

Impact of Revival Package on Short-Term Rural Cooperative Credit Structure (STCCS) in India

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The revival package of Central Government provided financial assistance to short term cooperative credit structure, which works with a three tier system. Before revival package, PACS closely worked with second tier (i.e. with DCCBs). But PACS are now delinked in Bihar from second tier and allowed to function independently, whereas in other study states PACS still play an important role, but function independently. This revival package was worked out and implemented from 2007 on the recommendation of Vaidyanathan Committee. Under package, the State Government has to its Co-operative Acts and rules, while each tier of cooperative has to amend and adopt new by-laws and CAS, etc., that all complied with by each tier. NPA, CRAR, ROA, recovery percentage and business per employee slowly improved in the first tier (i.e. SCB) and second tier in Tamil Nadu, Andhra Pradesh and Karnataka, whereas in Bihar and Maharashtra, they require to work hard further. Financial positions of PACS have not improved much as expected by the Government as recovery percentage is slowly improving. Since the cadre post was abolished for PACS, a majority of PACS failed to appoint secretaries from their own funds.

I Introduction

Vaidyanathan Committee¹ appointed in 2004 recommended a revival package for Short term Cooperative Credit Structure (STCCS) to revive the working of Primary Agricultural Credit Societies (PACS) for rural agricultural sector. The efficiency of PACS was undermined by undue political inference which affected recovery percentage, increased Non-Performing Assets (NPA), low Capital to

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¹ The Central Government had set up a special Task Force under the chairmanship of Dr. A. Vaidyanathan in August 2004 to suggest an implementable action plan for reviving the CCS. The task force submitted its report to the Central Government on 4th February, 2005. The Government accepted the recommendations and placed them before the National Development Council at its meeting on 27th June 2005. The Report and its recommendations were discussed at a special meeting of the State Chief Ministers on 9th September, 2005. It was agreed that a draft statement of the consensus emerging from the deliberations be prepared and discussed with the Finance and Cooperation Ministers of selected State Governments. This meeting was held on 29th September, 2005, where the consensus crystallized into a Statement of Consensus. Based on it, this revival package spelling out the financial, legal and institutional measures for restricting of the CCS has been prepared.