



INDIAN INSTITUTE OF TECHNOLOGY GUWAHATI
SHORT ABSTRACT OF THESIS

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SHORT ABSTRACT

This thesis studies village-level cooperative credit societies of Assam in particular reference to Kamrup and Kamrup Metropolitan districts. The village cooperative credit societies are old institutions engaged in credit activities at the village level. In many states, including Assam, rural cooperatives predate the year of Indian Independence. Post-independence, the village-level credit societies started functioning as Primary Agricultural Credit Societies (PACS). The PACS are multipurpose cooperative societies at the village level formed under the Cooperative Credit Societies Act 1904 and strengthened under the Banking Regulation Act 1949. PACS perform various credit-related activities such as the deposition of savings, credit supply, providing support for businesses, as well as supply of consumer durables to its members.

Although cooperative credit societies as an institution took root in Assam at the beginning of the 1900s, they expanded in scope and numbers only after India's independence. However, between the 1950s and early 1970s, PACS as agricultural credit institutions did not take off in Assam, primarily due to meagre repayment rates. The National Commission on Agriculture, in 1970, directed States with dormant PACS to initiate Farmer Service Societies to provide credit assistance to farmers. Consequently, the Government of Assam initiated the Gaon Panchayat Samabai Samiti (GPSS) in 1972-73. Over time, various changes have occurred in the composition and structure of GPSS in Assam. New GPSS were formed, and old Primary Agriculture Credit societies were restructured into new GPSS from 1972-73. The GPSS of Assam are unique institutions because their primary activities were not just limited to credit disbursal and deposits mobilisation but also non-credit activities such as supply management of public distribution system (PDS).

Presently, GPSS in Assam perform credit and non-credit business activities at the village level. Credit activities are primarily the disbursal of short-term and medium-term crop loans for agriculture and the mobilization of savings. Non-credit activities include the supply of farm inputs, marketing and processing of agricultural products, agri-allied activities, and supply management of PDS.

Significant changes have occurred in the functioning of GPSS in Assam in the post-reform period of the 1990s and the 2000s. Due to the historically low repayment rates of PACS loans in Assam and the post-Narasimhan committee reforms (in the 1990s) in the rural credit sector, focusing on the profitability of banks, funding of GPSS-PACS from cooperative banks, such as the Apex Cooperative Bank of Assam dried up. The rural cooperative societies' source of borrowing started shifting to commercial banks. However, direct and indirect loans for agriculture could now be accessed by the 'priority sector' directly from the commercial banks post-rural credit reforms. It is widely documented that one of the characteristic features of rural credit reforms in India was the change in the definition of 'priority sector' lending. The small and marginal farmers, who earlier constituted priority borrowers and accessed loans mainly from the GPSS-PACS, now stood disconnected from the rural banking system due to a reduced supply of rural credit to the GPSS-PACS from cooperative banks. Such policy changes dealt a blow to the viability of rural credit cooperatives or GPSS-PACS in Assam.

There is scant research informing us about the evolution of GPSS in Assam and their changing credit and non-credit activities at the village level. This thesis aims to bridge this gap in the literature. We have conducted a census enumeration of all the registered GPSS-PACS in the Kamrup and Kamrup Metropolitan districts. We examine the role, spread, and impact of GPSS-PACS in Assam through a case study of the Kamrup and Kamrup metropolitan districts.

The thesis finds how the GPSS-PACS in Assam are currently limited in its functioning due to its exclusive role in the supply management of PDS items and to the total neglect of credit activities at the village level. The Public Distribution System in Assam has undergone various policy changes like the rest of India. However, unlike many other Indian states, Assam never institutionalized a Food and Civil Supplies Corporation that can take responsibility for public food distribution. The GPSS are the crucial hand that coordinates between the Food Corporation of India (FCI) godowns and fair price shops at the village level. Therefore, the GPSS function as a state depot of PDS items, thus bearing the economic cost of food distribution.

Our study shows that credit activities by the GPSS at the village level are currently waning. Similarly, the diversification of non-credit activities is also shrinking. GPSS are mostly striving towards the supply of PDS items at the village level. This results in additional administrative costs of transportation, distribution, and management of PDS items, which are very high. Such constraints and challenges have dampened the spirit of cooperation, ultimately hampering rural credit activities in the village economy of Assam.