, which serve as the grass roots level economic units and as mediators in bringing development benefits to the poor and needy sections of the rural community. A GPCS as socio-economic development agent is expected to provide the basis of equality, economic and political democracy, and inspire to serve the fellow members. Initially GPCS had been entrusted with the functions of production, procurement and distribution of essential commodities in addition to provide agricultural credit to rural farmers in plain districts of Assam. The GPCs in the state is the foundation stone on which the entire superstructure of the short term cooperative credit system is built. The GPCS in Assam were organized in 1973 with a view to provide cheaper credit facility and distribute essential consumer goods to poor sections of rural people.

In spite of the fact that the GPCS has lived over a four decades in Assam, yet it cannot be said that the growth and performance towards fulfilling is objective significant. It has come under severe criticism because of its failure to achieve expected objective enunciated by the policy makers.

Objective of the Study:

The single objective of this paper is to analyze the problems confronted by the GPCS in boosting up the rural economy of the state and policy suggestions.

Methodology:

i) Research Method: The research method followed for this study is empirical type mainly based on findings of the field survey in selective sample districts of the state (Assam).

ii) Period and Area of the Study : The study covers a period of six years from 2005-06 to 2010-11. Out of 25 Nos. of plain districts in the state three districts namely Dibrugarh, Sivasagar and Jorhat have been purposively selected as sample area for the study.

iii) Nos. of Sample GPCS: Under multiple stage technique of selection 40 per cent GPCS of each sample district, in total 41 GPCS have been purposively

selected as sample GPCS considering their various grades, diverse geographical locations and viability.

iv) **Sources of Data:** The primary data have been collected from 41 Nos. of sample GPCS of three districts, viz., Sivasagar, Dibrugarh and Jorhat. Secondary data have been collected from the offices of the Registrar of Co-operative Societies (RCS) Guwahati, Deputy Registrar of Co-operative Societies (DRCS), Assistant Registrar of Co-operative Societies (ARCS), co-operative journals, magazines, newspapers, reports of various committees and commissions.

Problems of GPCS :

The GPCS in Assam were organized to combat rural indebtedness and to provide cheaper credit to the agriculture sector. But, the GPCS of the state (Assam) have been confronting multitudes of problems such as, problems of infrastructure, managerial and financial. Despite such challenges, the GPCS in the state have been functioning as an integral part and development agents of the rural economy.

I. Infrastructural Constraints :

Absence of a good transport and communication system in rural Assam has been hampering the smooth functioning of GPCS. The conditions of roads leading to villages are so bad that it becomes difficult for the agents of GPCS particularly in the rainy season to carry goods from the society to their shops. Besides that agents of the societies confront a lot of difficulties in transporting PDS goods from society due to bad road condition resulting in high carrying cost, which in turn leads to increase the price of PDS goods.

Another problem that the sample GPCS have been confronting is the high transportation cost due to long distance from society to district FCI office/ godown from where the societies have to lift the PDS goods. Usually the societies have to lift PDS items from district FCI godown. In many cases it has been found that due to non-availability of PDS items or low stock at FCI godown at district level, societies have to lift items from FCI godown located at Jorhat or Dergaon which results additional cost affecting the profit margins of the societies.

The GPCS in the state have been confronting the problems of insufficient storage facility too. Although state Government provides loans or financial assistance for construction of godown or to create storage facility, yet their storage facility is insufficient to store all items supplied by the Government under PDS scheme.

From the Table-1 it is clear that out of 41 sample GPCS, 6 GPCS are still functioning with hired godowns. As such these societies have to bear additional financial burden in the form of rent. This further aggravates the deteriorating financial condition of these societies. Due to insufficient storage facility the societies have to make delay in lifting their allotted quota of PDS items or they have to wait till the existing PDS items are sold out. Besides this many sample societies are still using their godown for multiple purposes such as, storage, retail outlet and office.

Table-1
Storage Type and Capacity of Godowns of Sample GPCS

Sample GPCS	Nos. of Godowns		Type of Godowns		Capacity (in M.T.)						Attach ed to office	Not attached to office
	Own	Hired	Kacha	Pucca	1.00	1.50	2.00	2.20	2.50	3.00		
Dibrugarh (14)	9	5	nil	14	3	--	3	1	6	1	6	8
Sivasagar (13)	12	1	nil	13	1	4	3	1	4	--	10	3
Jorhat (14)	14	nil	nil	14	1	3	3	7	--	--	6	8

Source: Field Survey

Another factor responsible for slow growth and poor performance of GPCS in the state has been the absence of co-operative education among general members. Cooperative education is a sine-qua-non of cooperation (Krisnaswami, O.R. : Fundamentals of Cooperation, S.Chand & Co.Ltd. New Delhi, 1978, P-29). Education is the means by which the principles of cooperation are enabled to function effectively (Ibid, P-129). During the field survey it has been found that most of general members/shareholders do not know the A B C D of cooperation or cooperative principles. Most of them consider the GPCS

as the agency of supplying subsidized food grains and nothing beyond that. The urgent need for education as opposed to propaganda has however, been the first consideration of the cooperatives (Smith Luis, P.E. :The Evolution of Agricultural Cooperation, 1961, P-99). No cooperative can afford to neglect its responsibility for educating its members in appropriate ways. The education of members in the cooperative ideals and practices is a primary condition for a cooperative enterprise. According to ICA Commission cooperative movement should educate its members, officers, employees and the general public. The Commission declared: "All cooperative societies should make provisions for the education of their members, officers and employees and of general public; in the principles and techniques of cooperation, both economic and democratic (ICA Report of the ICA Commission on Cooperative Principles, London, 1966, P-72)."

In addition to these GPCS are lagging behind to other financial institutions in the state as far as modernization and computerization is concerned. Though, the Vaidyanathan Committee (2004) has suggested computerization of the entire system the GPCS in the state are far behind the process and not a single society in three sample districts has been found following the system. Due to absence of knowledge on modern process and sufficient training on management and accounting system the secretaries of GPCS have failed to follow Common Accounting System (CAS) of accounting properly as suggested by Vaidyanathan Committee.

II. Financial Constraints :

The important factor hampering the growth and smooth functioning of GPCS has been the inadequacy of capital finance. Finance is the life blood of a GPCS, as in other cooperative society and business organizations even though; enough money does not guarantee success. The dearth of sufficient money weakens the operation of a cooperative society which results in poor service, slow growth and ultimate bankruptcy (Hazarika, P. : Consumer Cooperatives in Assam, Problems and Prospects; Tusher Publishing House, P-72). The working capital, which is considered as driving force on which the entire business operations of GPCS depends has been found to be grossly inadequate for implementing the essential functions and objectives.

The average working capital per GPCS is found out to be highest in Sivasagar district with Rs. 25.19 lakh following Jorhat with Rs. 23.87 lakh and Dibrugarh with Rs. 22.59 lakh (Table-2). Considering their need and business volume working capital of GPCS has been found inadequate.

Table-2
Working Capital Position of Sample GPCS

Year	Working Capital (in Rs.)						Total	Avg. per GPCS
	Dibrugarh	Average per GPCS	Sivasagar	Average per GPCS	Jorhat	Average per GPCS		
1	3	4	5	5	6	7	8	9
2005-06	30143306.08	2153093.29	29215703.50	2247361.81	30842936.47	2203066.89	90201946.05	2200047.46
2006-07	32034723.43	2288194.53	30883242.90	2375634.07	33431085.22	2387934.66	96349051.55	2349976.86
2007-08	32051974.24	2289426.73	31776560.90	2444350.84	31238333.98	2231309.57	95066869.12	2318704.12
2008-09	30042073.87	2145862.42	31269193.10	2405322.55	32429450.84	2316389.34	93740717.81	2286358.97
2009-10	31873965.27	2276711.80	33395325.20	2568871.17	33642920.53	2403065.75	98912211.00	2412492.95
2010-11	33660690.05	2404335.00	39944242.49	3072634.04	38951789.40	2782270.67	112556721.94	2745285.90
Six Yr. Avg.	31634455.49	2259603.96	32747378.02	2519029.08	33422752.70	2439622.28	94854159.11	2313516.07
Avg. per Society	2259603.96		2519029.08		2387339.48		2313516.07	
AGR%	1.94		6.12		4.38		4.13	

AGR%=Annual Growth Rate in per cent

Audited Balance Sheet of concerned GPCS for respective years

Although deposits from members and non members are also mentioned as a possible source for working capital, none of the sample GPCS surveyed has succeeded in mobilizing such deposits. Moreover, most of sample GPCS have failed in mobilizing enough funds through the sale of individual shares. During the field survey it has been observed that office bearers of GPCS especially the secretaries lack initiatives in enrolling new members which would have increased the share capital of the societies. As a result their dependence on the Government or external sources for capital finance has increased to an unexpected level.

Moreover, nominal share value of Rs.10 per share for general members also stands in the way of mobilizing enough funds through the sale of individual shares. Having failed to mobilize the required working capital by selling 5000

individual shares, GPCS in the state become dependent on external sources (Govt., Banks and individuals) to run their business.

On the other hand due to non repayment of existing loans and poor financial position the financing banks have stopped financing the societies. The State Government has also stopped providing fresh financial assistance to the GPCS for obvious reasons. Thus, the volume of working capital of GPCS falls short of what is needed for performing their essential functions.

Mounting agriculture over dues constitute a major hindrance to the GPCS in the state. Due to the growing over dues working capital of GPCS gets blocked for business operation. Recovery of loan is a key factor for the success of any financial institution. The mounting over dues in cooperative loan have caused a great concern in making any scheme of lending a viable one (Report of the Committee on Cooperation, 1964, Govt. of India, P-45). Heavy over dues of GPCS have been creating difficult situation for fresh credit to farmers and hindering credit flow to agriculture sector which retards economic development. Sample societies of three districts have to recover a huge amount of agriculture over dues. This increasing over dues in GPCS is due to both willful and non willful defaults. Mounting over dues of GPCS has been mainly due to willful defaults of the borrowers and improper/absence of follow up measures by the GPCS.

There is a general feeling among the borrowers that a loan taken from cooperative society need not be repaid, rather they consider it as grant or subsidy by the Government. In this regard the role of Bakijai Officers (In every Deputy Registrar of Cooperative Societies Office at district level there is a Bakijai Department under a senior inspector or auditor to look after the matter of recovery of existing loan issued by cooperative societies) and departmental procedures are found to be unsatisfactory. However, absence of effort on the part of secretaries or Managing Committee of GPCS and departmental concern on the issue of recovery of over dues and misappropriated fund makes the thing worse.

In addition to these, huge accumulation of transportation cost (miscellaneous over dues) recoverable from state Government has further aggravated the situation. Though the state Government provides transportation cost to GPCS time to time for supplying Public Distribution System (PDS) items, yet a huge amount of transportation cost remains over due from the state

Government. As on 31st March 2010, average miscellaneous over dues per GPCS recoverable from state Government has been estimated at Rs. 385269.01.

III. Managerial Constraints :

Efficient management is a sine-qua-non for a GPCS for its growth and success as in the case of other business organizations. Democratic machinery of a GPCS consists of two main organs i) the general body composed of all members and ii) the Managing Committee or Board of Directors elected by members from among themselves. Managing Committee is entrusted with the responsibilities of conducting the affairs of a GPCS. The Chairman being the leader of the Managing Committee is expected to have managerial expertise and knowledge on cooperative management for smooth functioning and growth of society. The Chairman of a GPCS may play a vital role in functioning of the society. He/she are the main source of inspiration and motivation for the members of the cooperative society.

During field survey it has been observed that although all Chairmen have attended training programme on cooperative management, yet it has been found to be inadequate to make them expert in cooperative business. Out of 205 Nos. of executive members interviewed during field survey only 38 per cent of them possess nominal knowledge on cooperative principles.

Table-3
Educational and Other Qualifications of GPCS Leaders

Leaders category	Sample	Class-X	HSLC	HSSLC	Graduate	Post Graduate	Having knowledge		Coop.		Training attended	
							Yes	No	Yes	No	Yes	No
1	2	3	4	5	6	7	8	9	10	11		
Chairman	41	5	15	8	13	Nil	41	----	41	----		
V.Chairman	41	13	18	5	5	Nil	33	8	30	11		
Executive members	205	26	92	52	35	Nil	79	126	15	190		
Total	287	44	125	65	53	Nil	153	134	86	201		
Per cent	100	(15.33)	(43.55)	(22.6)	(18.47)		(53.31)	(46.69)	(29.96)	(70.04)		

Note: Figures in brackets show the percentage of total

Source: Field Survey

What is worst is that the largest majority (90%) of the executive members have not seen the copy of a cooperative Bye-Law so far. Moreover, only 7.31 per cent have attended any training programme on cooperative principles (Table-3). As such, they have been found ignorant of the cooperative principles. They remain inactive, play a neutral role during Board meeting and remain silent in the affairs of the cooperative society. Under such circumstances a small section of leaders having political affiliation have been found acquiring vested interest in the GPCS and use the society for their own benefits. Such vested interests work as internal enemies of a cooperative society and are more dangerous than the enemies from the outside.

As regards to the holding of managing committee meeting during the period under study(2005-06 – 2010-11) Dibrugarh district has recorded 7.24 Nos. per society per year, Sivasagar district 5.79 Nos. per society per year and in Jorhat district 6.25 Nos. per society per year (Table-4), leading to violation of Sec. 25 of the Bye-Law of GPCS. Poor number of holding managing committee meeting may be due to the fact that Board members including Chairmen work in an honorary capacity. As such, nominal involvement in the affairs of a GPCS hampers its smooth functioning.

Table-4
Nos. of Managing Committee Meeting Held during 2005-06 – 2010-11

Sample districts	Nos. of Managing Committee meeting held during the year						Total	Avg. MC meeting held per GPCS
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11		
1	2	3	4	5	6	7	8	9
Dibrugarh	86	105	96	95	106	120	608	7.24
Sivasagar	64	69	76	69	85	89	452	5.79
Jorhat	80	78	81	85	93	108	525	6.25
Total	230	252	253	249	284	317	1585	

Source: Field Survey

In some GPCs it has been found that a nominal allowance is paid to the Chairman and members of Board of Directors as sitting allowances, which is insufficient to attract them to the affairs of a GPCS. Moreover, three year tenure

of Managing Committee has been found to be inadequate to acquire the skill and expertise of cooperative business to show business performance and result.

Further, insufficiency of pay structure amongst the cadre and non-cadre secretaries incites the poorly paid employees to involve in malpractices. Cadre Secretaries (Junior Inspectors) appointed by State Government are sufficiently and uniformly paid by the government. While, No-Cadre Secretaries appointed by Managing Committee are poorly paid by the concerned GPCS out of the society's fund. Thus, the salaries of Cadre Secretaries are uniform in all societies while, salaries of Non Cadre Secretaries differ from society to society. This type of discrimination in pay structure induces the non-cadre secretaries to involve in malpractice of the society's business.

Other Constraints :

a) Excessive Government Control on GPCS :

Excessive and unnecessary government control has been hampering not only the smooth functioning of GPCS but also demoralizing the cooperative spirit in the state. It is an established fact that because of over domination of cooperative department on the societies the non-official leadership has not been allowed an opportunity to develop and the interference of the Government officers have inhibited the growth of democratic management. State Government exercises control over the GPCS by providing assistance, administration and planning, participating in management and finance which has resulted in the loss of autonomy of GPCS. It has been alleged that departmental supervision has not always been exercised judiciously and the official machinery has tended to obstruct the growth of the democratic element of GPCS. Officers have quite often preferred to be administrator rather than to guide the society and have even been responsible for maladministration in many cases.

b) Diversification of PDS goods :

As far diversification of essential consumer goods (i., e., rice, sugar, Atta and kerosene etc.) is concerned, many allegations have been reported by the members/shareholders. Firstly, though qualities of these goods are average, yet distribution of such goods is irregular. They allege that they do not receive

such goods on regular basis. Secondly, GPCS have failed in supplying full quota of PDS goods to their members. A major part of PDS goods get diverted to open market.

c) Apathy of General Members in Cooperative Affairs :

Smooth functioning of the GPCs in the state has been paralyzed by poor attendance of general members in the general body meeting. Poor attendance or participation in general body meeting itself signifies the failure of cooperative democracy and on the other, allows few members with vested interest to dominate the proceedings at the meeting and elect candidates of their choice to control the society's administration.

Suggestions :

To overcome these problems following suggestions may be put forwarded.

1. Since storage facilities are not sufficient, it is suggested that Government should provide godown loan to the GPCs for generating sufficient storage facility.
2. To reduce/minimize the high transportation cost of GPCS, Government should provide FCI godown facilities at sub-division level, which would be easily reached by the GPCS. Moreover, stocks of PDS items should be made available at district or sub-divisional level so that societies need not travel a long distance to lift such items.
3. Cooperative education to the youths and general public in rural areas is as important as training to office bearers for success of cooperatives. Cooperation as subject should be incorporated in course curriculum in secondary and college level. The state and district cooperative union should organized educational programmes, seminars and audio visual programmes to spread the spirit and knowledge of cooperation amongst the rural people.
4. All the GPCS in the state have been confronting acute financial problem. As a result, GPCS have to depend heavily on State Government for the working capital requirements. It is imperative that GPCS should mobilize enough internal funds and reduce their dependence on Government. Strong membership drive may help in mobilizing internal resources for GPCS.
5. Mounting over dues not only reduce the recycling of funds but also affects the

non defaulter members by depriving them of fresh credit. Managing Committee should persuade the defaulter members and a congenial atmosphere should be created for voluntary repayment of dues. The financing banks as well as GPCS should also organize meetings; camps and forums to educate the rural people in proper use of credit and promote repayment of loans.

6. To check the misappropriation of society's fund and diversion of PDS goods, legal action should be taken against the Secretary/person involved therein.
7. Training on cooperative management should be imparted to the office bearer before the assumption of office. Since, GPCS are multipurpose cooperative societies, professionalization of management is essential for better performance of GPCS. There should be clear demarcation of functions between Management Committee and professionals (paid Secretary and staff).
8. The crux of cooperative autonomy lies on the financial independence of the cooperative institutions. Of course, in the context of widening responsibilities of the GPCS in the process of rural development, State's financial assistance is necessary. But as a matter of principle GPCS have to continuously endeavor to ensure that greater and greater part of financial resources is internally generated and the share of the State assistance is least. State Government should exercise a minimum degree of control over the GPCS from outside and not from within.
9. Mere statutory provision in Cooperative Societies Act is not a sure way to cure the problem of vested interest in GPCS. A well attended general meeting with enlighten members and inculcating in them a sense of vigilance and alertness through education may check the vested interest in GPCS. Once members become alert and vigilant, the normal operation of democratic forces will prevent the growth of vested interest in GPCS.

Conclusion :

Thus, the GPCS in the state have been confronting numerous problems in performing their functions and bringing about rural development in the state. In spite of these the GPCS in the state have proved themselves as effective agencies in empowering rural people and equitable distribution of wealth among people. However, the GPCS have to review their strategies, reorganize their activities and redefine their philosophies to make themselves efficient and

competent enough to face the competition in the era of globalization.

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