



# **GROWTH AND PERFORMANCE OF PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES IN HIMACHAL PRADESH**

**PLANNING DEPARTMENT, HIMACHAL PRADESH**



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## **PREFACE**

The Ministry of Programme Implementation, Government of India, in its endeavour to ensure improvement in the coverage, quality, timeliness, and credibility of information on key indicators has built partnerships with different State Governments under the aegis of a comprehensively designed Project - Support for Statistical Strengthening. The Department of Economics and Statistics is the nodal department responsible for implementation of this project in Himachal Pradesh. One of the components of the project provided conducting of few studies evaluating performance of some of the flagship schemes being implemented by the Central Government and the State Governments. The Department of Economics and Statistics has collaborated with the Planning Department for evaluating and documenting the status of Primary Agricultural Societies in Himachal Pradesh. The Planning Department, capitalizing on in-house capacity, has attempted this report using information collected through primary and secondary sources. The present study looks into various aspects of functioning of the Primary Agricultural Societies in Himachal Pradesh, identifies the procedural gaps in the functioning of these societies, makes an assessment of their impact on the socio-economic improvement of their members and makes a few recommendations for improving effectiveness of these societies. The help extended by the officers and officials of the Department of Economics and Statistics and Department of Cooperation has been of immense value in finalizing this report. The research team appreciates the support provided by the members and office bearers of the Primary Agricultural Societies in Himachal Pradesh during collection of information.





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## **List of Abbreviation**

AMI	Agriculture Marketing Infrastructure
CAS	Controlled Atmosphere Storage
CBS	Common Banking Software
CCEA	Cabinet Committee on Economic Affairs
CEO	Chief Executive Officer
CSISAM	Central Sector Integrated Scheme on Agriculture Marketing
CSS	Centrally Sponsored Scheme
DAC&FW	Department of Agriculture, Cooperation & Farmers Welfare
DCCBs	District Central Cooperative Banks
DIDF	Dairy Processing and Infrastructure Development Fund
FIDF	Fisheries & Aquaculture Infrastructure Development Fund
ICA	International Cooperative Alliance
ICDP	Integrated Cooperative Development Projects
MDGs	Millennium Development Goals
MIDH	Mission For Integrated Development of Horticulture
MOA&FW	Ministry of Agriculture & Farmers Welfare
NABARD	National Bank For Agriculture And Rural Development
NAFSCOB	National Federation of State Cooperative Banks Ltd.
NCDC	National Cooperative Development Cooperation
NMAET	National Mission on Agriculture Extension And Technology
NPK	Nitrogen, Phosphorus and Potassium
PACB	Primary Agriculture Credit Bank
PACS	Primary Agriculture Credit/Cooperative Society
PCARDBs	Primary Cooperative Land Development Banks
PDS	Public Distribution System
PLDBS	Primary Land Development Banks
PMFME	Pm Formalization of Micro Food Processing Enterprises
PMMSY	Pm Matsya Sampada Yojana
RKVY	Rashtriya Krishi Vikas Yojna
SMSP	Sub-mission For Seed and Planting Material
STCBs	State Cooperative Banks
STCC	Short-term Cooperative Credit

## C O N T E N T S

<b>INTRODUCTION</b>	<b>01-21</b>
<b>RESEARCH DESIGN &amp; METHODOLOGY</b>	<b>22-24</b>
<b>PRIMARY AGRICULTURAL SOCIETIES IN H.P.</b>	<b>25-46</b>
<b>PERFORMANCE OF PACS BY DISTRICTS</b>	<b>47-59</b>
<b>CONCLUSION AND RECOMMENDATIONS</b>	<b>60-96</b>
<b>REFERENCES</b>	<b>97-100</b>

## CHAPTER-1

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# Introduction



Considering more than a century old history of cooperative movement in India, It is not possible to give even the smallest account of all of its events and other developments related to it in the present study. The following text gives only a very brief account of the events which provided pace to the cooperative movement and took it to a position as we see it today, with an attempt to capture important developments. These paragraphs try to trace the evolution of cooperative movement during pre-independence and post-independence years devoting some text to the history of its genesis.

### **The Genesis**

The Cooperatives have great potential as instrument of developing rural economy by providing means of livelihoods to stakeholders of these societies. Cooperation as an ethical norm has been eulogized all over the world since time immemorial. As a mode of social behaviour, it is manifested in countless activities of people performed for the purpose of achieving a common goal. From the philosophical perspective, cooperation and its opposite, competition, are two basic tendencies of human behaviour and both co-exist in every individual. Cooperation can emerge under highly diverse situations and accordingly, there are several theories/propositions that seek to explain why people do and do not cooperate<sup>1</sup>.

The informal and loosely held cooperative structures have been reported to exist in ancient times in several parts in India. Even today, their existence in case of the village tanks and village grasslands and forests are known for collective efforts of the villagers for their collective use. Various references are available with regard to presence of the practice of pooling of resources like foodgrains after harvest to lend to the needy people or collecting small contribution in cash at regular intervals for extending loans to the needy individuals/families at an interest in the literature related to cooperatives in India. The Chit Funds in the erstwhile Madras Presidency, *Kuries* in Travancore, *Bhishies* in Kolhapur etc. have known to be present<sup>2</sup>. Similar instances in the form of *Phads* in Kolhapur where farmers impounded water

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<sup>1</sup>Singh, Katar and Vishwa Ballabh (eds.) (1996). "Cooperative Management of Natural Resources." New Delhi. Sage Publications.

<sup>2</sup>Ministry of Agriculture (2009). *Report of the High Powered Committee on Cooperatives*. GoI.

by putting up bunds and agreed to ensure equitable distribution of water as well as harvesting and transportation of produce of members to the market, and *Lanas* which were actually yearly partnerships between peasants to cultivate jointly and share the harvest in proportion to the labour and bullock power contributed by the partners have also been reported to exist<sup>3</sup>.

However, the origin of formal cooperation in the form of cooperative organization can be traced to Europe, specifically in England, France and Germany during the middle of the 19<sup>th</sup> century. Robert Owen of England, Charles Fourier of France, and Herr F.W. Raiffeisen and Herr Franz Schulze of Germany are considered as the founding fathers of the modern cooperation<sup>4</sup>. In 1844, a group of people in Rochdale, England, formed the Rochdale Society of Equitable Pioneers to obtain higher wages from their employers and to set up a Cooperative store. The Rochdale Society became the model for similar stores and related enterprises throughout the world. Around the same time, Fourier established “*phalanxes*” in France and Raiffeisen and Schulze pioneered and implemented the idea of Cooperative Banks in Germany. Subsequently, in other European countries also, Cooperatives emerged primarily as people's response to their exploitation by moneylenders and traders. With the emergence of Cooperative movement in Europe, the International Cooperative Alliance (ICA) was established in 1895. Its main responsibility was to co-ordinate the activities of affiliated Cooperative Federations in various parts of the world. Establishment of communism in USSR and subsequently in other countries was instrumental in promoting Government-directed, or parastatal Cooperatives. Some Cooperatives failed and some others succeeded. Despite their failures and weaknesses, Cooperatives have survived over time and now control significant shares of markets in many developed and developing countries including market-oriented economies. For example, in USA, Cooperatives command 70 per cent of the fluid milk market, 80 per cent of the fresh fruits market, 35 per cent of agricultural credit of all types, and 30 per cent of the grains and oilseeds market<sup>5</sup>.

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<sup>3</sup> Ministry of Agriculture (2009). *Report of the High Powered Committee on Cooperatives*. GoI.

<sup>4</sup> Craig, J.G.(1980). “Managing Cooperative Organizations, Cooperative Future Directions Project.” *The Cooperative College of Canada*, Working Paper No.4.38. Canada.

<sup>5</sup> Dwivedi, R.C.(1996). “Role of Cooperatives in Rural Economy.” *Indian Journal of Agricultural Economics*. 51(4), 712-727.

## The Cooperative versus other forms of Organizations<sup>6</sup>

A Cooperative is generally viewed as an autonomous association of persons united voluntarily to meet their common social and economic needs and/or objectives. Thus, a Cooperative is a socio-economic organization that is expected to have its members' interest truly at its heart. For the purpose of this paper, the Cooperatives that are registered under a legislative act of either the Central Government or a State Government have been considered. A Cooperative is based on certain values and principles of its own which distinguish it from other forms of organizations. The International Cooperative Alliance (ICA) Congress held in Manchester on September 23, 1995, adopted the following seven principles:

- i. Voluntary and open membership;
- ii. Democratic member control;
- iii. Member economic participation and limited interest on share capital;
- iv. Autonomy and independence;
- v. Provision of Cooperative education, training and information;
- vi. Cooperation among Cooperatives; and
- vii. Concern for community.

It has been observed that in many situations, adherence to these principles becomes an obstacle for Cooperatives in attaining and retaining financial viability in the present era characterized by deregulation, privatization and globalization. In view of this, many liberal co-operators now question the sanctity of these principles but there are many orthodox co-operators who continue to maintain that these principles are essential for the existence of Cooperatives as a distinct form of organization. In addition, there is also a school of thought that maintains that cooperation has three dimensions, that is, economic, social, and moral, which are equally crucial for its success. The very motto of cooperation, “each for all and all for each”, signifies loyalty, trust, faith, and fellowship. A Cooperative is a perfect democratic institution of the members, for the members, and by the members and is based on the 'one-member-one-vote' system of decision making.

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<sup>6</sup> Singh, Katar and Pundir, R.S.(2000). “Cooperatives and Rural Development in India.” Research Paper No. 11, *IRMA*, India. 5-8.



The Cooperative as a business organization is similar in many ways and different in many other ways from other forms of organizations. The similarities are in the domain of roles and functions and differences, in the manner in which the roles and functions are performed. Cooperatives are expected to reflect in their day-to-day practices the principles and values of cooperation which emphasize, inter alia, equality, equity, and mutual self-help.

Like any other business organization, Cooperatives are expected to ensure efficiency and profitability in their operations, but unlike other business organizations in the private and public sectors, a Cooperative is both a social organization and a business enterprise and, therefore, has a dual purpose; it serves both a social as well as an economic entity. A Cooperative manager must be concerned not only with the economic aspects but also with the social obligations of his organization.

Cooperatives have higher comparative advantage over other forms of organizations in involving people in their activities, in mobilizing people's resources and political power for achieving their goals, in identifying and developing local leaders through democratic processes, in securing vertical and horizontal integration of production, procurement, processing, and marketing functions, and in facilitating equitable distribution of benefits of development. All these advantages can help Cooperatives in improving their competitive position as a business organization vis-a-vis their competitors<sup>7</sup>.

The economic rationale for a Cooperative organization lies in its endeavor to secure for its members the advantages of modern technology, economies of scale, access to national and international markets, and professional management. A Cooperative organization that does not want or cannot secure these advantages is doomed to failure sooner or later. Theoretically speaking, there is hardly a better organizational structure than the Cooperative for achieving the dual goal of social and economic development but final success depends on the level of operational efficiency achieved<sup>8</sup>.

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<sup>7</sup>Singh, Katar(2000). "Challenges for Cooperatives in the New Millennium and Strategies for Coping with Them." *The Co-operator*. 32(8). 343.

<sup>8</sup>Dufler, E.(1974). "Operational Efficiency of Agricultural Cooperatives in Developing Countries." *Food and Agriculture Organization of United Nations, FAO Development Paper No.96*. Rome.

The major difference between Cooperative management and management in other organizations is the greater need for Cooperatives to involve directors, members, and staff in key positions in problem-solving and decision-making. This is no small task. Managers trained in traditional management schools, when are confronted with difficult situations; they must think it through for themselves and find out a solution. That is what they have learnt in management courses. Cooperative theory requires a different response. Cooperative managers are expected to take the problem out to the members and staff and involve various interest groups in the development of solutions. Given the complex and diverse socio-cultural, economic and political environment in which Cooperative managers operate and given the poverty, ignorance, and illiteracy of most of the members of the Cooperatives they are supposed to serve, Cooperative managers have to be far more creative, enterprising, affable and sensitive to members' needs and aspirations than their perseverance required for organizing rural producers and empowering them. In addition, they must also be adept in empathizing and sympathizing with rural people who because of their exploitation by unscrupulous landlords, moneylenders, traders and petty Government functionaries and politicians for generations naturally tend to be suspicious and fearful. The Cooperative manager must also be adept in establishing and maintaining harmonious relationship with his Board members. In a private business firm, the Chief Executive Officer (CEO) has to manage only one boss-the proprietor – but in a Cooperative, he has to manage many bosses having different, often conflicting, expectations and interests. That is why managing a Cooperative is much more difficult than managing a private business enterprise.

### **Cooperatives in India: Pre-independence Era<sup>9</sup>**

The factors that lead to emergence of formal Cooperative movement in India can be said to have come into play as early as the last quarter of the nineteenth century. The distress and discontent among the Indian farmers was resulted from poor agriculture conditions combined with absence of institutional finance during the later part of the nineteenth century. The Famine

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<sup>9</sup> Ministry of Agriculture (2009). *Report of the High Powered Committee on Cooperatives*. GoI.

Commission of 1880, which was followed by another Famine Commission in 1901, in their reports had highlighted existence of deep indebtedness of Indian farmers which had lead to emergence of a new lending class within the villages that usurped very large proportion of agricultural holdings belonging to already distressed farmers. The increasing discontent and the circumstances arising from the Deccan Riots made the Government taking various initiatives but the legislative measures taken by the Government were inadequate to deal with the situation.

William Wedderburn, the District Judge of Ahmednagar, in consultation with Justice M.G. Ranade mooted a proposal to establish agricultural banks in India to cater to financial needs of Indian farmers but was not accepted by the Government. The Madras Presidency appointed Frederick Nicholson to enquire into the possibility of introducing a system of agricultural or other land banks in the Presidency who, in turn, submitted his report in two volumes, one each in 1895 and 1897. The Famine Commission of 1901 also recommended establishment of Rural Agricultural Banks through establishment of Mutual Credit Associations in its report and the steps in this direction were taken by the Government of North Western Provinces and in Oudh. The whole idea of such initiatives was to voluntarily bring together various stakeholders for their own security and welfare. Two major advantages of such initiative were – a) availability of strong association competent to give guarantees and b) lending to a group of farmers/persons rather than to individuals. The same report also suggested a wide range of principles governing agricultural banks.

Edward Law Committee with Nicholson as one of its member was instituted by the Government to examine various aspects having legal bearing for Cooperative societies and recommend future course of action as a follow-up to the developments which took place during that period. On the recommendations of this Committee, the Cooperative Societies Bill was introduced and the Cooperative Credit Societies Act was enacted on 25<sup>th</sup> March, 1904. However, as the name of the Act suggests, the Act was restricted to the operation of Credit Societies. A total number of 5,300 societies with the membership of over three lakh persons came into existence by 1911. First few societies registered under the Act were in the States of Tamil Nadu, Assam, Madhya Pradesh, Punjab, Orissa, Karnataka, West

Bengal and Andhra Pradesh. Some of these societies were also registered as Urban Credit Societies. This Act of 1904 had provisions for Constitution of societies, eligibility for membership, registration, liabilities of members, audit, inspection, dissolution etc. while the operational and managerial aspects were left to the local bodies to decide.

With the un-expected success in terms of growth in number of Cooperatives in India the need was felt to organize them further and also for enabling them to provide non-credit services to the members. Cooperative Societies Act, 1912 was enacted to take care of these aspects which also provided for constitution of federations of the Cooperatives. The Banking Crisis and the First World War had negative impact on the growth of Cooperatives in India also. A Committee on Cooperation under the chairmanship of Sir Edward Maclagen was appointed by the Government in October, 1914 to make an assessment of the situation of Cooperatives and make recommendations for future. The recommendations of the Committee are mainly related to the credit Cooperatives and to establish a robust three tier structure of Cooperatives in every Province. The primary Cooperatives were recommended at the base tier, the Central Cooperative Banks were recommended at the middle level and the Provincial Cooperative Bank at the apex level was recommended by the Committee. With the enactment of Government of India Act, 1919, the cooperation as a subject, was transferred to the provinces. The Bombay Cooperative Society Act, 1925, which was the first Provincial Act to be passed, introduced the principle of 'one-man one-vote'.

However, smooth availability of agricultural credit still a matter of concern and the Royal Commission on Agriculture in 1928, alongwith various other Commissions reviewed the Cooperative sector with special reference to the agricultural credit and made recommendations for setting up of land mortgage banks alongwith various other recommendations. All these measures resulted in organization of non-credit and agricultural and non-agricultural credit Cooperatives but they still faced tough opposition from private marketing agencies resulting in operational difficulties due to inexperienced office bearers of the Cooperatives. All India Association of Cooperative Institute was established in 1929 which had one of its objectives to identify and remove the challenges from the private agencies.

A major thrust to the agricultural credit was received in 1934 when the Reserve Bank of India was established. The Reserve Bank of India Act, 1934 itself required setting up of an Agricultural Credit Department. The Mehta Committee, which was appointed in 1934, specifically recommended re-organization of Cooperative Credit Societies as multi-purpose Cooperatives. The inflation caused by the Second World War pushed prices of agricultural commodities in India as well. The increase in prices gave a push to the returns and income of farmers as well. This resulted in reduction in over dues to the Cooperatives. The Government took a decision to procure and ration the agricultural commodities to counter shortages and the existing Cooperatives were used for the purpose. This gave required momentum to the growth of multi-purpose Cooperatives.

With the increasing number of membership from the Central Government sponsored salaried persons belonging to different provinces in the Cooperative societies, the need was felt to amend the provisions of the existing law to enable multi-unit or multi-State Cooperatives. The Multi-Unit Cooperative Societies Act was passed in 1942 which had a provision to delegate powers of the Central Registrar of Cooperatives to the State Registrars for all practical purposes. The Gadgil Committee made a recommendation in 1944, providing for compulsory adjustment of debts and setting up of Agricultural Credit Corporations wherever Cooperatives were not strong. The Cooperative Planning Committee under the chairmanship of R.G. Saraiya (1945) found the Cooperatives as the most suitable instrument for democratization of economic planning while examining all the areas of economic development. Following protests from the milk producers of Khera district of Gujarat, Khera District Cooperative Milk Producer Milk Union, also known as Amul was registered in October, 1946. The Registrars' Conference in 1947 made a strong recommendation for re-organization of Provincial Cooperative Banks to give greater assistance to primary societies through Central Banks. All these recommendations made by various committees and those which emerged during the dialogue between various stakeholders helped in unprecedented growth of the Cooperatives with multifarious activities after their implementation during the pre-

independence period.

### **Cooperatives in India: Post-independence Era<sup>10</sup>**

The Cooperatives were given a vital role in various Five Year Plans after India attained independence in 1947. The First Five Year Plan (1951-56) clearly mentioned the vision of Cooperative movement and the rationale for preferring Cooperatives and Panchayats as the lead agencies for economic and political development. A watershed initiative taken during this period was the appointment of Gorwala Committee in 1951 which is popularly known as All India Rural Credit Survey Committee. The Committee, in its report submitted in 1954, recommended the introduction of Integrated System of Rural Credit in partnership with the Government and emphasized the importance of training to the members of the Cooperatives. Creation of State Bank of India was also the result of acceptance of one of its recommendations by the Government. As a follow-up to the recommendations of the committee, a National Cooperative Development and Warehousing Board was set up and the Reserve Bank of India Act was amended to give an active role to the Bank in building Cooperative credit institutions. The All India Cooperative Congress which was held in Patna in 1956 accepted the principle of Government's representation on the Board of Directors of Cooperatives. The Government of India and the Reserve Bank of India jointly constituted a Central Committee for Cooperative Training to recommend establishment of necessary training facilities for Cooperative personnel.

The Second Five Year Plan (1956-61) stressed upon the need to build Cooperative sector in the form of a scheme of planned development as a part of the National Policy. It contained programmes based on the recommendations of the All India Rural Credit Survey Committee. National Agricultural Credit Long Term Operations Fund and National Cooperatives Development Fund were also established by the Central Government enabling the State Governments to borrow for subscribing share capital of non-credit Cooperatives. The Industrial Policy Resolution of 1956 also highlighted the need for State assistance to enterprises on Cooperative basis.

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<sup>10</sup> Ministry of Agriculture (2009). *Report of the High Powered Committee on Cooperatives*. GoI.



The Committee of Cooperative Law recommended a Model Bill in 1956 for consideration of the State Governments. The National Development Council Resolution was passed in 1958 which had explicit mention of importance of organizing village community as primary unit of development.

The Third Five Year Plan (1961-69) also emphasized the need to diversify the activities to be taken up on Cooperative basis. The Consumer Cooperative Structure and the Public Distribution System (PDS) were strengthened after Indo-China War in 1962. Insurance cover was provided to the deposits in Urban Cooperative Credit Societies under the Deposit Insurance Scheme of the Reserve Bank of India. Important National institutions which came up in the decade of 1960s are Agricultural Refinance Corporation in 1962; National Cooperative Development Corporation (NCDC) in 1963; National Dairy Development Board in 1964; and, Vaikunth Mehta National Institute of Cooperative Management in 1967. Subsequent Five Year Plans kept reiterating the emphasis on strengthening the Cooperative structure in India. Some of the important decisions and resulting initiatives taken by the Central Government are briefly highlighted in the following text.

- NABARD (National Bank for Agriculture and Rural Development) was set up to provide refinance support to Cooperative banks and to supplement the resources of Commercial Banks and Regional Rural Banks enabling them to enhance credit flow to rural sector after enactment of National Bank for Agriculture and Rural Development Act in 1981.
- The Multi-State Cooperative Societies Act was enacted in 1984 by repealing earlier Act of 1942. The new Act provided a comprehensive Central legislation to facilitate the organization and functioning of genuine multi-State societies and to bring uniformity in their administration and management.
- The Committee on Cooperative Law for Democratization and Professionalization of Management in Cooperatives was set up in 1985 and it recommended deletion of those legal provisions in the State Cooperatives Acts, which militated against the democratic character and autonomy apart from making other recommendations to democratize and professionalize the Cooperatives.

- The Agricultural Credit Review Committee headed by A.M. Khusro set up in 1989, examined the problems of Agricultural and Rural Credit and recommended that the Eighth Five Year Plan should become the plan for revival of weak Agricultural Credit Societies.
- The Expert Committee was set up by the erstwhile Planning Commission in 1990 which was headed by Choudhary Brahm Perkash to review broad status of the Cooperative movement in India and to finalize a Model Cooperatives Act. The committee made its recommendations in 1991 and circulated the Model Cooperatives Act to all the States for their consideration and adoption as cooperation was a State subject. However, opening up of the economy during 1990s liberalized policies of the Central Government resulted in increased pressure on various Governments to bring about changes that would provide the Cooperatives a level playing field to compete with the private sector.
- There has been no specific mention of the measures to develop the Cooperative sectors from the Ninth Five Year Plan (1997-2002) onwards and many State Governments have enacted their own Cooperative legislations for self-reliant Cooperatives.
- Amendments were made to the Multi-State Cooperative Societies Act of 1984 in 2002 keeping with the spirit of the Model Cooperatives Act. Unlike the State laws which were concurrently operative with the Central Laws, this amendment, replaced the earlier Act of 1984.
- Based on the recommendations made at a Conference of State Ministers for Cooperation held in 2002, the Government of India constituted a Ministerial Task Force to formulate a plan for implementation of National Cooperative Policy brought forward by the Government of India in 2002 with the objective to facilitate all-round development of the country.
- Based on the recommendations of Y.K. Alagh Committee, the Producer Companies Bill was introduced in the parliament



which became a law in February, 2003 as Part IXA –Producer Companies in the Companies Act, 1956.

- NCDC Amendment Act, 2002 enabled the Corporation to cover notified services, livestock and industrial activities and more importantly to directly fund Cooperatives against suitable security.
- The Task Force on Revival of Cooperative Credit Institutions set up in 2004, which was chaired by A. Vaidyanathan, recommended financial re-structuring of Cooperatives with legal measures to address root causes of weakness of the system.
- The High Powered Committee on Cooperatives, set up by the Ministry of Agriculture, Government of India, submitted its report in 2009 and strongly recommended to amend the laws enacted with the Model Cooperatives Act suitably to strengthen Cooperatives, improve efficacy of the decision making by the boards, to professionalize the Cooperatives and to repatriate the Government equity from the Cooperatives etc. It also recommended certain amendments to the Constitution alongwith the amendments to the Multi-State Cooperatives Act, 2002. The same committee also recommended following new roles to the Cooperatives:-<sup>11</sup>

**“Occupying new Spaces:** Globalization and liberalization of economic policies create new spaces in two forms. First, the governments start withdrawing from different domains hitherto solely or generally occupied by them creating vacant spaces, be it in manufacturing or service sector. Secondly, additional opportunities are continuously being created in newer areas, under the new economic environment. Many of these domains are not regarded as being commercially attractive. However, they are very important for people and communities and there is definitely a demand for these services. As such, the challenge would be to make them commercially viable and profitable. Traditional areas of social

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<sup>11</sup> Ministry of Agriculture (2009). *Report of the High Powered Committee on Cooperatives*. GoI.

sector such as Education, Health, Transportation<sup>12</sup>, Water supply<sup>13</sup>, Forest Management, Electricity<sup>14</sup> are some of the areas where “Cooperative solutions could be superior to either public or private approaches to utility management”<sup>15</sup>. In fact privatization efforts in India are already on in this area. Cooperatives have been working in all these areas and have the potential to prove their strength and hence they could be effective alternatives to privatization. Further cooperatives could play a major role in newer areas such as precision farming, sun farming, water harvesting, micro finance. Other potential areas are information technology, communications, tourism and hospitality etc., the demand for which is ever growing and which could provide alternative means of livelihood for Cooperative members. Outsourcing of services would also be the practice as firms grow in size and acquire specialization. Such outsourcing would expectedly lead to savings in transaction costs. Entering such services through the Cooperative route could prove an attractive alternative employment generating avenue.

**Providing an institutional form for the displaced :** Globalization would also result in restructuring leading to displacements occurring due to exit policies, labour re-engineering, closure of less competitive units, adoption of new technologies and consequent downsizing, mergers, acquisitions etc. including displacement from the agricultural sector. As pointed out earlier, displaced specialists could form Cooperatives for providing essential specialized services, which institutions would be increasingly outsourcing. The 2001 Census has clearly shown a sharp reduction in the population

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<sup>12</sup> Local transportation both bus services and taxi services are under worker cooperatives domain in many parts of India and they have proved a success. There is a need to expand these bases.

<sup>13</sup> Water supply and water resource management is a sensitive area where privatization seems to be on the anvil. But the cooperative model has proved a great success in this area. Examples from Brazil (."Going the cooperative way", The Courier, February 2001), Bangladesh (Alternatives to Privatization: The Power of Participation...) and Bolivia ("Public Sector Alternatives To Supply And Sewerage Privatization: Case Studies", PSIRU, August 1999) all prove this point.

<sup>14</sup> The Electricity Distribution Cooperative... In Gadag District of Karnataka is a standing example.

<sup>15</sup> Bolivia Water Management: A Tale of Three Cities", *Precis*, Number 222, Spring 2002 –  
World Bank Operations Evaluation Department

dependent on agriculture and that of landless continues. Collective endeavors through Cooperatives of such marginalized sections of the people can work, as many services would still be required by existing concerns which may not wish to have such service providers on their pay roll.

**Constructive Competitor:** Cartels or predetermined market sharing by private enterprises can jeopardize free and fair trade. Cooperatives could provide the role of the constructive competitor. This could be either through a stand-alone Cooperative or by entering strategic partnership with the private sector in the form of Cooperative – private sector collaborations etc. Cooperatives by their very presence would help to maintain the balance in terms of price and quality. For this reason, Cooperatives need to enter all those areas where full domination by the private corporation might eventually spell bad news to the consumers.

**Safeguarding the interest of Agriculture and Rural areas:** Agriculture will continue to be a very important occupation due to large percentage of population being dependent on it. The logic of agriculture would be applicable to almost the entire rural population. Self-help initiatives by farmers in the area of cultivation, marketing, accessing agricultural inputs, finding jobs for the land-less labourers, displaced rural artisans etc., would continue to be a major role for the Cooperative sector. None else is equipped to handle this.

**Facilitating the Millennium Development Goals (MDGs)<sup>16</sup>:** The Government of India had its commitment to the UN system, of achieving the MDGs within a specified time frame. Rural health and in particular maternal health and combating contagious diseases (medical Cooperatives), Gender equity (women Cooperatives), and Poverty reduction (agricultural and tribal Cooperatives) are some of the crucial areas under MDG, where the Cooperative sector can play the lead role.

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<sup>16</sup> The MDGs Framework has now been replaced with the SDGs Framework of the United Nations with the timeline of 2030 to achieve targets.

**Preserving the cultural and ethical values of the country:** Cooperatives are the best channels to keep the spirit of collectivism and democracy afloat. The presence of a large network of social organizations, like Cooperatives, would aid in the generation and utilization of social capital and 'greater the social capital greater would be the possibility of development'<sup>17</sup>. Therefore, Cooperatives have a futuristic role of fostering collectivism and preserving the social capital base of the country.

Not many initiatives were taken by the Central Government in the development of Cooperative societies until 2018 when the National Cooperative Development Corporation announced a youth friendly scheme called as Yuva Sahakar- Cooperative Enterprise Support and Innovation Scheme with an objective to help aspiring youth in meeting their goals. All the Central sector schemes and the Centrally Sponsored Schemes currently under implementation have been highlighted briefly in the following text.

**I. Central Sector Integrated Scheme on Agricultural Cooperation- Assistance to NCDC Programme for Development of Cooperatives - Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW), Ministry of Agriculture & Farmers Welfare (MOA&FW):**

- a) Assistance to Marketing, Processing, Storage, Consumers, Weaker Section Programmes of Cooperatives, Computerization of Primary Agricultural Cooperative Credit Societies, District Central Cooperative Banks, State Cooperative Banks and Technical & Promotional Cell Scheme for strengthening Management of State Cooperative Federations (subsidy on tapering basis).
- b) Assistance for Ginning & Pressing Programme and Establishment of New and Modernization/ Expansion/ Rehabilitation of existing Cooperative Spinning Mills.
- c) Integrated Cooperative Development Projects (ICDP) in selected

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<sup>17</sup>Robert Putnam et.al, 1993, "Making Democracy Work: Civic Traditions in Modern Italy", Princeton Univ. Press

districts.

## II Other Central Schemes:

- a) Agricultural Marketing Infrastructure (AMI) sub scheme of Central Sector Integrated Scheme on Agriculture Marketing (CSISAM) for Storage and other than Storage Infrastructure -DAC&FW, MOA&FW
- b) Rashtriya Krishi Vikas Yojana (Training) - DAC&FW, MOA&FW
- c) Mission for Integrated Development of Horticulture (MIDH) - DAC&FW, MOA&FW
- d) Scheme for Cold Chain, Value Addition and Preservation Infrastructure - Ministry of Food Processing Industries
- e) Interest rebate under Technology Up gradation Fund Scheme - Ministry of Textile
- f) Sugar Development Fund - Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution
- g) Assistance for Boosting Seed Production component under Sub-Mission for Seed and Planting Material (SMSP) of National Mission on Agricultural Extension and Technology (NMAET)
- h) PM Matsya Sampada Yojana (PMMSY) – Department of Fisheries, Ministry of Fisheries, Animal Husbandry and Dairying
- i) PM Formalisation of Micro Food Processing Enterprises (PMFME)- Ministry of Food Processing Industries
- j) Dairy Processing and Infrastructure Development Fund (DIDF) - Ministry of Fisheries, Animal Husbandry and Dairying
- k) Fisheries & Aquaculture Infrastructure Development Fund (FIDF) Scheme –Department of Fisheries, MOA&FW

## III NCDC Sponsored Schemes:

### a) Marketing:

- Margin Money /Working capital assistance
- Strengthening share capital base of primary / district cooperative

marketing societies

- Purchase of furniture and fixtures, transport vehicles including refrigerated vans
- Development / Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization

**b) Processing:**

- Setting up of new sugar factories (Investment Loan)
- Modernisation and Expansion / Diversification of existing Sugar Factories (Investment loan and term loan)
- Establishment of new/ Modernization/ Expansion/ Rehabilitation of existing spinning mills
- Modernization/ Expansion of existing and establishment of modern cotton ginning & pressing units
- Small /medium scale agro & allied sector processing units, pre/post loom processing/ garment & knitting units
- Setting up of other Processing units, such as: Foodgrains/Oilseeds /Plantation Crops /Fruits & Vegetables /Maize Starch/Particle Board etc. - Margin money /Working capital assistance
- Share capital participation by State Governments in new spinning mills

**c) Storage:**

- Construction of godowns and repair / renovation of existing godowns
- Margin money / Working capital assistance

**d) Cold Chain:**

- Construction / expansion / modernization of cold storages
- Establishment of Cold Chain components which broadly include (i) Integrated pack house, (ii) Reefer transport, (iii) Cold storage (Bulk-near farm gate) (iv) Cold storage (Hub-near market) and (v) Ripening units etc.

- Margin money / Working capital assistance

**e) Distribution of essential consumer articles through cooperatives:**

- Establishment of infrastructure such as shopping centre, diesel, Kerosene bunk /warehouse / new / expansion / modernization of wholesale consumer cooperative store / departmental consumer cooperative store / consumer federation
- Purchase of furniture and fixture, transport vehicles including refrigerated vans for distribution of consumer articles
- Margin money / Working capital assistance

**f) Industrial:**

- All types of Industrial Cooperatives, Cottage & Village Industries, Handicrafts / rural crafts etc.

**g) Credit & Service Cooperatives/ Notified Services :**

- Agriculture Credit / Agriculture Insurance
- Water Conservation works / services
- Irrigation, micro irrigation in rural areas
- Animal care / health /disease prevention
- Rural Sanitation, Drainage, Sewage system through Cooperatives
- Tourism, Hospitality, Transport
- Generation & Distribution of power by New, Non Conventional & Renewable sources of energy
- Rural Housing
- Hospital / Health Care and Education
- Creation of infrastructure for credit cooperatives

**h) Cooperative Banking Unit:**

- Assistance to PACS for creation of infrastructure relating to Modern Banking Unit.

**i) Agricultural Services :**

- Cooperative Farmers Service Centres



- Agro Service Centres for Custom Hiring
- Establishment of Agricultural inputs manufacturing and allied units -Irrigation / water harvesting programmes

**j) District Plan Schemes:**

- Integrated Cooperative Development Projects in selected districts

**k) Cooperatives for Weaker Sections:**

- Fisheries, Dairy & Livestock, Poultry, Schedule Caste, Tribal Cooperatives, Handloom, Coir, Jute, Sericulture, Women, Hill area, Tobacco & Labour

**l) Assistance for Computerisation of Cooperatives:**

- Assistance is provided for purchase / installation of computers/ hardware, system & application software, networking, maintenance cost, technical manpower and capacity development and training.

m) **YUVA SAHAKAR:** Cooperative Enterprise Support and Innovation Scheme: The scheme aims at encouraging newly formed cooperative societies with new and/ or innovative ideas. It is linked to a Cooperative Start-up and Innovation Fund created by NCDC.

n) **AYUSHMAN SAHAKAR:** The Scheme has a comprehensive approach to cover hospitals, healthcare, medical education, nursing education, paramedical education, health insurance and holistic health systems such as AYUSH.

o) **NANDINI SAHAKAR:** The scheme aims to improve socio-economic status of women and supports entrepreneurial dynamism of women through women cooperatives. It will converge critical inputs of women's enterprise, business plan formulation, capacity development, credit and subsidy and/ or interest subvention of other schemes

p) **DAIRY SAHAKAR:** It is a cooperative dairy business focused framework of financial assistance for encouraging cooperatives to achieve higher outcomes in ESG (environmental, social,



governance) linked activities. It includes creation of infrastructure by cooperatives for new projects and modernization and/or expansion of existing projects.

- q) **DIGITAL SAHAKAR:** Aligned with the principles of Digital India, NCDC has conceived a focused financial assistance framework for Digitally Empowered Cooperatives for handholding and credit linkage by NCDC, dovetailed with grant, subsidy, incentives etc. from Government of India / State / UT / agencies with the objective of cooperatives actively partaking in Digital India.
- r) **Promotional and Developmental programmes:**
- Technical & Promotional Cells
  - Consultancy for studies / project reports, management studies, -Market survey & evaluation of programmes, etc.

### **Centrally Sponsored Project “Computerization of Primary Agricultural Credit Societies (PACS)”**

The Primary Agricultural Credit Societies (PACS) constitute the lowest tier of the three-tier Short-term cooperative credit (STCC) in the country comprising approx. 13 crore farmers as its members, which is crucial for the development of the rural economy. The other two tiers viz. State Cooperative Banks (STCBs) and District Central Cooperative Banks (DCCBs) have already been automated by the NABARD and brought on Common Banking Software (CBS). However, majority of PACS have so far been not computerized and still functioning manually. Therefore, a project has been launched to computerise all the operational PACS throughout the Country.

A Centrally Sponsored Project on 'Computerization of PACS' has been approved by the Cabinet Committee on Economic Affairs (CCEA) 29<sup>th</sup> June, 2022. This project envisages computerization of about 63,000 functional PACS over a period of 5 years with a total budget outlay of Rs. 2,516 crore with a central share of Rs.1,528 crore. Out of the total budget for the project, the shares of Government of India, State Governments and NABARD are

Rs.1,528 crore, Rs.736 crore and Rs.252 crore respectively.

Computerization of PACS, besides serving the purpose of financial inclusion and strengthening service delivery to farmers especially Small & Marginal Farmers, will bring transparency, efficiency, enhance trustworthiness in the working of PACS among farmers. Single ERP based software will be developed at National level which will enable PACS to digitize its services and link them with DCCBs and STCBs. It will ensure speedy disposal of loans, lower transition cost, faster audit and reduction in imbalances in payments and accounting with State Cooperative Banks and District Central Cooperative Banks.

## CHAPTER-2

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# Research Design & Methodology

The Chapter attempts to outline the plan to collect and arrange information from various resources and make observations based on the gathered information. The research team took cues from the plan as enunciated in this chapter to draw conclusions based on the logical inferences and gained insight into the progress made by the Primary Agricultural Cooperative Societies in Himachal Pradesh. The research design and the methodology were finalized keeping in view the following objectives of the study:-

**Objectives:**

- ✓ How the members of the PACSs have benefited by joining them?
- ✓ To assess the quantum of credit flow from PACS to the members.
- ✓ To determine the financial health of the credit societies.
- ✓ To know if the PACS were successful in timely provision of various agricultural inputs and credit and also to assess if they were helpful in marketing the agricultural produce.

**Sampling:**

The sample was selected using simple random sampling technique to collect primary data from PACSs. A total sample size of 196 PACS out of the total number of existing 2,178 PACS (9%) was finalized for gathering primary information from them. Apparently, 9% sample size may appear a bit too large in the first instance, however, it was done deliberately to deal with the possibility of not receiving any response from the PACS. In fact, out of the sample of 196 PACS, the meaningful information from only 108 PACS was received which was scrutinized, collated and analyzed in meeting the objectives of the study. Thus, the sample size stood autocorrected and was brought down to the 5% of the PACS population which is a fairly representative sample size. All care was taken to ensure that each districts of the State gets adequately represented in the sample. Two beneficiaries of each of the selected PACS were interviewed using a well structured set of questions directed at retrieving the useful information from the beneficiaries in consonance with the objectives of the study.

### **Sources of Data:**

Secondary as well as primary sources of data have been explored to collect information related to functioning of Primary Agricultural Cooperative Societies (PACSS) and progress made by them in Himachal Pradesh. The office of the Registrar of the Cooperative Societies was contacted for getting information with regard to PACSS at the State level. Various websites of the Central Ministries were also explored to go through the related literature and information with regard to performance of cooperative societies and PACSS at the National and State level. The primary data was collected directly from the PACSS in Himachal Pradesh by circulating a pilot tested questionnaire finalized by the Planning Department in consultation with various offices of the Department of Cooperative Societies, members of PACSS and domain experts. The questionnaire was administered to the PACSS through mail as going personally to each and every PACS was not a possibility due to the circumstances prevailing as a result of outbreak of COVID-19. Telephonic inquiries were also made from the office bearers of the PACSS to address inconsistencies related to the information provided by the PACSS by filling in the questionnaires circulated to them.

### **Tools of Analysis:**

Keeping in view the objectives of the study, information related to profit and loss accounts, membership, lending and number of borrowers etc. was collected through various published and unpublished documents of the State Government, banks and the Central Government and has been used for analysis. The collected information has been presented in the form of tables, graphs and other figures using simple statistical techniques. Averages, percentages, ratios and comparative statement analysis have been widely used to arrive at useful inferences. Correlation analysis has been used to know if there exists any relationship between different indicators.

### **Chapterization of the Report:**

The entire report is comprised of five chapters. The first chapter gives a brief account of evolution of the concept of Cooperation in India and across the globe. It also attempts to highlight characteristic features of the Cooperatives. The second chapter gives an account of the study design including sampling and other aspects. The inferences drawn in the third

chapter are based on the information available on various websites and Government publications related to the Cooperatives in Himachal Pradesh. All the information used in this chapter is of State level. The fourth chapter is based on the primary information collected directly from the PACSs. It also contains an analysis of the responses received from the members of PACSs about their opinion on various functional aspects of the PACSs. The last chapter sums up the findings of the study and makes certain recommendations which are based on analysis of the available information and also on the observations of the field investigators and other members of the team responsible for conducting the study.

**Limitations:**

The research team had to face great deal of difficulty in collecting information both from secondary and primary resources due to the circumstances resulting from the outbreak of COVID-19 during the study period. The offices of different PACSs could not be visited in person and similarly, their members could not be contacted in person due to the lockdown imposed by the authorities during the spread of pandemic. The primary information had to be collected through telephone and other electronic modes of communication. The secondary information was also collected through the same modes of communication. There were inordinate delays in collecting the information as most of the Government offices and offices of the PACSs remained closed due to imposition of lockdown during this period. These factors not only resulted in delays in gathering of information, its analysis and report writing was also delayed accordingly. The inferences based on on-sight first hand information are absent from the study as neither field investigators nor other members of the team could visit various offices in person and the information provided through electronic media had to be relied upon for analysis and report writing.

## CHAPTER-3

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# Primary Agricultural Societies in Himachal Pradesh: History & Progress

Immediately after Himachal Pradesh came into existence as a Part-C State in 1948, the Department of Cooperation was established with an objective to eliminate all types of exploitation of farmers and common men by money lenders and middle men with the provision of credit facilities at low rates of interest to the farmers and other persons of the State through cooperative institutions. This approach had focused on socio economic development of Himachal Pradesh. The vision also envisaged empowering people of the State for coming together ensuring mutual benefit through consultations and building synergies to maximize economic benefits.

The cooperative societies were registered in Himachal Pradesh under the Cooperative Societies Registration Act, 1912 before the first Himachal Pradesh Cooperative Societies Act was enacted in 1956. With the reorganization of Punjab State in 1966, four more districts viz. Kangra, Kullu, Lahaul & Spiti and Shimla were formed. Subsequently, two more districts were created out of Kangra district i.e. Hamirpur and Una and Mahasu district was reorganized giving the name of Solan to the reorganized district. This reorganization of the districts in Himachal Pradesh lead to the changes in the existing provisions of the Acts related to cooperative societies. Himachal Pradesh Cooperative Societies Act, 1968 was enacted in view of the fact that the societies in the newly merged areas had unlimited liabilities. Subsequently, the Government also framed Himachal Pradesh Cooperative Societies Rules, 1971 to strengthen cooperative movement in the State. Himachal Pradesh Cooperative Societies (Amendment) Bill, 2020 was passed by the State Legislative Assembly with an objective to bring transparency in and democratization of cooperative movement putting an end to unnecessary and excessive control on the co operative societies.

The main focus of the Department of Cooperation is on amelioration of the socio-economic conditions of the people. It also envisages enabling empowerment of people to come together for constituting organizations for mutual benefit, build up synergies and drive economic benefits. The departmental functions have been distinctively categorized into developmental and regulatory functions, which have been summarized as under:-



**a. Developmental Functions**

- i. To extend credit facilities.
- ii. To promote marketing facilities for the members to sell their produce at remunerative prices.
- iii. To provide consumer goods, especially, essential commodities under PDS at reasonable prices.
- iv. To update the skill of the Artisans, Craftsmen and weaker sections of the society engaged in industrial activities and help them to market their produce.
- v. To enable all persons to come together and gainfully employ themselves in diverse fields such as Horticulture, Floriculture, Fisheries, Housing, Wool production, Poultry, Labour & Construction, Dairy and tourism etc.

**b. Regulatory Functions**

- i. Registration of Cooperative Societies.
- ii. Conducting Annual Audit of all Cooperative Societies.
- iii. Inspecting Cooperatives Societies.
- iv. Conducting the elections of the Cooperative Institutions.
- v. Conducting statutory inquiries into specific complaints/act of misdemeanor.
- vi. Conducting arbitration proceedings in case of disputes.
- vii. Placing dormant/defunct Cooperative Societies under liquidation.
- viii. Registration of charitable organizations/N.G.O's under Societies Registration Act, 1860.
- ix. Issuing directions from time to time to Managing Committees to improve their functioning/working.

**Registration of Societies:** The Section 8 of the HP Cooperative Societies Act, 1968 (Amended in 2006) provides that registration of a cooperative society is done by the Registrar of Cooperative Societies (appointed by the Government) who is also responsible for maintaining/keeping official record of the cooperative societies registered under the Section. After the

application for registration of the society is received as per the Section 7 of the Act, the registration is done as a formal process of recording the name, title and address of the society on the official list maintained for the purpose. It is mandatory that the founder application members shall not be less than 10 when all the applicants are individuals and not less than 5 when one or more applicants are not individuals. Minimum share capital requirements/subscriptions as per the norms fixed by the Registrar/Government from time to time are required to be met at the time of registration.

**Audit of the Cooperative Societies:** The trade and business of a cooperative society is carried out with the capital of the members including the borrowed capital, but members/shareholders do not have much day-to-day control over the transactions, business conducted by the society during the financial year. To see if the business has been transacted in compliance/accordance with rules, prudential practices, statutes, instructions of the NABARD/R.B.I/State R.C.S., for this purpose the accounts of every society are audited at least once in each co operative year by the Registrar or any person authorized by him as provided for under Sections 61, 62 and 63 (read with Rules 83, 84, 85).

Audit of the books of Accounts of a cooperative society has mainly 3 objectives:-

1. To verify the authenticity of the accounts, statements prepared by the officers/Committee of the society in order that they depict true financial position.
2. To detect discrepancies and get removed the same.
3. To detect frauds, if any.

The audit is done as per the annual audit programme/monthly allotments. The audit report is required to be submitted within 10 days of the completion of the audit.

**Inspection of the Cooperative Societies:** Under the H.P. Cooperative Societies Act, 1968, an inspection of a Cooperative Society is an official, statutory process of checking/examination of necessary documents, procedures etc. that the businesses, policy decisions and their implementation by the Management and its officers are in the correct order

and that they are doing things in the manner they should actually do. To serve the above purpose, the Registrar, under section 65 of the ibid Act, from time to time, inspects a registered society himself or cause it to be inspected by some person authorized by him on his behalf by general or special order and communicate the result of the inspection to the society within a period of one month from the date of completion of such inspection.

**Inquiry of the Cooperative Societies:** An Inquiry under the provisions of the H.P. Cooperative Societies Act, 1968 (Amended 2006) and the H.P. Cooperative Societies Rules, 1971 is an official examination/investigation of a specific point or points during the conduct of which the relevant books of accounts, and other documents in possession of the society or any of its officers, members, agents etc. are examined and relevant information or explanation regarding the specific point or points is obtained from the society/ its officers, members, agents or servants etc. This is a statutory inquiry and is covered under section 67 of the H.P. Cooperative Societies Act, 1968. This is conducted by the Registrar himself, or by a person authorized by him in writing.

**Arbitration of the Cooperative Societies:** To facilitate its operations, the cooperative society has to undertake multiple loan and business activities besides holding properties, entering into contracts/ trade relations etc. with members, persons, companies/firms etc. Such business dealings with members (nominal members), businessmen, merchants, marketing societies sometimes lead to disputes on account of violation of terms and conditions, non-repayment of loans/defaults by any of the parties. To avoid prolonged litigations in the Civil Courts, such disputes are exclusively referred to the Registrar under section 72/73 of the ibid Act for settlement/arbitration which is an official/judicial process of trying to settle a disagreement between two people or groups by considering all the facts, documentary evidence and statements of parties/ sureties/ witnesses etc. The disputes/references consisted of the following:-

1. If it touched constitution.
2. If it touched management.
3. If it touched business of a society.

**Appeals of the Cooperative Societies:** Under the provision of sections 93,

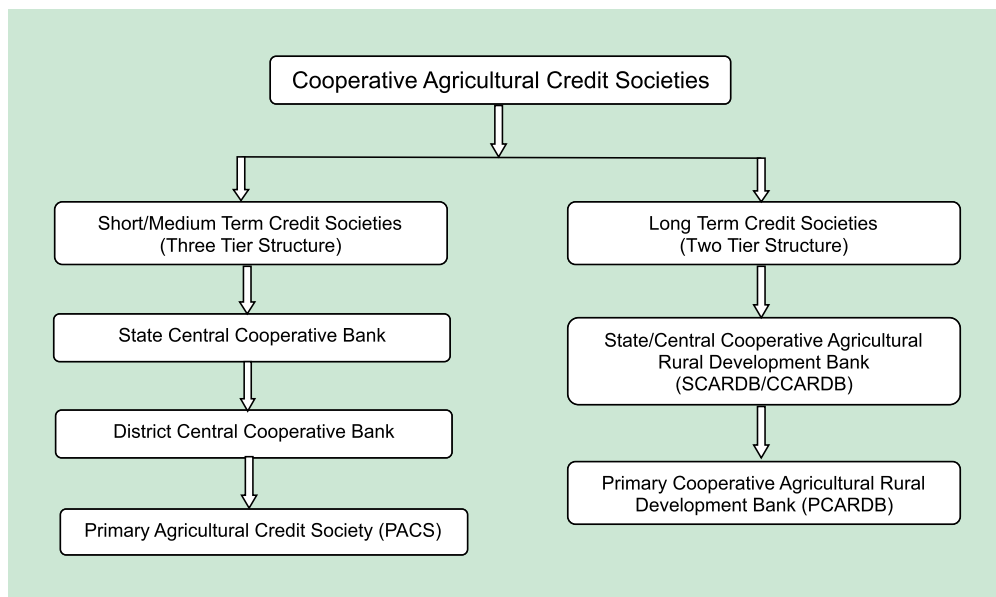
and 94 certain processes, awards or decisions of the Registrar or persons subordinate to him may be challenged by the aggrieved parties before the higher designate authorities for a reconsideration/review/re-examination in order to decide whether the same were suitable, consistent, satisfactory, in accordance with the principles of fair play and natural justice and whether they should for any reasons be modified, annulled or reversed. An appeal against any process, decision or order as enlisted under section 93(1) should be made within 60 days from the date of decision, award, or order.

**Liquidation of the Cooperative Societies:** A Cooperative Society is a business entity, but there might come a situation in its career when its business may close down or fail and its assets that it owns may have to be apportioned in order to set off its liabilities. This process under the provisions of section 78 of the ibid Act (read with rule 104 ) is known as dissolution or winding up process. Order of winding up of a Cooperative Society is made by the Registrar (Section 78 read with Rule 104) when he is satisfied that the society has not commenced working within a period of 12 months from the date of registration, has ceased working and not carried on business during the previous 18 months, among others.

No Civil or Revenue Court has any jurisdiction in respect of any matter concerning the winding up and the dissolution of a society, and no suit or other legal proceedings relating to the business of such society shall be proceeded with or instituted against the Liquidator, or against the society or any member thereof, except by leave of the Registrar and subject to such terms as he may impose as provided for under the related provisions.

**Cooperative Credit Institutions:**

There are two types of cooperative credit institutions in India. The first is responsible for the short and medium term dispensation of credit and the second type is involved in extending long term credit.



The Primary Agricultural Credit Society (PACS)/ Primary Agricultural Credit bank (PACB) is the basic unit of the cooperative credit structure which works at the village/local level. These PACSs/PACBs are federated into the District Central Cooperative Banks generally, at the district level which, in turn, are federated into the State Level Cooperative Banks. The State Level Cooperative Banks work in close coordination with the NABARD and the Reserve Bank of India. Long term credit is extended by the Land Development Bank. The State/Central land Development Bank (now renamed as State Cooperative Agricultural Rural Development Bank - SCARDB) is the State level apex institution that operates in close coordination with the Primary Land Development Banks -PLDBs (now renamed as Primary Cooperative Land Development Banks- PCARDBs) at district level or through its own branches where PCARDBs do not exist.

### Three Tier Cooperatives Structure in Himachal Pradesh

Himachal Pradesh Cooperatives Act, 1968 provided for establishment of three tier structure of cooperative societies in Himachal Pradesh. These societies are primarily functioning as credit societies; however, diversification into other activities like marketing, warehousing etc. is not rare. A brief of total number of cooperative societies at all the three levels and their membership in Himachal Pradesh during the end of 2020-21 is given in the Table-3.1.

**Table-3.1**  
**Three Tiers of Cooperative Societies in Himachal Pradesh**

Cooperative Society	Jurisdiction/ level	Number by the end of 2020-21	Total membership by the end of 2020-21
1.	2.	3.	4.
State Cooperative Societies	State	219	1,771
District Central Cooperative Societies/Banks	District	280	2,791
Primary Cooperative Societies	Village	2,178	16,04,000

### Types of Cooperative Societies in Himachal Pradesh

Based on the nature of activities performed, cooperatives can be categorized as

- 1. Consumers' Cooperative Societies:** They are the oldest form of cooperatives. They are formed for the benefit of consumers who wish to get household goods at reasonable prices. These societies make bulk purchases of goods from producers directly or from wholesalers at wholesale rates and sell the goods to members. Sometimes the goods are also sold to non-members. The prices charged from non-members would be higher when compared to the prices charged from

members.

2. **Producers' Cooperatives:** They are formed by small producers who plan to obtain inputs (raw materials, components, tools and equipment) and to sell their output (finished goods) by direct distribution and without any involvement of middlemen. They are also called as industrial cooperatives. Goods are produced to meet the requirements of members. Goods can also be sold to outsiders at a profit.
3. **Marketing Cooperatives:** They are voluntary associations of producers formed with the objective of ensuring a steady market for the output of members. Marketing Cooperatives are especially suitable for marketing of agricultural products. They seek to protect producers from being exploited by the middlemen.
4. **Housing Cooperatives:** Housing cooperatives are formed by those who are interested in acquiring residential property. They undertake activities relating to purchase of land, obtaining governmental approvals, development of the site, construction of houses or flats and allotment of houses/flats to its members.
5. **Cooperative Credit Societies:** The objective of forming cooperative credit societies is to provide loans to members at reasonable rates of interest and to develop the habit of thrift among members. They accept deposits from members and provide loans to members at reasonable rates of interest. The formalities are much simpler when compared to availing of a bank loan. The cooperative credit societies are of two types. They are:
  - a. Agricultural credit societies and
  - b. Non agricultural credit societies.
6. **Cooperative Farming Societies:** They are formed by small farmers with the objective of maximizing agricultural output. It is especially suitable for States like Himachal Pradesh where land is highly fragmented. High fragmentation of and small size of average land holding lead to low output, and lack of resources to implement modern methods of cultivation. In the case of cooperative farming



societies, land holdings of members are consolidated, modern methods of cultivation adopted and good quality of seeds and fertilizers are used.

### Study of PACSs in Himachal Pradesh

The present study has a scope confined to analysis of various aspects of the Primary Agricultural Credit Societies (PACSs) in Himachal Pradesh. Main objective of these societies is to provide cheap credit to the farmers in order to protect them from the clutches of money lenders in the unorganised sector. Many PACSs also undertake multiple activities like sale of fertilizers and other agricultural inputs and distribution of ration items under the Public Distribution System (PDS). The main functions of the PACSs in Himachal Pradesh can be listed as under:-

- I. To promote economic interests of the members in accordance with the principles of cooperation.
- ii. To provide short and medium term loans.
- iii. To promote savings habits among members.
- iv. To supply agricultural inputs like fertilizers, seeds, insecticides and implements.
- v. To provide marketing facilities for the sale of agricultural produce.
- vi. To supply other consumer products like sugar, kerosene etc.

**Management:** The general body elects a managing committee which consists of five to nine members and elects a President, Secretary and a Treasurer to look after the day to day functioning of the society. All the office bearers render honorary service. The RBI has given a directive to appoint a full time paid secretary to maintain the accounts for each society.

**Membership:** All agriculturists, agricultural labourers, artisans and small traders in the villages can become members of the society.

**Share Capital:** PACSs issue ordinary shares of small value depending upon the specific society, i.e. Rs.10 and Rs.50 each to their members. The ownership of shares decides the rights and obligations of the holder to the society. Share capital forms an important part of the working capital.

Members' borrowing capacities are determined by the number of shares held by them.

**Liability:** Initially, societies were formed with unlimited liability. The All India Rural Credit Review Committee pointed out that unlimited liability operates as a restraint on the willingness of the society to liberalize its loan policies, to admit new members and to extend its area of operation. Besides, it hinders the society to receive contribution from the State Government whose liability inevitably has to be limited. In view of these reasons, the societies were formed with limited liability and the existing societies were converted into limited liability societies.

**Sources of Funds:** Share capital, entrance fee, deposits from members and non-members, reserve fund and loans borrowed from higher institutions (Central Cooperative Banks, Commercial Banks and Government) and grants and subsidies from the Government are the different sources of funds of the cooperative societies. PACSs obtain loans from DCCB or SCB to cater to the needs of their members. The maximum borrowing power of the society is based on its liability and it differs from State to State. As per the provisions of the Banking Regulation Act, 1949 read in conjunction with the instructions of the RBI, the maximum borrowing limit of the PACS shall be fixed 12 times the owned capital of the PACS. Credit limit, in Himachal Pradesh, is fixed by the Registrar of Cooperative Societies as mentioned above and the owned capital assets would mean total paid up share capital and accumulated reserve funds alongwith other funds and undistributed profits minus accumulated losses as per latest audited balance sheet of the society.

**Loaning Policies:** PACSs supply short-term credit on the personal security of the borrowers, while medium term credit is given either by creating charge on their immovable assets or mortgages. Repayment period is determined on the basis of incremental income derived out of the loan.

### **Growth and Performance of Primary Agricultural Cooperative Societies in Himachal Pradesh**

After giving a brief account of the history of cooperative movement in Himachal Pradesh, this section highlights how the Primary Agricultural

Cooperative Societies (PACSS) have grown and performed over the years. The mandate of the present study requires analysis of the information related to PACSS and draw inferences based on the information gathered. The following sections have been attempted based on the information that was available on the official website of National Federation of State Cooperative Banks Ltd. (NAFSCOB). The time period for which available data for PACSS has been analysed while attempting this section pertains to the years starting from 2002-03 to 2020-21. The period of about 18 years has been considered sufficient to draw inferences with regard to the performance of PACSS in Himachal Pradesh.

### **Growth in numbers and membership**

The number of PACS registered in Himachal Pradesh was 2,104 in 2002-03 and has increased to 2,178 in 2020-21. The increase has been very gradual after 2009-10 before which it had decreased marginally in comparison to what it was in 2002-03. The data in Table-3.2 shows that the total number of registered PACSS has tended to remain unchanged throughout the reference period. After the year 2015-16, there has been a gradual increase in the number of viable PACSS with the near to corresponding decrease in the number of potentially viable PACSS. This indicates to the possibility of transition of potentially viable PACSS into the viable PACSS. However, the worrying part is the incidence of sudden increase in number of dormant PACSS after 2015-16. Sudden emergence of 53 defunct PACSS during 2019-20 and their decline to 9 during 2020-21, indicates to the possibility of 44 PACSS having been liquidated. The increased incidence of dormant PACSS in 2020-21 needs attention of the Cooperative Department. The table has sufficient information to draw an inference that the growth of PACSS in terms of numbers in Himachal Pradesh has reached saturation. Now, the time is ripe for the department to concentrate on consolidation and expansion of existing PACSS in terms of their financials and diversification into more profitable activities with an objective to increase their income.

The efforts to strengthen and consolidate the PACSS being made by the Cooperative Department can be supported with the increase in membership of the PACSS especially, during 2020-21, when there was an increase in the total membership of the PACSS by about 33,000 (Table-3.3) despite the

**Table-3.2**  
**Details of Primary Agricultural Credit Societies**  
**(Total And Type -wise)**

As on 31st March (NUMBERS)							
Sr. No.	YEAR	VIABLE	POTENTIALLY VIABLE	DORMANT	DEFUNCT	OTHERS	TOTAL NO.OF PACS (3 to 7)
1	2	3	4	5	6	7	8
1	2002-03	472	1562	34	0	36	2104
2	2003-04	461	1574	21	0	35	2091
3	2004-05	449	1583	23	0	34	2089
4	2005-06	442	1593	22	0	29	2086
5	2006-07	442	1593	22	0	29	2086
6	2007-08	433	1626	33	0	0	2092
7	2008-09	433	1626	33	0	0	2092
8	2009-10	443	1613	24	0	17	2097
9	2010-11	460	1599	35	5	11	2110
10	2011-12	463	1583	45	6	20	2117
11	2012-13	476	1582	51	6	20	2135
12	2013-14	476	1582	51	6	20	2135
13	2014-15	476	1582	51	6	20	2135
14	2015-16	476	1582	51	6	20	2135
15	2016-17	500	1527	100	0	0	2127
16	2017-18	563	1467	101	0	35	2166
17	2018-19	522	1472	105	0	33	2132
18	2019-20	512	1528	46	53	36	2175
19	2020-21	547	1481	107	9	34	2178

Source: <https://www.nafscob.org>

number of the PACSs remaining almost the same. If the representation of Scheduled Castes in the total membership of the PACSs is considered it has remained around the proportion of their population in Himachal Pradesh. However, the representation of the Scheduled Tribes in the overall membership of PACSs is less than their proportion in the total population of the State, though, their reasonably good representation alongwith that of Schedule Castes in the PACSs membership indicates to the inclusiveness of growth of PACSs in the State. The presence of small farmers, rural artisans and marginal farmers gives a greater character of inclusiveness to the growth of PACSs.

### Financials of the PACSs

The financial position of the PACSs in Himachal Pradesh in terms of the paid up share capital, total reserves and total deposits has improved impressively during the period under consideration. The percentage increase in the paid up

share capital of the PACSs has been more than the proportionate increase in their numbers and membership. Total deposits have also increased considerably and so has working capital. Total reserves of the PACSs registered a 100% increase during 2016-17 (Table-3.4) and tended to assume the trend levels thereafter. This increase in the total reserves in 2016-17 could not be supported with a plausible explanation even after discussions with the officials of the Cooperative Department. The borrowings of the PACSs have exhibited fluctuations during the reference period. The working capital of PACSs registered a quantum jump during 2016-17, the year when the

**Table-3.3**  
**Total Membership of Primary Agricultural Credit Societies**  
**(Total And Type -wise) As on 31st March (IN 000')**

Sr. No.	YEAR	SCHEDULED CASTE (S/C)	SCHEDULED TRIBES (S/T)	SMALL FARMERS	RURAL ARTISANS	OTHERS & MARGINAL FARMERS	TOTAL MEMBERSHIP (3 TO 7)
1.	2.	3.	4.	5.	6.	7.	8.
1	2002-03	269	36	547	48	90	990
2	2003-04	273	35	558	48	85	999
3	2004-05	277	36	566	48	88	1015
4	2005-06	281	36	576	50	87	1030
5	2006-07	281	36	576	50	87	1030
6	2007-08	283	36	588	50	96	1053
7	2008-09	283	36	588	50	96	1053
8	2009-10	567	0	1154	335	914	2970
9	2010-11	297	38	458	52	243	1088
10	2011-12	299	39	714	52	246	1350
11	2012-13	301	42	806	52	246	1447
12	2013-14	301	42	806	52	246	1447
13	2014-15	301	42	806	52	246	1447
14	2015-16	301	42	806	52	246	1447
15	2016-17	315	44	810	56	256	1481
16	2017-18	315	44	810	56	256	1481
17	2018-19	346	56	816	57	250	1525
18	2019-20	340	55	820	56	0	1271
19	2020-21	356	46	974	63	165	1604

Source: <https://www.nafscob.org>

reserves also registered unprecedented increase. The working capital of the PACSs did not decline thereafter.

Despite the fact that 2020-21 witnessed liquidation of around 44 PACSs and a decline in total paid up capital, reserves and working capital of all the PACSs taken together, total membership of the PACSs has registered an impressive increase. This indicates to consolidation efforts made by the departmental officials and which will have long term implications in increasing profitability of PACSs in Himachal Pradesh. This also indicates that the PACSs are nearing self sufficiency and the Government should review the subsidies available to them and draw a strategy to withdraw them gradually giving more confidence and sense of self reliance to the members of PACSs of the State. In fact, the department may review the capacity building programmes being conducted for the members of the PACSs and reorient them by incorporating use of digital and information technology in the capacity building programmes. They should be given training about the entrepreneurial skills as emerging from the requirements of changing market situation, automation of accounts, stock management, automated invoicing, online transactions using various platforms etc..

Despite financial strengthening of the PACSs during the reference period, total number of borrowers has not increased by much. The years 2005-06 & 2006-07 witnessed a sudden increase in the number of borrowers which declined thereafter and remained stagnant throughout until 2016-17. Thereafter, the number of borrowers decreased drastically. A sudden jump in the total number of borrowers during 2020-21 has been entirely due to increase in number of Scheduled Caste and Scheduled Tribe borrowers of the PACSs. The point for consideration of the cooperative department is total absence of borrowers who were rural artisans during the period of reference and the absence of small farmers in the total borrowers after 2017-18. The reasons for these categories not availing the benefits of availability of credit need a separate examination and require urgent correction path as small/marginal farmers and rural artisans are the categories which need timely credit in small amounts and more frequently. Table-3.5 clearly indicates to sudden jump in total number of borrower of PACSs in 2020-21 of which Scheduled Castes and Scheduled Tribes constituted all the borrowers. There is a strong possibility that this increase in the number of borrowers is due to



the consolidation efforts undertaken by the department by liquidating defunct PACSs, reviewing others and making interventions to bring dormant PACSs into the potentially viable category and converting potentially viable PACSs into the viable ones.

Total Loans issued by the PACSs have registered an impressive increase from Rs.101.35 crore in 2002-03 to Rs.657.33 crore in 2020-21 registering an increase of six and a half times. Figures 3.1 and 3.2 give an idea about the growth in the total loans issued by the PACSs and also their composition. The short time loans though registered a growth of about three and a half times

**Table-3.4**  
**Paid Up Share Capital, Reserves, Deposits,  
Borrowings and Working Capital as on 31st March**

(RS. IN LAKHS)

SR NO	YEAR	PAID UP SHARE CAPITAL	Of Column No. 3. Govt.share	RESERVES	TOTAL DEPOISTS	TOTAL BORROWINGS	WORKING CAPITAL
1.	2.	3.	4.	5.	6.	7.	8.
1	2002-03	4565.00	1409.00	3382.00	42807.00	7466.00	64644.00
2	2003-04	5133.00	1609.00	3896.00	50435.00	7466.00	74440.00
3	2004-05	5672.00	1700.00	4569.00	57712.00	7879.00	83883.00
4	2005-06	6192.00	1708.00	5197.00	65434.00	8085.00	93,743.00
5	2006-07	6192.00	1708.00	5197.00	65434.00	8085.00	93743.00
6	2007-08	7328.00	1744.00	6900.00	83915.00	8399.00	120459.00
7	2008-09	7328.00	1744.00	6900.00	83915.00	8399.00	120459.00
8	2009-10	8449.00	1769.00	9165.00	119097.00	6378.00	157724.00
9	2010-11	9117.39	1724.66	10695.85	44822.80	8349.96	190235.60
10	2011-12	10010.39	1681.25	12746.06	82923.00	9752.91	235124.26
11	2012-13	10964.79	1645.17	14832.81	228320.47	10002.14	287828.03
12	2013-14	10964.79	1645.17	14832.81	228320.47	10002.14	287828.03
13	2014-15	10964.79	1645.17	14832.81	228320.47	10002.14	287828.03
14	2015-16	10964.79	1645.17	14832.81	228320.47	10002.14	287828.03
15	2016-17	16392.18	1413.61	274073.00	47126.83	76585.25	581238.66
16	2017-18	16443.16	923.42	19898.10	492032.71	N.A.	601468.89
17	2018-19	18932.66	1325.16	23370.84	540196.63	1093.98	672018.15
18	2019-20	25597.99	1279.60	26681.57	625073.74	83635.00	784050.37
19	2020-21	21416.63	1135.66	14624.58	599288.35	813.80	757818.29

Source: <https://www.nafscob.org>

between 2002-03 to 2020-21, they formed a very small fraction of the total credit extended by the PACSs during this period. This proportion of short term loans ranged between 3.5 percent and 8 percent (roughly) of the total credit extended by the PACSs during the reference period. Medium term loans extended by the PACSs, as a proportion of the total credit, constituting



almost entire loans issued by them indicate to self reliance of the PACSs in as far as their requirement of working capital is concerned. The medium term loans may have been largely used for expansion, building new infrastructure, adding to capacities of the PACSs etc.

**Table-3.5  
Total Number of Borrowers (Category - Wise) as on 31st March**

(IN 000)							
SL NO	YEAR	SCHEDULED CASTE (S/C)	SCHEDULED TRIBE (S/T)	SMALL FARMERS	RURAL ARTISANS	OTHER BORROWERS	TOTAL BORROWERS 3 to 7
1	2.	3.	4.	5.	6.	7.	8.
1	2002-03	20.00	0.00	69.00	0.00	20.00	109.00
2	2003-04	21.00	0.00	70.00	0.00	20.00	111.00
3	2004-05	22.00	1.00	83.00	0.00	21.00	127.00
4	2005-06	22.00	1.00	81.00	0.00	41.00	145.00
5	2006-07	22.00	1.00	81.00	0.00	41.00	145.00
6	2007-08	21.00	1.00	80.00	0.00	19.00	121.00
7	2008-09	21.00	1.00	80.00	0.00	19.00	121.00
8	2009-10	23.00	1.00	79.00	0.00	22.00	125.00
9	2010-11	22.15	0.56	78.99	0.00	21.75	123.45
10	2011-12	21.00	1.00	80.00	0.00	17.00	119.00
11	2012-13	21.00	1.00	80.00	0.00	17.00	119.00
12	2013-14	21.00	1.00	80.00	0.00	17.00	119.00
13	2014-15	21.00	1.00	80.00	0.00	17.00	119.00
14	2015-16	21.00	1.00	80.00	0.00	17.00	119.00
15	2016-17	29.44	0.98	0.42	0.00	98.82	129.66
16	2017-18	31.68	1.36	0.00	0.00	0.00	33.04
17	2018-19	32.43	1.32	0.00	0.00	0.00	33.75
18	2019-20	19.42	0.95	0.00	0.00	0.00	20.37
19	2020-21	356.00	46.00	0.00	0.00	0.00	402.00

Source: <https://www.nafscob.org>

**Figure 3.1 Total Loans Issued by PACSs (Rs. in Lakh)**



Figure 3.2 Short Term Loans Issued by PACSs (Rs. in Lakh)



Figures 3.3 and 3.4 clearly indicate to a spurt in overdue loans, both short term and medium term during 2016-17. These loans overdue kept piling up until 2019-20 and thereafter they have registered a decrease during 2020-21. Certain corrective measures taken by the implementing department may have resulted in reduction of loans overdue. If, it was due to the interventions made by the implementing department or was a result of the internal reforms within the PACSs needs to be examined separately. The medium term loans overdue registered a tremendous increase in 2007-08 and they started following a downward trajectory thereafter. While the short term loans overdue were at their peak during 2007-08, they maintained lower levels until 2017-18. Overall increase in all the loans overdue after 2017-18 cannot be explained with the help of available information however, decline in the overdue loans in 2020-21 can possibly be attributed to liquidation of defunct PACSs and measures taken by the Cooperative Department to improve functioning of the PACSs. Interestingly, data available on the official website of the NAFSCOB reveals that no loans which were overdue, either short term or medium term, were availed either by the Scheduled Castes or Scheduled Tribes.

Figure 3.3 Total Loans Overdue of PACS (Rs. in Lakh)

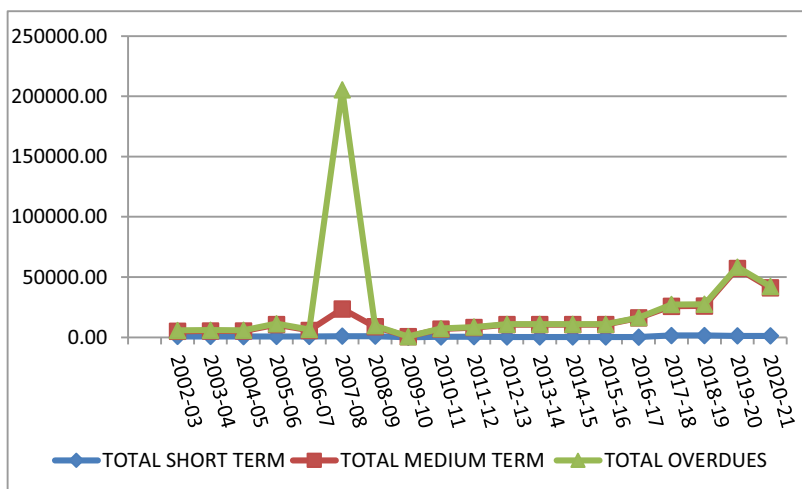


Figure 3.4 Short Term Loans Overdue of PACS (Rs. in Lakh)



Table-3.6 shows the distribution of total credit into agricultural and non-agricultural sectors, sector wise loan outstanding and overdue loans. It is clear from the table that credit off take from the non-agricultural sector is negligible in comparison to the total loan disbursal. However, the outstanding dues of the non-agricultural sector are non-existent. It is also evident from the table that even those PACSs which have diversified into marketing and selling have confined their credit to the agricultural sector. Another side of the story can be that loan taken for the agricultural purposes was used either for consumption or for non-farm activities/ purchase of consumer durables though no piece of information gathered within the scope of present study supported this possibility. The telephonic interaction of the field investigators with members of the PACSs does indicate to existence of this possibility, however, no documented evidence is available to support it.

**Table-3.6**  
**Loans Issued and Loans Outstandings Purpose Wise as on 31st March**  
(RS. IN LAKHS)

Sr. No.	YEAR	LOANS ISSUED PURPOSE WISE			BALANCES (OVERDUES) PURPOSE WISE			LOANS OUTSTANINGS PURPOSE WISE		
		AGRICULTURAL	NON-AGRICULTURAL	OTHERS	AGRICULTURAL	NON-AGRICULTURAL	OTHERS	AGRICULTURAL	NON-AGRICULTURAL	OTHERS
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1	2002-03	10135.22	0.00	0.00	5704.03	0.00	0.00	16890.49	0.00	0.00
2	2003-04	12147.69	0.00	0.09	6014.61	0.00	0.00	600.00	0.00	18858.90
3	2004-05	15458.35	0.00	0.00	5841.61	0.00	0.00	22797.07	0.00	0.00
4	2005-06	16473.93	0.00	0.00	6486.49	0.00	0.00	26492.65	0.00	0.00
5	2006-07	16473.93	0.00	0.00	6486.49	0.00	0.00	26492.65	0.00	0.00
6	2007-08	20018.34	0.00	0.00	9667.59	0.00	0.00	33824.14	0.00	0.00
7	2008-09	20018.34	0.00	0.00	9668.59	0.00	0.00	33824.14	0.00	0.00
8	2009-10	2667.00	0.00	0.00	632.00	0.00	0.00	3442.00	0.00	0.00
9	2010-11	31538.47	0.00	0.00	7346.34	0.00	0.00	40711.44	0.00	0.00
10	2011-12	38431.84	0.00	0.00	8569.73	0.00	0.00	50126.07	0.00	0.00
11	2012-13	45474.20	805.05	0.00	10835.57	0.00	0.00	58635.19	1056.02	0.00
12	2013-14	45474.20	805.05	0.00	10835.57	0.00	0.00	58635.19	1056.02	0.00
13	2014-15	45474.20	805.05	0.00	10835.57	0.00	0.00	58635.19	1056.02	0.00
14	2015-16	45474.20	805.05	0.00	10835.57	0.00	0.00	58635.19	1056.02	0.00
15	2016-17	75673.91	0.00	0.00	16359.17	0.00	0.00	116123.13	0.00	0.00
16	2017-18	79526.78	0.00	0.00	27285.28	0.00	0.00	128981.88	0.00	0.00
17	2018-19	81800.66	0.00	0.00	27499.12	0.00	0.00	138149.14	0.00	0.00
18	2019-20	67735.51	8110.22	0.00	57840.75	499.94	0.00	151959.57	23522.99	0.00
19	2020-21	58915.92	6817.46	0.00	41075.79	1187.88	0.00	116989.48	18610.12	4081.71

Source: <https://www.nafscob.org>

The staffing pattern of the PACSs as indicated in the Table-3.7 clearly shows that there has been a gradual decline in the number of the full time paid secretaries who have been replaced by the part time paid secretaries especially, after 2009-10. Other staff like clerks, typists, helpers has shown an increasing trend over the year until 2019-20. In 2020-21, their number was reduced to 1,915 from the previous period number of 4,352. During the initial years of reference period, a single PACS was being served by an average manpower of 1.5 persons. This ratio increased to 2 persons per PACS in 2019-20 after registering a gradual increase up till this year. It was in 2020-21 that this ratio came down to 1.86 persons per PACS which, was still higher than what was in 2002-03. An inference that can be drawn from the Table-3.7 is that the proportion of untrained manpower in the total manpower increased right up till 2019-20. It was for the first time in 2020-21 that the proportion of trained manpower in the total manpower was higher than that of the untrained

**Table-3.7**  
**Staffing Pattern (As on 31st March)**

(NUMBERS)							
Sr. No.	YEAR	FULL TIME PAID SECRETARIES	PART TIME PAID SECRETARIES	OTHER STAFF (CLERK/ TYPIST/ HELPER)	TOTAL NO. OF STAFF (3+4+5)	TRAINED	UNTRAINED
1.	2.	3.	4.	5.	6.	7.	8.
1	2002-03	2072	14	1976	4062	1257	2805
2	2003-04	2035	43	1698	3776	1256	2520
3	2004-05	2035	54	1773	3862	1184	2678
4	2005-06	2086	0	1846	3932	1237	2695
5	2006-07	2086	0	1846	3932	1237	2695
6	2007-08	2092	0	1941	4033	1206	2827
7	2008-09	2092	0	1941	4033	1206	2827
8	2009-10	2056	41	2019	4116	1296	2820
9	2010-11	1687	399	2098	4184	1277	2907
10	2011-12	1689	396	4198	6283	1242	5041
11	2012-13	1684	398	4198	6280	1257	5023
12	2013-14	1684	398	4198	6280	1257	5023
13	2014-15	1684	398	4198	6280	1257	5023
14	2015-16	1684	398	4198	6280	1257	5023
15	2016-17	1772	432	4342	6546	1476	5070
16	2017-18	1702	380	4244	6326	1320	5006
17	2018-19	1715	390	4226	6331	1326	5005
18	2019-20	1829	376	4352	6557	648	5909
19	2020-21	1750	366	1915	4031	2100	1931

Source: <https://www.nafscob.org>

manpower. These efforts on part of the implementing agencies need to continue perhaps, with more vigour, to ensure that not only the manpower engaged by the PACSs but their members are also oriented to the latest concepts as per the requirements of prevailing market dynamics.

A simple correlation analysis was run on the time series data collected related to various indicators pertaining to PACSs. Some of the significant results derived from the analysis have been briefly discussed in the following section.

A correlation coefficient of 0.94 between total demand and total loans and advances issued by the PACSs indicates to a fairly good conversion rate of total demand into the credit creation. A correlation coefficient of 0.06 between total loans and advances issued and total loans outstanding also indicates to an extremely good recovery. These two together help in drawing an inference that almost entire demand for credit from the members of the PACSs is met by disbursal of loans and advances and also the members are willing to and do repay the loan taken from the PACSs. Even if, the loan taken is used either for consumption purposes or for procurement of consumer durables, recovery is pretty high. These indicate to the success of PACSs in Himachal Pradesh in providing credit to the rural population through an established institutional mechanism of cooperation. The very purpose of cooperation is involvement of all the stakeholders and instilling a sense of belongingness into them which, in turn, result in responsibility and accountability. A negative correlation between total membership of the PACSs and total borrowings negate the perception that more and more people join PACSs to only to avail credit available on easy terms. The losses of the cooperative societies are also negatively correlated with the deposits with and working capital of the PACSs indicating to the reasons other than the financial reasons for their losses. Moreover, the proportion of loss making cooperative societies out of the total cooperative societies has not been more than 18 percent during the entire reference period.

Although, there is a weak correlation between the total members and the number of the PACSs, a strong positive correlation between total borrowers and the total number of PACSs help in inferring that it is the reach of PACSs and not their membership that has helped the rural people to avail credit from this mechanism. The coverage of almost all the revenue villages in the State



by the operation of PACSs reconfirms the inference as the number of villages covered by PACSs was 17,882 in 2020-21.

From the above analysis, it is clear that the PACSs in Himachal Pradesh are an important institution for extending rural credit in Himachal Pradesh. The data available shows that the farmers in the rural areas are able to avail the credit facilities and their timely availability is confirmed by ever increasing demand for and disbursal of loans and advances through PACSs. The high recovery rate has helped in improving the financial status of these PACSs. The reach of PACSs in Himachal Pradesh is universal as is indicated by the number of villages covered. However, almost negligible coverage of the Scheduled Castes and Scheduled Tribes members in extending medium term loan needs attention of the implementing agencies.

Another implication of good performance of PACSs in Himachal Pradesh is perhaps their decreasing dependence on Government for financial assistance in the form of subsidy as they seem to be achieving self reliance fast. The Cooperative Department may review the available subsidies to PACSs and rationalize them towards their self sustenance. However, this may not be construed as a suggestion to withdraw all the Government support to the PACSs. The support may continue with more objectivity to build their capacity and making them capable of withstanding pressure of market forces.

The interventions made by the Cooperative Department need to focus on capacity building of the members and the staff of PACSs so that they are able to compete with other competitors not only within the State but outside the State as well. The analysis indicates to success of cooperating movement in Himachal Pradesh at village level in empowering them to earn their livelihood without the help of the middlemen and local moneylenders. The success of the PACSs has certainly helped the State in achieving high rankings in many development indicators in comparison to other big and relatively well off States.



## CHAPTER-4

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# Performance of PACS by Districts

After giving an account of the growth of PACS in Himachal Pradesh in terms of their financial assets, their reach in extending rural credit and their performance since 2002-03 in the last chapter, this chapter attempts to analyze performance of PACSs in the districts of Himachal Pradesh. The primary information collected directly from the PACSs and also through the telephonic interviews with some of the members of these PACSs has been used for analysis and drawing inferences based on it. The biggest limitation in collecting this information, as already been discussed in one of the earlier chapters, was total absence of one to one contact with the office bearers and the members of PACS due to the circumstances arising from outbreak of COVID during the field survey of present study. However, every caution has been taken and all kinds of necessary checks and controls were put in place to ensure that the information collected is nearest to the accuracy.

The district wise distribution of PACSs which existed at the time of conducting this study is given in the Table 4.1. The largest number of PACSs was in Kangra which also happens to be one of the larger districts with relatively more population density in the State. Despite small geographical area of Hamirpur district, it has more PACSs than other districts after bigger districts of Kangra, Mandi and Shimla. This can possibly be attributed to

**Table - 4.1  
District wise PACS Registered**

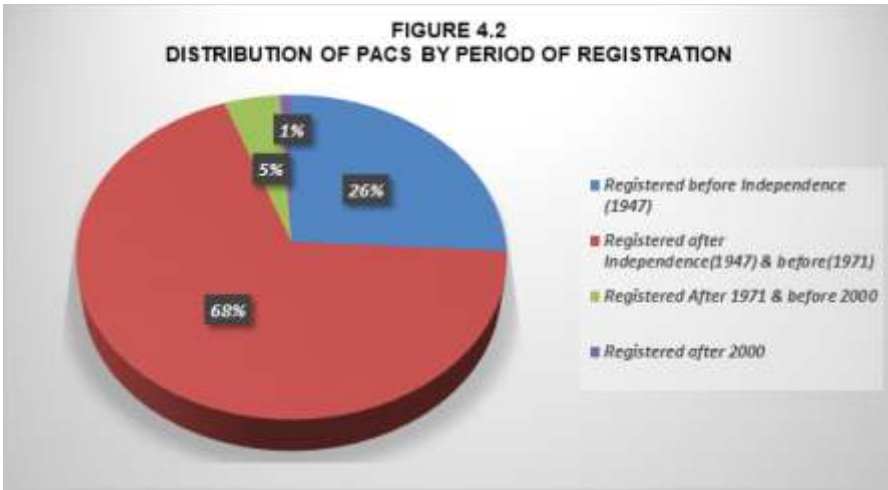
S.No.	District	Total No. of Societies	Percentage (%) of Societies in each district
1.	2.	3.	4.
1	Bilaspur	80	4
2	Chamba	129	6
3	Hamirpur	224	10
4	Kangra	603	28
5	Kinnaur & Lahaul Spiti	87	4
6	Kullu	127	6
7	Mandi	226	10
8	Shimla	185	9
9	Sirmaur	122	6
10	Solan	164	8
11	Una	218	10
<b>Total</b>		<b>2165</b>	<b>100</b>

**Figure 4.1**  
**District Wise Distribution of Sample PACS**



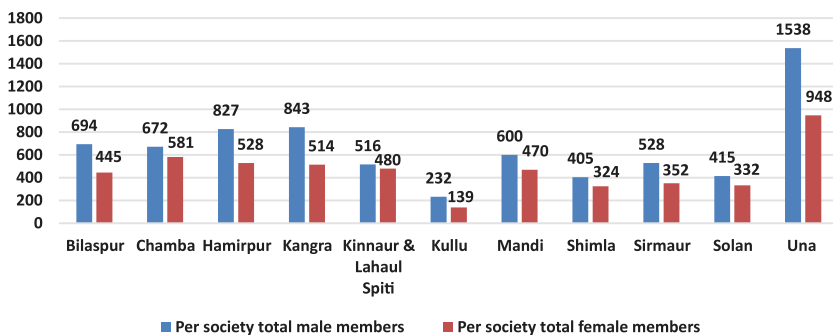
higher population density of the district. The sparsely dispersed population in tribal districts of Kinnaur and Lahaul-Spiti which have extremely low population density is perhaps the explanation for less number of PACSs in these districts. The lowest number of PACSs was reported from Bilaspur district. Figure 4.1 gives district wise sample of PACSs that was selected for the current study.

History of operation of PACSs in Himachal Pradesh dates back to the pre-independence period. Although, 26 percent of the sample PACSs in Himachal Pradesh were registered before 1947, 68 percent of them were registered during the period between 1947 and 1971 i.e. the year when Himachal Pradesh became a full-fledged State of the Union of India. It shows that about 94 percent of the sample PACSs were registered before Fifth and Sixth Five Year Plans, the approach papers of which, lay an emphasis on the need to strengthen the institutional mechanism for extending credit in rural areas especially, in the agricultural sector. This phenomenon of registration of majority of PACSs before 1971 indicates to existence of deep rooted spirit of cooperation in the social structure of Himachal Pradesh. The saturation in the registration of new PACSs is indicated by the finding that only 6 percent of the PACSs in Himachal Pradesh were registered after 1971.

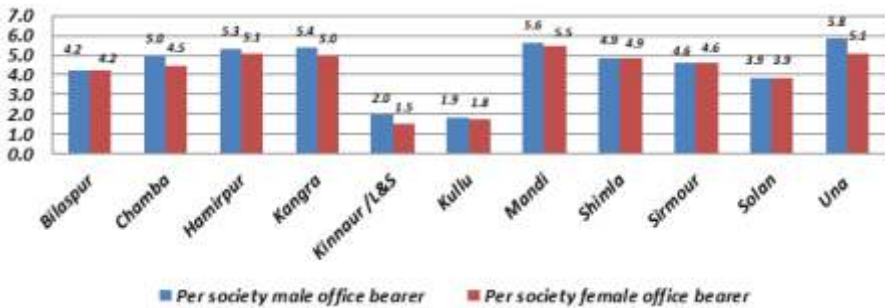


The membership pattern of PACSs in Himachal Pradesh indicates to gender parity in as far as representation of all the genders in the membership of PACSs is concerned. The representation of female members was not found to be more than their male counter members in any of the districts of Himachal Pradesh. The equality in representation in membership of PACSs between males and females was reported from Bilaspur, Shimla, Sirmaur and Solan districts. Male members were more than the female members in PACSs of all the other districts. Despite it, the collected information indicates very strongly to gender equality in the membership pattern of PACSs in Himachal Pradesh. Equal participation of women in PACSs has its own ramifications in terms of social and economic empowerment of women in Himachal Pradesh. Identical pattern of gender representation among the office bearers of the PACSs has also been observed as can be seen from Figure 4.4.

**Figure 4.3  
Average Number of Male and Female Members in PACSs**



**Figure 4.4**  
**Average Number of Male and Female Office Bearers per PACSs**



The average number of villages covered by PACSs in each district (Figure 4.5) indicates to existence of universal coverage of rural population in extension of credit in Himachal Pradesh. All the districts have an average of at least 4 villages covered by each PACSs. However, this information needs to be interpreted with little caution as more are the number of villages a PACS has to cover, less are the chances that all the population of the covered villages gets benefit of operations of the PACSs. The unprecedented success of PACSs in Una district may have a bearing on more coverage of rural population through their operations. Chamba district has been reported to be covering maximum average number of villages by a single PACS. The districts with difficult topographical features have shown that a single PACS in these districts is covering relatively a higher average number of villages. The coverage of less number of villages per PACS in tribal districts may have been due to low population density combined with thinly dispersed habitations in these districts.

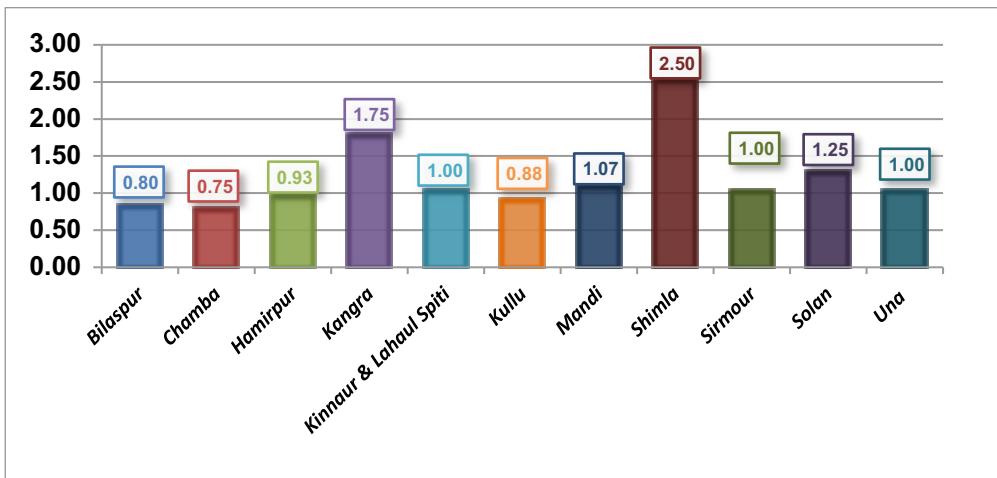
**Figure 4.5**  
**Average Number of Villages covered by each society**



Number of meetings of general house of a PACS held in a year is one of the indicators of their activeness and operational effectiveness. More than one meetings of the general house of PACSs held in a year in Shimla, Kangra, Solan and Mandi districts show that the members of PACS in these districts are actively concerned about performance of their role in making the PACSs a success. Bilaspur, Chamba, Hamirpur and Kullu districts have reported average number of meetings of general house of PACSs held in a year as less than one. This can either be attributed to information bias inherent to very concept of sampling or may have actually been a phenomenon. However, the scope of present study does not allow determining the exact cause of such an incidence. More formal interaction among the members of PACSs can help in their better participation and hence, steps are required to motivate members to take lead to hold more and more formal interactive sessions.

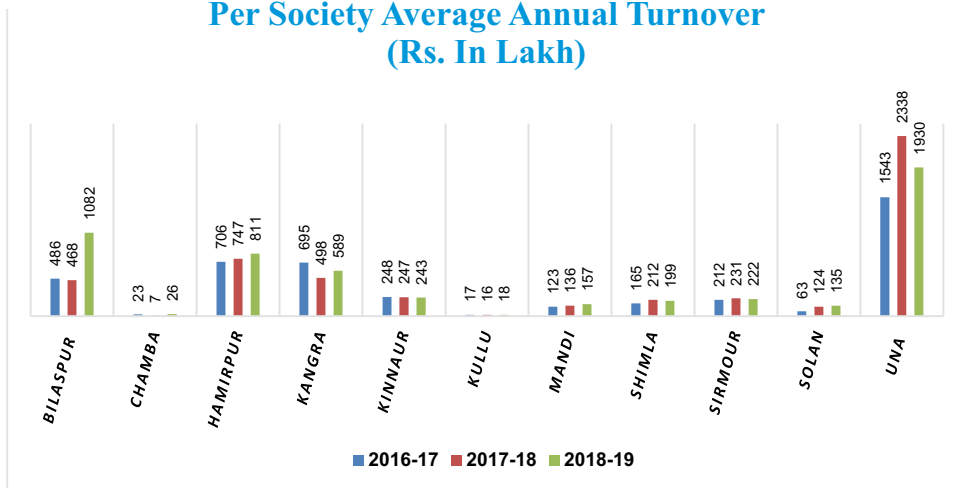
The performance of PACSs in terms of their annual turnover has been analyzed to understand how they have performed during a period of 3 years starting from 2016-17. This information was collected from the office bearers of the sample PACSs from each district. It is evident from Figure 4.7 that Una district has PACSs with maximum average annual turnover per PACS.

**Figure 4.6**  
**Average Number of General Houses Conducted in a Year by Per Society**



Bilaspur, Kangra and Hamirpur district have also PACSs with relatively higher average annual turnover. If the changes in the average annual turnover of PACSs are analyzed for each district, it is seen that Bilaspur has registered maximum increase in the average annual turnover of PACSs over a period of these three years. In fact, increase in the average annual turnover of PACSs during the last three years has been reported in all the districts except for Kangra and Kinnaur districts. During 2016-17, 69 percent of the total sample PACSs had an average annual turnover of less than Rs.3.00 crore. This proportion came down to 63 percent during 2018-19. In fact, the frequency distribution Table 4.2 indicates their transition to the PACSs with relatively larger annual turnover as the proportion of PACSs with an annual turnover of more than Rs.21.00 crore has increase from 4 percent in 2016-17 to 9 percent in 2018-19. This increased is also perceptible in case of the PACSs with annual turnover between Rs.9.00 to Rs.12.00 crore. This increase in average annual turnover of PACSs can be considered as an indication of financial consolidation of PACSs during this period of three years.

**Figure 4.7**  
**Per Society Average Annual Turnover**  
**(Rs. In Lakh)**





**TABLE 4.2**  
**Annual Turnover of PACS (%age)**

Class interval (Rs. in crore)	2016-17	2017-18	2018-19
less than 3	69	64	63
3-6	7	9	7
6-9	8	8	7
9-12	5	6	7
12-15	4	2	3
15-18	0	1	2
18-21	4	1	1
more than 21	4	8	9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Although, the proportion of loss making PACSs at the State level is very small, the distribution of loss making PACSs is highly skewed across the districts with Sirmaur district having highest proportion of loss incurring PACSs at 40 percent. Solan and Hamirpur districts have also considerable presence of loss making PACSs. Kangra district, though, does have loss making PACSs, their proportion is very small. All other districts have

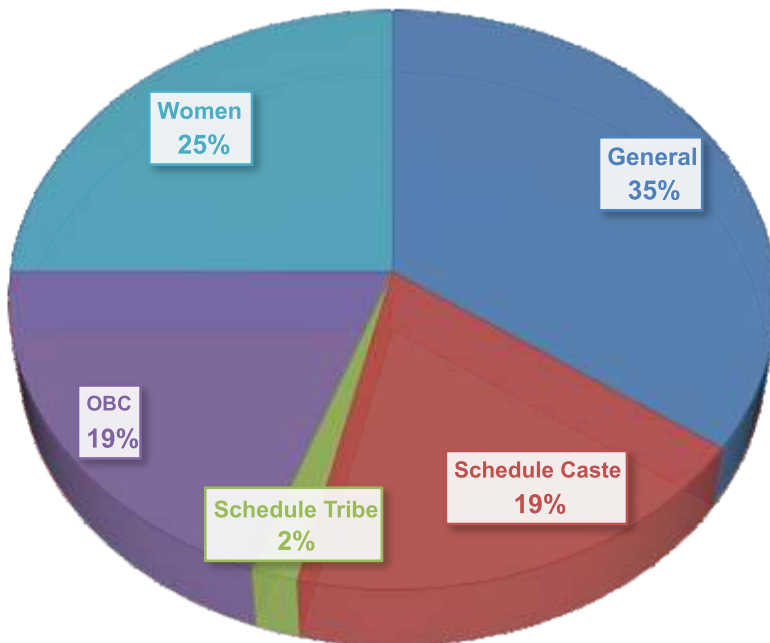
**TABLE 4.3**  
**PACS in Profit/Loss (%age)**

Sr. No.	District	In profit	In Loss
1.	2.	3.	4.
1	Bilaspur	100	0
2	Chamba	100	0
3	Hamirpur	87	13
4	Kangra	96	4
5	Kinnaur & Lahaul Spiti	100	0
6	Kullu	100	0
7	Mandi	93	7
8	Shimla	100	0
9	Sirmaur	60	40
10	Solan	75	25
11	Una	100	0

negligible presence of loss making PACSs. The implementing agency needs to look into the affairs of these PACSs and take remedial measure by making appropriate interventions to bring out these PACSs out of the losses after ascertaining their cause.

After having ascertained adequate representation of women in the membership and also among the office bearers of PACSs, the information collected was analyzed to see if there was enough representation of other section of the society among the borrowers of the PACSs. Figure 4.8 exhibits this aspect of the PACSs borrowers. It is clear from the figure that approach of the PACSs has been inclusive by extending loans and advances to all sections of the society. The Figure 4.8 does not show various categories of borrowers which are mutually exclusive implying that women beneficiaries can be representing other sections of the society like Scheduled Castes, Scheduled Tribes etc. as well. Similarly, the beneficiaries belonging to Scheduled Caste and Scheduled Tribe can either be males or females. The findings of the study

**FIGURE 4.8**  
**Category Wise Percentage of Borrowers**

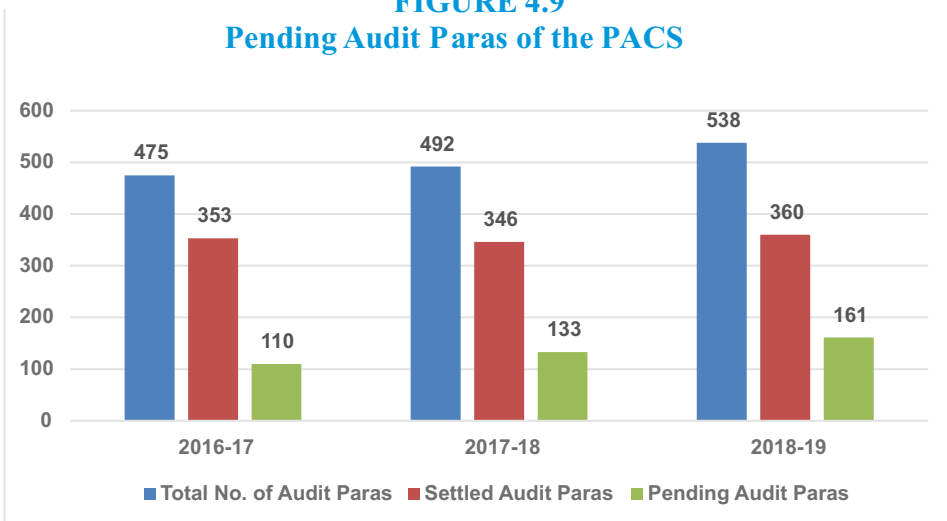


are sufficient to indicate that the inclusivity has been a distinct feature of the progress made by the PACSs in Himachal Pradesh.

Considering that every registered and active PACSs has to mandatorily undertake annual audit of its accounts, a direct question inquiring annual incidence of audit was not asked from the office bearers of the sample PACSs. In fact, the information was sought with regard to the total number of audit paras and their pendency from each of the sample PACS. The pendency of the unsettled audit paras gradually increased from about 23 percent in 2016-17 to 29 percent in 2018-19 indicating to increasing incidence of irregularities in observing the codal formalities as per the relevant financial rules by the PACSs in Himachal Pradesh. This period of three years has also recorded an increase in total number of audit paras. This information can safely be used to infer that audit of these PACSs is being undertaken regularly by the authorised agencies. However, the reasons for increase in the pending unsettled audit paras are required to be examined separately to make appropriate interventions.

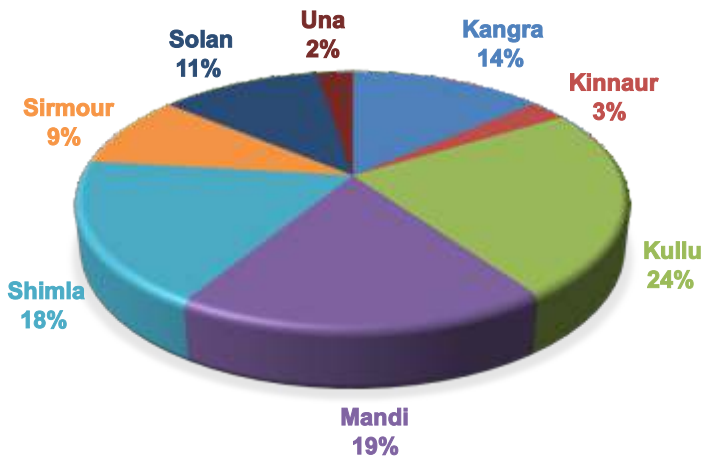
The pendency of unsettled audit paras was also analyzed for each district separately with the help of the collected information. It is seen from the Figure 4.10 that the proportion of the pending unsettled audit paras was maximum in

**FIGURE 4.9**  
**Pending Audit Paras of the PACS**



Kullu district. Una district had the lowest proportion of the pending unsettled audit paras at just 2 percent. Four districts did not report to have any pendency of unsettled audit paras of the PACSs. The implementing agency requires to chalk out a separate strategy for each district by ascertaining district specific reasons for this pendency of unsestled audit paras.

**FIGURE 4.10**  
**Percentage of Pending Audit Paras**  
**in each District**



A question was asked from the PACSs to indicate their annual turnover in the sale of consumer goods. Not all the PACSs reported to have sold consumer goods in every district. The proportion of such PACSs was not very large, though, it was considerable to be ignored. Table 4.4 gives an idea about the average turnover per PACS in all the districts by selling consumer goods. It can be seen from the table that the average turnover per PACS from the sale of consumer goods was the highest in Kangra district. In fact, the proportion of the average turnover from the sale of consumer goods in Kangra district constituted a very large share of total average turnover per PACS from the sale of consumer goods in the entire State. This indicates to a considerable presence of PACSs selling consumer goods in Kangra district and negligible or very small presence of such PACSs in other districts of the State.

**TABLE-4.4**  
**Average Sale of Consumer Goods Per Society**

(Rs. In Lakh)

<i>District</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>
<b>Bilaspur</b>	<b>4.53</b>	<b>3.50</b>	<b>7.00</b>
<b>Chamba</b>	<b>0.33</b>	<b>0.48</b>	<b>0.50</b>
<b>Hamirpur</b>	<b>0.05</b>	<b>0.04</b>	<b>0.06</b>
<b>Kangra</b>	<b>5.80</b>	<b>4.41</b>	<b>33.82</b>
<b>Kinnaur</b>	<b>1.10</b>	<b>0.04</b>	<b>0.05</b>
<b>Kullu</b>	<b>0.22</b>	<b>0.34</b>	<b>0.15</b>
<b>Mandi</b>	<b>2.85</b>	<b>2.09</b>	<b>1.69</b>
<b>Shimla</b>	<b>1.18</b>	<b>1.29</b>	<b>0.72</b>
<b>Sirmaur</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Solan</b>	<b>6.64</b>	<b>7.05</b>	<b>7.67</b>
<b>Una</b>	<b>1.64</b>	<b>1.17</b>	<b>0.97</b>
<b>Himachal Pradesh</b>	<b>24.33</b>	<b>20.39</b>	<b>52.62</b>

An opinion survey was also conducted by interviewing at least one member from each of the sample PACSs telephonically. The questions asked were direct and were specific to pre-determined problems which they may have possibly come across in the day to day functioning of the PACSs with special reference to socio-economic and geographical conditions prevailing in Himachal Pradesh. The responses as received from the respondents have been summarized in Table 4.5. A vast majority of the members (about 72 percent) responded by saying that they did not face any problem in discharging their responsibilities directly helping the PACSs to perform their functions. This probably, is an indication of an extremely strong social bonding between various groups in the rural areas by following the spirit of cooperation through PACSs. This social bond certainly has contributed in the success of cooperative movement in Himachal Pradesh through intricate networking achieved by more frequent formal and informal dialogue at various platforms.

**TABLE 4.5**  
**Opinion Survey Report**

<b>Types of problems faced by PACSs</b>	<b>Percentage (%)</b>
<b>1.</b>	<b>2.</b>
No problem	<i>72.22</i>
Loan recovery	<i>13.88</i>
Problem of Godowns	<i>0.93</i>
Purana case is under liquidation as it is non functional from last many years and no interest for revival shown by the members of the society	<i>0.93</i>
Space for the society and transportation	<i>0.93</i>
Requirement of salesmen	<i>0.92</i>
No own office for Society	<i>1.84</i>
High workload & less profit	<i>0.93</i>
Work is not computerised	<i>2.77</i>
Lack of workers	<i>0.93</i>
Auditing is not done on time	<i>0.93</i>
Lack of awareness among people	<i>0.93</i>
No proper training given	<i>0.93</i>
Different Interest rates for different for society members	<i>0.93</i>
<b>Total</b>	<b>100</b>

However, considerable proportion of responses (about 14 percent) also indicated to difficulties in recovering the loans and advances disbursed by the PACSs. This only indicates to the difficulties in recovery of loans and not to the overdue loans or the non-performing assets of the PACSs. Even though, the recovery rate of the loans extended by the PACSs has been reported to be extremely good, the nature of difficulties in realizing the loans and advances, unfortunately, could not be captured while conducting the study.

The stagnation in the growth of number of registered PACSs in Himachal Pradesh indicates to the saturation having been achieved in terms of registration of new PACSs. The reach of the PACSs is near to universal. However, the skewness observed in the distribution of total number of registered PACSs across different districts of the State needs an in depth

inquiry on a separate front. The legacy of cooperative movement in Himachal Pradesh is reflected by some of the PACSs which are as old as more than hundred years of age. They have performed and progressed without exclusion of any social group. Equal participation of women and all other sections of the society in making PACSs a success story in Himachal Pradesh indicates to a self perpetuating element of inclusiveness in their growth. The procedural formalities are being followed by the PACSs in the State and perhaps this is one of the important factors for their success.



## CHAPTER-5

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# Conclusion and Recommendations

The success of cooperative movement in Himachal Pradesh can be judged from the fact that the first ever cooperative society in Himachal Pradesh was established in Panjavar village of Una district in 1892 i.e. 12 years in advance of enactment of Cooperative Societies Act, 1904. At the time of formation of Himachal Pradesh as a Part C State in 1948, the State had 663 cooperative societies registered with it and the number increased to about 5,200 by 2022. The role of cooperatives in Himachal Pradesh assumed importance after Fifth Five Year Plan which explicitly envisaged the role of cooperatives in betterment of weaker sections of the society.

Even the number of registered PACSs in Himachal Pradesh has witnessed an impressive growth alongwith the membership of these PACSs. However, the increase in the number of PACSs during the study period i.e. between 2002-03 and 2020-21 has not been considerable, though, the membership increased from 9.90 lakh in 2002-03 to 16.0 lakh in 2020-21 registering an increase of about 62 percent. Even the financial consolidation of PACSs in terms of paid up share capital, reserves, deposits and working capital has shown a descent growth during the period under consideration. The number of borrowers has also grown gradually but surely during all the years with the exception during 2017-18 to 2019-20. Short term and medium terms loans and advances extended by PACSs also increased during this period with a reasonably good recovery rate. However, the short term loans overdue have registered an increase during this period. The good thing is that the proportion of loss making PACSs is very less.

The available information indicates that the cooperative movement has progressed well in Himachal Pradesh and the PACSs have been instrumental in extending agricultural credit in the rural areas of the State. The PACSs in Himachal Pradesh appear to have been satisfying the basic condition of proximity with their members as they possess local knowledge about the character and dynamics of agricultural needs. The low administrative cost in running the PACSs also makes the credit available through them cheap. Almost universal coverage of the rural credit market in agriculture by the PACSs in Himachal Pradesh suggests the dominance of PACSs in providing rural agricultural credit. Timely and cheap availability of credit may also have helped the farmers in using technologically advanced inputs in the form of seeds, fertilizers and mechanical/electrical implements etc. which would

certainly have helped in improving farm productivity and raising income of the members. The non-credit services like storage, processing, marketing of farm produce and consumer goods etc. have helped in strengthening the rural economy further. The multiple functions performed by the PACSs have several forward and backward linkages which have certainly helped in creating additional employment opportunities in Himachal Pradesh. Frequent interaction with the members of the society with their say in the affairs of PACSs has helped in creating the political awareness and made the members to participate in the economic development democratically.

However, certain snags and deficiencies have also been observed in the functioning of PACSs in Himachal Pradesh. Some of these deficiencies which have been observed during the interaction (telephonic) with the members of the PACSs during the study have been listed as under:-

1. The initial participation of members appeared to have been motivated by considering PACSs as the Government lending agencies rather than voluntary participation. However, with the passage of time as the exposure of the members to the dynamics of the cooperative movement increased, the true spirit of cooperation started showing up and now the members appear to be confident of improving their socio-economic conditions through PACSs.
2. The PACSs still do not have large reserves as they have to look up to the credit institutions in the upper tiers for mobilizing required resources. The deposits, although have increased over a period of time, yet they are not sufficient to meet the credit requirements in full.
3. The PACSs have a tendency to extend loans and advances largely for agricultural purposes and that too for making investments, procuring inputs and meeting the requirement of working capital. There is no formal arrangement for providing consumer loans and credit for meeting other contingent requirements of the members.
4. Almost negligible credit extended by the PACSs to the non-farm sector indicates to the absence of recognition of important linkages with other sectors especially, in developing value chains. The PACSs need to venture into more lucrative non-farm activities

- with direct or indirect linkages with the agriculture sector that can increase the income of the members at a greater pace.
5. A relatively lower proportion of viable PACSs is, probably, a hindrance in providing the required services to their members. The Cooperation Department may chalk out a strategy to make more and more PACSs as viable entities.
  6. The non-viability of a considerable proportion of the PACSs in Himachal Pradesh indicates to defective management of and poor leadership in these organizations. Lack of proper training and absence of awareness about the latest events happening in the markets can be the possible reasons for defective management. Department needs to reorient its training modules to make them more effective in meeting the challenges emerging from the changing market dynamics.
  7. The uneven growth of PACSs across 12 districts of the State also needs to be looked into by the department and efforts be made to remove these inequalities.
  8. Even though, the outstanding overdues constitute a very low proportion of the total loans and advances extended by the PACSs, their increasing number, especially in case of the short term loans, is a matter of concern for the department and also for the policy makers at higher levels.
  9. It was an observation of the field investigators while interacting with the members that large farmers have been able to reap more benefits from PACSs due to their influential position resulting from their strong economic and social placement in the society. An urgent intervention from the department is required to remove this particular disparity.
  10. The Government assistance to the PACSs may develop a tendency for the Government departments to interfere in their functioning. However, stopping all the Government assistance to PACSs may not be a good idea till the time a large proportion of PACSs become viable on self sustaining basis. One of the ways to achieve sustenance of PACSs can be diversification of lending portfolio of

PACs into activities determined by the market demand and those which have higher returns.

After having discussed generic findings of the study and making suggestions for addressing shortcomings in functioning of PACs in Himachal Pradesh, an attempt was made to make district specific recommendations for improving their effectiveness. Since, almost all of the credit extended by PACs goes to the agricultural sector, it was considered appropriate to mention very briefly the agricultural profile of different districts of the State. District specific recommendations have been made for improving the functioning of PACs in them in the following text. The District Agricultural Plans prepared by the Agriculture Department of Himachal Pradesh were consulted while making these recommendations.

# *Bilaspur*



The district was integrated with Himachal Pradesh on 1<sup>st</sup> July, 1954 and became the fifth district. It is situated in the sub-mountain and low hills sub-tropical zone of Himachal Pradesh. The district lies between 31°12'30" and 31°35'45" north latitude and 76°23'45" and 76°55'40" east longitude in the outer hills of Himalayas next to the Punjab plains. The total geographical area of the district is 1,167 sq Kilometres which accounts for 2.1 percent of the State's geographical area.

A large proportion of the area of the district falls below 650 meters from the mean sea level. Most of the soils have been formed from the sedimentary rocks with sand and stone, dolomite, shales, calcite and quartz as primary materials. The soils are shallow, light textured, low in fertility and neutral in reaction with pH ranging from 6.5 to 7.5. Soil reaction is neutral and availability status of NPK is medium to low. Water holding capacity of soils is low which is susceptible to soil erosion. The minimum and maximum temperature ranges from as low as 0.3° to as high as 37°C.

The availability of suitable agro-climatic conditions to grow high value cash crops, rising demand for these crops coupled with huge market for them in the neighbouring States and available technologies for growing different crops are the most important growth drivers of the crop sector particularly, the cultivation of high value cash crops. Likewise, emerging huge local demand for dairy products, especially milk, in the district is a very important potential growth driver of animal husbandry sector. In a similar vein, the district has a huge potential for fish production because of the Gobind Sagar water reservoir. The provision of basic infrastructural facilities especially irrigation is an important growth driver for different sectors. The development and diffusion of new agricultural technologies to increase yield levels, eradicate weeds to improve the productivity of pasture lands and reduce the cost of cultivation is a sine qua non for realizing the rich potential available in the district.



**Recommendations:** Considering success of milk cooperatives in Bilaspur, the PACSs in this district may extend credit to their members for introducing advanced technology in the field of milk processing and creating linkages with the market by building value chains. Fish cooperatives need to shift their focus from large reservoir fishing to the backyard fish farming using latest technological inputs and establishing cold chains to ensure that the produce reaches the end use customer in a near to fresh condition. While capitalizing on huge cache of water resources in the district, the PACSs may pay attention to efficient use of available resources and making source sustainability an inherent part of the entire strategy of water use.



# *Chamba*



**C**hamba District is situated between north latitude 32°11'30" and 33°13'6" and east longitude 75°49" and 77°3'30", with an estimated area of 6,528 square Kilometres and is surrounded on all sides by lofty hill ranges. The territory is wholly mountainous with altitude ranging from 2,000 to 21,000 feet.

The soil is generally loamy in texture with a little more percentage of clay at the higher altitude as well as the lower elevations. The soil is well supplied with organic matter. Its extent is low at mid-elevation and minimum at low-lying valleys.

There are three big valleys, i.e.

1. Beas valley
2. Ravi valley or Chamba valley, and
3. Chenab valley or Pangi- Chamba Lahaul valleys.

The valleys on the south-west of the district are fertile.

Agriculture is the mainstay of the majority of the population in the district. Generally two crops are taken from the land. Maize is the main crop of the Kharif season and potato and paddy are also sown, where the conditions so permit. Wheat and barley are the major Rabi crops. The period of sowing and harvesting of crops depends on the elevations. Millets and coarse cereals like Ogla, Kangni, Cheeney, Chilai and Bathu constitute important crops of the cold region of Bharmaur and Pangi where maize is not sown during the Kharif.

The district harbours unique agro-climatic conditions that are favourable to grow niche based high value and high quality cash crops. The district is rich in natural wealth and has huge hydel potential. There are number of hydel projects being executed in the district. Obviously, the staff employed in these projects has created demand for local products especially milk, fruit and vegetables. The joining of hinterlands and remote places with motorable roads, upcoming local market, and niche based farming are the important growth drivers for agricultural development in this district.



**Recommendations:** Availability of perfect climatic conditions for growing millets in the large part of the district together with growing demand of millets not only in the domestic market but also in the international market, make a perfect case for the PACSs of Chamba district to concentrate on extending credit for production of and value addition in the millets produced in the district. Establishing market linkages will also be of prime importance. The lower elevations in the district, which have adequate irrigation facilities, are perfect field for growing high value off-season and exotic vegetables and the PACSs should encourage and motivate their members to avail credit for venturing into production and sale of these vegetables. The steep slopes along the geographical expanse of the district make lift irrigation schemes very expensive to operate and maintain due to involvement of exorbitant energy charges. The members of PACSs need to be educated about use of more efficient micro irrigation technology and avail credit through PACSs for the same.







*Hamirpur*

**H**amirpur is situated between  $76^{\circ}13'$  and  $76^{\circ}44'$  on East longitudes and  $31^{\circ}53'$  and  $31^{\circ}58'$  North latitudes. The elevation of the district above mean sea level varies between 400 – 1,232 meters. Area wise, it is the smallest district among twelve district of the State and is situated at the centre of the State. The area falls under the middle and upper Shivalik ranges and has the most fragile ecosystem. The area falls under the sub-montane low hill zone (Zone-I) of Himachal Pradesh having slopping and undulating topography.

District falls in the sub-humid sub-tropical zone and has a relatively mild climate during the year. The winter season prevails from November to March, spring from April to May and summer from June to September and transitional season from October to November. May and June are the hottest months of the year where the mercury levels usually more than  $30^{\circ}$  C and December and January are coldest months where the nights experience a temperature of around  $8-10^{\circ}$  C. In the month of December/January, there is occurrence of severe frosts which cause injuries to a number of field as well as fruit crops e.g. mango, papaya etc. In general the minimum temperature in the winters goes to  $4^{\circ}$ C and rises to the maxim limit of  $34^{\circ}$  C in summer. Except these months of the year, the general, climate in the district is mild as it receives a fairly good quantum of monsoon rains which support the plantation in the forests, pastures and inhabited area with lush green grasses and vegetation.

The Agro-climatic conditions of the district offer congenial climate to grow cash crops like vegetables, mushrooms, quality silk worm, fruits etc; and off-season crops for the distant markets. Tremendous scope of diversification in the cropping systems for cash crops, huge demand in local and distant markets for vegetables, higher price incentives for local produce both in local and distant markets, use of available technologies for growing different crops are the key growth drivers. By observing the malpractices and adulteration in processed milk and milk products, there exists a huge potential for locally produced milk and milk products for realizing the potential for the growth of animal husbandry sector in the district. The population of un-employed educated youth, who are keen to adopt farming on scientific commercial lines apart from traditional farming, is increasing. This may play a leading role in taking these potential enterprises as source of their livelihood especially



vegetable/mushroom/protective farming. The provision of basic infrastructure facilities especially, irrigation is the important growth driver for different sectors. The development and diffusion of new agricultural technologies to increase yield levels, eradicate weeds to improve the productivity pasture lands and reduce the cost of cultivation are necessary for realizing the rich potential available in the district.

**Recommendations:** The identified growth drivers in agriculture in Hamirpur district indicate to provision of credit and market linkages in the field of off-season cash crops, milk and milk products and introduction of new technologies into the cropping system. Establishment of value chains in the production of above mentioned agricultural products can be encouraged by motivating and providing easy credit to the unemployed educated youth of the district. The farmer members can also be provided awareness about the need to scientifically manage the grazing lands to ensure quality fodder to their animals. Relatively less availability of water for irrigation due to seasonality of a large proportion of water sources makes a strong case for advocating and encouraging the members to take credit for increasing water use efficiency through technological interventions.







*Kangra*

**K**angra district is one of the most populated and largest districts of this State. Kangra district is situated in Western Himalayan region between 31°2' to 30°05' N and 75° to 75°45' E. The entire district is surrounded by Shivalik hills and is located at an altitude varying between 650 to 1,800 meter above the mean sea level. The district has some plain areas touching Gurdaspur district of Punjab in the West, Una district of Himachal Pradesh in the South.

Kangra possesses diverse areas which range from mountains (Pir Panjal) to low foothills in Shivalik ranges. There are diverse climatic variations from temperate to sub-tropical. Entire district is one of the most fragile ecosystems. The district is bestowed with different kinds of flora and fauna. The major problems with which the district suffers include soil erosion, scarcity of water and poor infrastructure problems. Efforts are needed to protect this district from loss of natural resources and it calls for an integrated approach which will help in sustaining the developmental efforts.

The availability of suitable agro-climatic conditions to grow high value cash crops like fruit and vegetables, rising demand for these crops coupled with huge market for them in the neighboring States including Azadpur market, New Delhi is the most important growth driver for the crop sector particularly for the cultivation of fruit and vegetable crops. Likewise, emerging huge local demand for dairy products, especially milk, in the district because of increase in income, changing food habits and development are important potential growth drivers of animal husbandry sector. The availability of basic infrastructure facilities like assured irrigation, rural roads, extension facilities are also important growth drivers for different sectors. The development and diffusion of new agricultural technologies to increase yield levels and eradication of weeds to improve productivity of crop and pasture lands also have rich potential in the district.

**Recommendations:** The steep slopes along the geographical expanse of the district make lift irrigation schemes an expensive proposition as the cost of lifting water from the sources available in the valley to the hill tops is very high. The members of PACSs need to be educated about more efficient micro irrigation system and avail credit through PACSs for the same. Millets grown in the large part of the district and growing demand for them support the idea



of PACSs to focus on extending credit for production of millets and building value chains in the district. Market linkages will also be of importance. The high value off-season and exotic vegetables grown at the lower elevations, which have adequate irrigation facilities, can be encouraged by the PACSs by motivating their members to avail credit for venturing into production and sale of these vegetables.



# *Kinnaur*



**K**innaur is one of the twelve districts of Himachal Pradesh. Agro-climatically, almost 50 percent of the area of the district falls in the high hills temperate wet region and 50 percent in high hills temperate dry region. The district lies on both banks of Sutlej from 31°45'00" to 79°00'35" east longitudes.

The climate of Kinnaur is as varied as is the face of the district. For reasons of peculiar geography and topography 'a person may experience every change, from the heat of torrid zone to almost frozen temperature of Lapland winter'. The climate of the valley is temperate with an extremely cold winter forcing the people of upper villagers to grow only one crop in a year. Valley is fairly well wooded with deodars, blue pines, firs and silver birch in the higher zones. As the valley gets a fair amount of monsoon rains, it is very lush with grass and alpine pastures. Sangla is famous for its level and highly fertile soil, the forest scenery all around and eternal snow view, offering potential for agro-tourism.

The availability of suitable agro-climatic conditions to grow high value cash crops (fruits, vegetables, saffron and kala zeera), rising demand for these crops coupled with huge market for them in the neighbouring States including Azadpur market, New Delhi are the most important growth drivers of agriculture sector particularly, for high value cash crops. Likewise, emerging huge local demand for dairy products, especially milk, in the district because of execution of a large number of hydro-electric projects, is a very important potential growth driver in animal husbandry sector. The availability of basic infrastructure like assured irrigation, rural roads, ropeways, the Controlled Atmosphere Storage (CAS), extension facilities etc. are also of prime importance for giving boost to the sectors other than crop sector. Use of new agricultural technologies to increase average yield, eradicate weeds to improve productivity of pasture lands and reduce the cost of cultivation are important prerequisites for realizing the rich potential available in the districts.

**Recommendations:** The credit needs to be flown in ensuring sale of cash crops like chilgoza, saffron, kala zeera, fruits and off-season vegetables in those markets which fetch highest returns due to their high demand in them. The credit may be re-directed in such a manner that a good proportion of this produce is taken to the international market which can get even higher returns. The demand for milk and milk product is on the rise in the district due to deployment of large manpower for constructing and operating and managing hydel power projects. Topography of higher altitudes may not support the idea of undertaking large scale milk production within the district. If there is any gap between the demand and supply of milk within the district, appropriate supply chains need to be financed through the PACSs of Kinnaur district.







*Kullu*



**D**istrict Kullu, the valley of village gods, nestles in the Pir Panjal range of the Western Himalayas. It is located between 30°51'00" North latitude and 77°06'04" East longitude.

The district is characterized with cold dry weather. The maximum temperature varies from 15.8° C in January to 32.8° C in June, whereas the minimum temperature ranges from 21.1°C in July to as low as 0.7°C. The summers are mild and winters are harsh due to snowfall on mountain ranges. The upper regions experience snow and sleet fall while rains are confined to the lower heights. The rainfall is well distributed from January to September and other three months receive comparatively less rainfall. Maximum rainfall is received during the month of July. The less rainfall during the months of October to December adversely affects the sowing of Rabi crops. Sometimes in the months of April and May, hailstorms are received which cause damage to the crops. The sunshine hours during the months of December, January and February are very less (4.9-5.4) which further intensify the severity of cold. The natural calamities viz., flashfloods, cloudbursts and droughts are common and frequent features in the district and have caused heavy losses to the farmers during the past years.

In order to increase area under irrigation, various location specific irrigation projects/schemes viz., lift irrigation, flow irrigation, tank irrigation, ground after irrigation, rain-water harvesting etc, are required to be developed. Available irrigation water can be used efficiently by employing micro irrigation like drip or sprinkler irrigation systems. For diversification in agriculture, we need new/improved crops/varieties, improved inputs, technical know-how, credit facilities, market, roads, transport facilities, market intelligence, processing facilities and regulatory framework etc., to be provided to the farmers. For making the dairy industry more remunerative, local breeds warrant replacement with the improved ones. Better Artificial Insemination services, assured availability of quality feed in the market, development of pastures and improving the nutritional qualities of fodders, education for balanced feeding, pest management, value addition and marketing need special attention. For the growth of horticultural sector, again new/improved crops/varieties, technical know-how, availability of recommended inputs, roads, storage facilities, markets, market information and intelligence are important factors. For adoption and growth of other

enterprises like mushroom cultivation, pisciculture, floriculture, medicinal plants, bee keeping etc., motivation, training, credit facilities, market for inputs and outputs are the major growth drivers.

**Recommendations:** Due to a large population of milch animals in the district, the members of PACSs can be encouraged to earn their livelihoods by providing those veterinary services to the farmers which do not require high degree of expertise. These members can be encouraged to undergo small training courses by tying up with the concerned Government departments. Comparative advantage in terms of growing fruit, off-season vegetables and other high value cash crops that exists in Kullu necessitates the PACSs to redirect their credit in these fields. Relatively high yield of trout fish in Kullu district would require establishment of cold chain for taking trout to the market due to its extremely small shelf life and considering extremely high demand for this particular fish in the national and international markets.





# *Lahaul & Spiti*

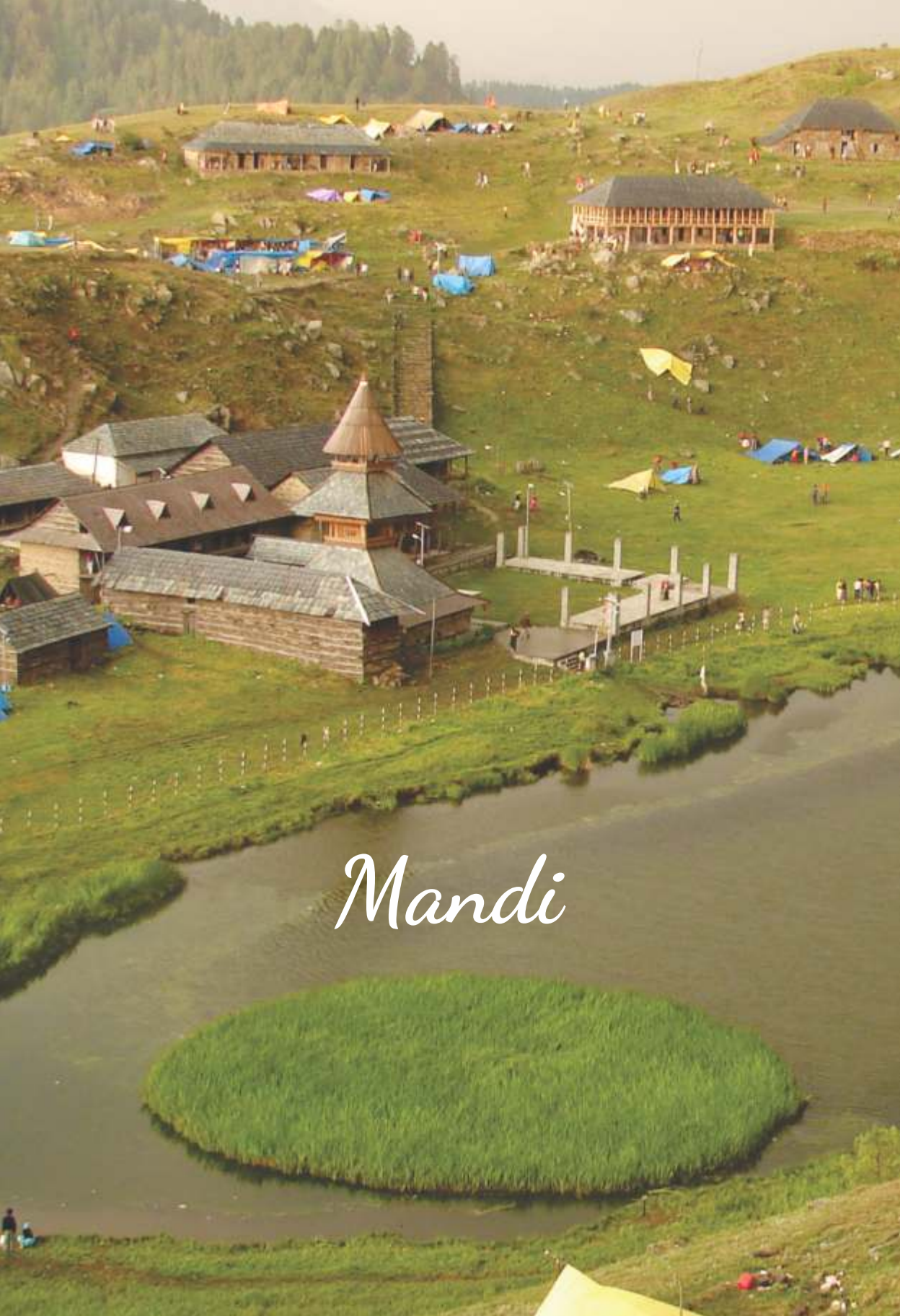


Lahaul & Spiti is the largest district of Himachal Pradesh in terms of geographical area. Total geographical area of the district is 13,693 square Kilometres which accounts nearly for one fourth of the total geographical area of the State. It has two distinct parts viz., Lahaul and Spiti. Lahaul-Spiti is situated in the North-Western part of Himachal Pradesh and lies between north latitude  $31^{\circ} 44' 57''$  and  $33^{\circ} 42' 54''$  and east longitude  $76^{\circ} 46' 29''$  and  $78^{\circ} 41' 34''$ .

Lahaul & Spiti district falls in the dry temperate zone of Himachal Pradesh. There is great diversity of climate in the zone due to variation in altitude, topography and geographical location. In general, the climate is extremely cold and heavy snowfall occurs during winter; the temperature at some places remains several degrees below zero level. The winter season spans from November to March and most parts of this zone remain cut off from rest of the world during this period. Spiti, in particular, becomes the harsh cold desert during winter months.

The district of Lahaul & Spiti harbours unique agro-climatic conditions that are favorable to grow niche based high value and high quality ash crops like pea, potato, fruits, kuth, hops and wide range of medicinal herbs. There is great demand for these commodities as these are either produced in off-season (pea and potato) or can be produced only in this region (hops, kuth, kala zeera, medicinal plants, etc.). Lahaul is also a major producer of quality seed potato in the country. Obviously the huge demand for these crops is one of the important growth drivers for agricultural development of the district.

**Recommendations:** To ensure sale of cash crops like hops, kuth, kala zeera, potatoes and peas in markets with high demand for these products the PACSs need to redirect their credit with an approach which has an orientation to establish supply chains and value chains. The recently added connectivity advantage to Lahaul & Spiti through Atal Tunnel needs to be capitalized by exploring the possibility of funding establishment of those industries which use local produce especially, hops and kuth in the district. The credit may be redirected to ensure that this produce is taken to the international market which can get remunerative returns. Considering that there is only one cropping season in the district due to extreme winter conditions, the PACSs can explore extending credit for protected agriculture by motivating local farmers.



*Mandi*

**M**andi, one of the twelve districts of Himachal Pradesh, is situated in Western Himalayas between 31°13'20" to 32°04'30" North latitude and 76°37'20" to 77°23'15" East longitude. Mandi falls in the mid-hills-sub-humid zone and high hills temperate wet agro-climatic zone of Himachal Pradesh. The district is entirely hilly, except Balh area in Sundernagar/Sadar blocks and Chauntra area in Chauntra block which are fertile valleys. In general, there is increase in elevation from south to north.

The district receives the highest rainfall in the State with an average annual precipitation of 1,568.5 mm. Maximum rainfall occurs in the month of June to September followed by January to March whereas least rainfall occurs in the month of November followed by December, October and April. About 63 percent rainfall occurs in monsoon season i.e. from June to September and rest of the precipitation occurs due to western disturbances.

The availability of suitable agro-climatic conditions to grow high value cash crops (fruit, off-season vegetables, mushroom, medicinal & aromatic plants), rising demand for these crops coupled with huge markets for them in the neighbouring States including Azadpur market New Delhi are the most important growth drivers of the crop sector particularly, the cultivation of high value cash crops. Likewise, emerging huge local demand for milk and milk products in the district because of increasing urbanization, coming up of new educational institutions, rising population and their income level and hydro-electric projects, are important potential growth drivers of animal husbandry sector. The availability of basic infrastructural facilities like assured irrigation, rural roads, ropeways, the Controlled Atmosphere Storage (CAS), extension facilities etc. are also of prime importance for giving boost to the sectors other than crop sector. Use of new agricultural technologies to increase average yield, eradicate weeds to improve productivity of pasture lands and reduce the cost of cultivation are important prerequisites for realizing the rich potential available in the districts.





**Recommendations:** The diverse climatic conditions existing in the district have resulted in great diversity in agricultural activities in the district. The produce ranges from fruits to millets along with other cash crops. Dairying is one of the important occupations of the farmers in Mandi. The recent phenomenon of coming up a large number of health and educational institutions in the district has resulted in creation of great employment opportunities through linkages. The Cooperation Department needs to identify these opportunities and formulate a strategy to encourage PACSs of the district to extend credit for undertaking entrepreneurship in these identified areas. The PACSs need to diversify their credit portfolio by covering more and more activities with higher returns.





*Shimla*

Shimla district is situated in humid temperate zone of Himachal Pradesh. The district is located between longitude 77°0" and 78°19" East and latitude 30°45" and 31°44" North.

The climate of the district varies from cold and dry zone to temperate and sub-tropical zone depending on the terrain and height of the area. The hills and the mountain ranges are generally aligned in the east-west direction, which present a complicated pattern of relief. The predominantly rough terrain, the prevalence of interlocking spurs, narrow and steep side valleys throughout the district reflect the youthfulness of its topography.

The soils of Shimla district are mainly developed under varying magnitude of *podzolization*. The gentle slopes of hills have undergone a good deal of modification due to terraced farming. On the whole, the soils are young and thin. Deep ploughing is neither possible nor advisable. Generally, the soils on the northern slopes are thicker than those of southern slopes. The soil reaction ranges from slightly acidic to strongly acidic and the texture of the soil ranges from salty loam to clay loam.

District Shimla has made spectacular progress in the transformation of agriculture. Introduction of apple in 1920's, seed potato in the mid-sixties and off-season vegetables in eighties has brought out sea changes in agricultural diversification. The district harbours State capital offering ready market for local produce. The nearness of the district with markets of plain areas and connecting hinterlands and remote places with motorable roads, upcoming local markets and niche based farming are the important growth drivers for agricultural development in this district.

Irrigation has been found to be the major limiting factor, and as such, creation of irrigation potential shall provide growth impetus. The increase in resource productivity and enterprise development duly supported by institutions and infrastructure will bring new advances in livelihood opportunities to people.



**Recommendations:** Largely being a horticulture district, the credit needs to be directed to the activities which add value to the horticultural produce of the district. Establishment of cold storage facilities will help the farmers to sell their produce at a time when the demand is at its peak to fetch higher prices and establishing robust supply chains linking markets with the local producers of off-season vegetables in the district will help in increasing their income at a faster pace. The milk cooperatives already existing in the district need further strengthening by providing them financing for increasing storage and processing capacities. Keeping in view, a large footfall of tourists in the district the PACSs also need to diversify their lending operations in the field of hospitality and other tourism related activities.







*Sirmaur*

**D**istrict Sirmaur is located in outer Himalayas, which is commonly known as Shivalik range. Like other parts of Himachal Pradesh, it has beautiful landscapes, and bracing climate. The district lies between 30°22'30" to 31°01'20" north latitudes and 77°01'12" to 77°49'40" east longitudes. The district is predominantly mountainous with deep valleys lying between Shivalik ranges of varying elevations.

The district possesses a variety of climate varying according to elevation. Summer months are exceedingly hot in Dun and water is scarce. The hilly areas have a temperate climate though the Dharthi range is hot. The Trans-Giri tract, Pajota and Sain range areas are comparatively cool even in summers. Snow falls regularly in winters in Trans-Giri areas, whereas in Sain ranges it is occasional, while in Dharthi ranges it is rarely noticed.

As per the soil survey by NBSS & LUP (1997), more than 75 percent of the geographical area of the District is suffering from one or other soil degradation problem. The main degradation problems observed were water erosion including topsoil loss and terrain deformation, flooding and acidity. Therefore, major challenge is to reduce these problems up to the tolerance limits for the sustainable agricultural development of the district.

Suitable agro-climatic conditions to grow high value cash crops (fruit, vegetables, spices and condiments), burgeoning demand for these crops coupled with huge market in the neighbouring States are the most important growth drivers of the crop sector particularly in cultivation of high value cash crops. Likewise, emerging local demand for dairy products, especially milk, in the district because of a lot of industrial projects, is an important potential growth driver of animal husbandry sector. The availability of basic infrastructure like assured irrigation, rural roads, ropeways, the Controlled Atmosphere Storage (CAS), extension facilities etc. are also of prime importance for giving boost to the sectors other than crop sector. The continuous R&D efforts for generating new agricultural technologies to increase yield levels, eradication of weeds to improve the productivity of support and pasture lands and reduction in the cost of cultivation are urgently required for harnessing the potential of the district.



**Recommendations:** Success story of milk cooperatives in Bilaspur needs replication in Sirmaur district also even if it is with some modifications to suit local conditions. The quality of ginger produce in the district is well known and that makes the demand for ginger grown in the district relatively high. PACSs can help local producers by extending credit for operations aimed at increasing per hectare yield of ginger through technological interventions and establishing high speed market linkages enabling farmers to dispose of their surplus produce in the markets at the right time. The success of fruit processing industry in the district indicates to the need to diversify PACSs into fruit processing. The presence of industry along the belt on the boundaries of district with the neighbouring States of Uttrakhand, Uttar Pradesh and Haryana points to the potential of establishing linkages with the industrial sector through extension of credit in appropriate areas of agriculture sector.





# *Solan*



Solan district of the State falls in Zone I and Zone II, which include low and mid hill regions. The district is situated between 76°42' to 77°20' East Longitude and 30°30' to 30°15' North latitude. The elevation of the district ranges from 300 to 3,000 meters above mean sea level. The district has some parts of very low altitude and others of high altitude. The terrain is mostly mountainous except valleys of Saproon in Solan Tehsil, Doon in Nalagarh tehsil and Kunihar in Arki Tehsil. The mountains of lower elevation are found in Western and Southern part of district comprising of Nalagarh and Arki Tehsil while higher ranges start from central regions and extend upto north Eastern corner of the district comprising of Solan, Kasauli, Kandaghat and parts of Arki Tehsil. Mangal and Berral panchayats of Arki tehsil are situated on very high mountain ranges with difficult terrain.

The climate of district Solan is sub-tropical to sub-temperate. The temperature ranges from 0° C in winters to 40° C in summers. The fine climate of this place round the year makes it an ideal destination for all seasons.

The availability of suitable agro-climatic conditions to grow high value cash crops particularly vegetables and flowers are major growth drivers of the crop sector. Likewise, emerging urbanization and industrialization in the district has raised substantial demand for liquid milk. Thus, animal husbandry is another sector for development of the economy of the district. The availability of basic infrastructure facilities like education, assured irrigation, rural roads, markets, extension facilities, etc. in some areas of the district are the important growth drivers for different sectors. Introduction of new agricultural technologies to increase yield levels, eradicate weeds to improve the productivity and animal menace management are other important growth drivers for realizing the rich potential available in the district.

**Recommendations:** Solan has emerged as vegetable bowl of Himachal Pradesh with large scale production of off-season vegetables and other cash crops like tomatoes and mushrooms. The dependent enterprises on these inputs, which add value to their produce can benefit from the credit extended by the PACSs. The district has an advantage of having its proximity with the agricultural markets of the neighbouring States. The floriculture has also come up as an additional income earning activity in the district. Considering their very short shelf life and also keeping in view a very big market for flowers in Delhi, the PACSs can motivate and encourage farmers to establish cold chains right up to Delhi. These can be multipurpose cold chains helping the farmers engaged in the production of mushrooms and other off-season vegetables as well.



*Una*

**G**eographically, the district lies at 31°47'N latitude and 76°27'E longitude. In the year 2021, 41.06 percent of the total geographical area comprised the forest area. The district encompasses a geographical area of 1,540 sq Kilometer and it is bounded by Kangra district in the North, Punjab in the South and West and Hamirpur district in the East. Sutlej River, one of the principal rivers in India passes through the district and alongside of the Shahtpur hills. The climate of the district remains pleasant throughout the year except in certain areas where one can experience extreme temperatures during summers and winters. Most of its rainfall occurs in the monsoon season. The actual rainfall in the district was 1090.8 mm in the year of 2021-22.

**Recommendations:** The economy of the district is largely dependent on agriculture. Most of the lands in the district are used for agricultural purposes. More than half of its population is engaged in agriculture in order to earn their livelihood. The main agricultural products in the district are rice, maize, wheat, potato, cauliflower, cabbage, ladies finger, yam, cucumber, guava, black berry, pear, etc. The adoption of the new agricultural technologies amongst the farmers of the district will help to increase the production of various agricultural items. Dairying is another important occupation of local people of Una. Of late, Una is also emerging as an industrial hub. It is renowned as a centre of small scale factories of Kattha(Catechu), The value chains can be added to agriculture and dairy farming which can have strong linkages with the markets in Punjab due to its proximity with the more developed State of Punjab. Availability of relatively large markets in the neighboring States and adequate demand of the agro-based products in these markets, the industrial development can have its reorientation towards agro-based industries.



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**PLANNING DEPARTMENT**  
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