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A Study on the Governance System in Primary Agricultural Cooperation Credit Societies in Tamil Nadu, India

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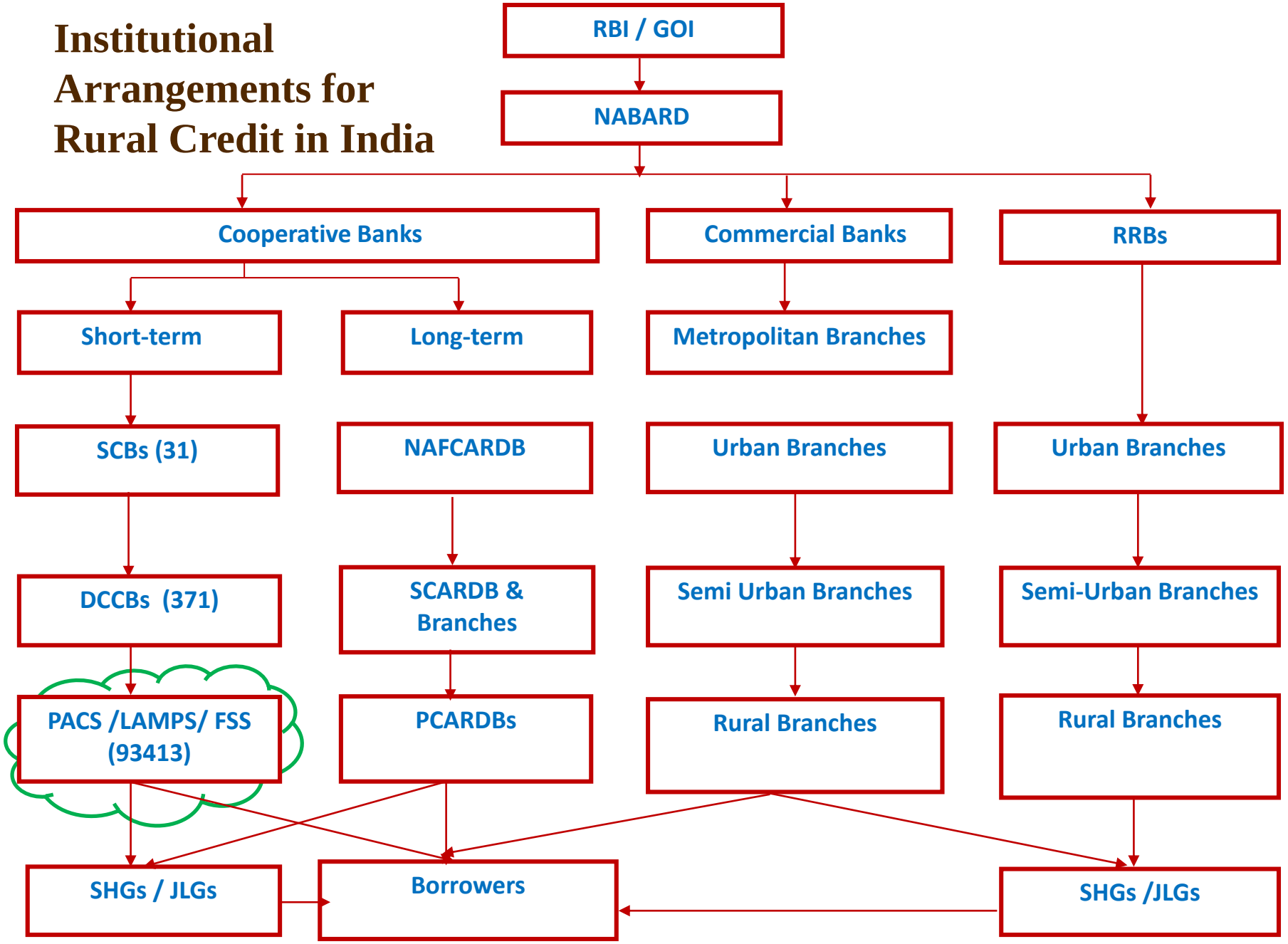
Evolution of Cooperatives in India

- **1904 Act, 1912 Act, 1919 Reforms**
- **All India Rural Credit Survey Committee 1954**
- **All India Rural Credit Review Committee 1969**
- **CRAFICARD**
- **Committee on Model Cooperative Societies Act 1990**

Important milestones

Institutional Arrangements for Rural Credit in India

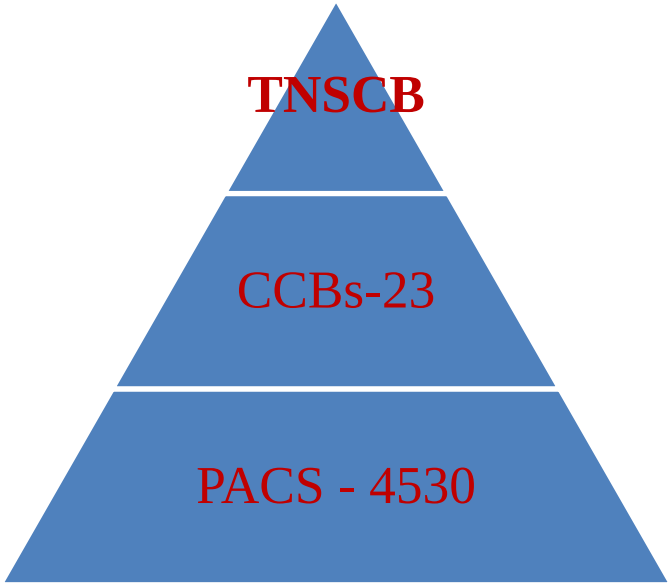


The result – Creation of structures and significant contribution to Green / White Revolution, but left ill effects on the management of cooperatives

- Compulsory Amendment of byelaws by the Registrar
- Nomination to the Committee of Management
- Power of Government to Veto, Annual / Rescind Resolutions
- Power of Registrar / State Government to give directives
- Supersession / suspension of Committee of Management
- Restrictions on Term of Office or Office Bearers of Cooperatives
- Compulsory Amalgamation and Division of Societies by the Registrar
- Compulsory Audit by the Registrar

Task Force on Revival of STCCS 2004 and 97th Constitutional Amendment has been viewed as landmark

PACS In Tamil Nadu



All India	6 Villages
Tamil Nadu	4 Villages

Statement of the Problem

- Governance is process of self-defined rules influenced by the type, size, sector, geography, and philosophy of every institution

- Governance is one of the characteristics of a management and it reflects the quality of management system.

- The theoretical arrangement for good governance in cooperatives is that management of a cooperative society is vested with the elected Board of Management and the Board is accountable to the General Body of members. Executives are appointed to carry out the regular work.

Statement of the Problem

- The General Body is the ultimate authority on all the affairs of cooperative society as per the Section 32 of TNCS Act 1983.
- According to the Section 33 of the Said Act, the management of the society is vested with the Board of Management.
- This governance model differentiates the cooperatives sharply from other forms of business.
- However, the Board of Management of all cooperatives were superseded as early as on 9.6.1976.
- Elections were conducted in October 1996 &1997
- Again the Boards of cooperatives were superseded on 2.2.2004.

- In the absence of elected Boards, the Government appointed its officers to manage the cooperatives even more than one cooperative society, in some cases
- Now Elections were conducted during 2013
- Board of Management of PACS consists of 2 representatives from SC / ST community, 3 women and the remaining 6 members from the general category totalling of 11 members.
- In this background this study is undertaken

Objectives of the study

1) How does democratic governance work in PACS?
2) Do PACS lose touch with their members over the time as they grow, or are there practices that keep member engagements' alive?
3) How democracy be practiced as a policy option, or as a tool that move the PACS forward to protect the interest of primary stakeholders?

Methodology & Sampling
Survey method / FGD/ Both Primary and secondary sources of data / 3 PACS Representing different regions were selected

Analysis and Discussion

Democracy Vs. Professional Management

- The Task Force recommendations and 97th Constitutional Amendment ensured the restoration of democratic governance to STCCS.
- In the absence of Boards, executive team of some PACS maintained financial viability and stood as models to emulate.

Relationship between members and their cooperatives

- The Principles of Cooperation stresses that members' participation is the essential requirement for the development of cooperative.

- It was found that the relationship between the members and their cooperatives are decided by:
  - ✓ The level of access to the economic benefits of PACS to the members, especially the availability of loan and
  - ✓ The availability of other benefits under Government schemes

- Hence, majority of PACS remain as delivery channels of Government schemes

- Hence, members participation in General Body meeting and decision making processes are only customary in majority of the PACS and there is no organic relationship between PACS and their members.

Best Practices that strengthen the Governance System in PACS.

- Elected office bearers are made fully aware of their duties and responsibilities
- Clear cult division of legal responsibilities between the Board of Directors and the Executives
- Different strategies have been developed and practiced for cooperative education and information, so as to ensure the participation all stakeholders and maintaining transparency in transactions.

The sample PACS adopted certain other best practices:

- Dissemination of information on the functions of PACS through Notice Boards periodically
- Maintaining of books and records systematically and transparency in transactions
- Dovetailing benefits under various Government schemes and link with the products of PACS
- Regular contact with all stakeholders
- Continuous training of employees
- Diversifying the business of PACS
- However, the drivers of good governance are from executive team and not from the members of board

Conclusion

- The study reiterates that there is no organic relationship between certain PACS and their member and hence they become weak units and remain only as the delivery channel of the State's schemes and programmes

- However, PACS that are operationally viable stood as model and the drivers for good governance came from the executive team and not from the members of board.

- Hence, the central challenge for governance in PACS remains as to how the balance between principle of democratic control and the importance of professional management

Thank you