Appendix - III

CHAPTER III

CO-OPERATIVE BANKS AND RURAL DEVELOPMENT — A STUDY IN THE INDIAN SETTING

Co-operation means working together for the achievement of common objective.

"Working together for a common objective has been the factor not only for a human horizon, but has been the potent factor for the existence of man, groups and nations"[1]

Definition of Co-operation

It is very difficult to give a clear cut definition of co-operation.

Mr. C. R. Fog defined a co-operative society as "an association for the purpose of joint trading, organating among the weak and conducted always in an unselfish spirit on such truns that all who are prepared to assume to duties of membership may share the rewards in proportion to the degree in which they make use of the association."

Late Sri V. L. Mehta described co-operation as follows :

"Co-operation is only one aspect of a vast movement which promotes valuntary associations of individuals having common needs who combine towards the achievement of common economic needs"

Sri M. L. Darling described Co-operation "something more than a system. It is a religion applied to business. It is a gospal of self-sufficiency and service."

Dr. K. N. Katju defined "co-operation is self help as well as mutual help. It is a joint enterprise of those who are not financially strong and cannot stand on their own legs, and, therefore, come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources and thus better their economic condition.

Mr. H. Calvert defined co-operative "as a form of *organisation* where in

persons *voluntarily* associate together as *human beings* on basis of *equality* for the promotion of *economic* interest of *themselves.*

According to the International Co-operative Alliance.

"A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise."[2]

Principles of Co-operation

In 1937 International co-operative Alliance stated the following as Rochdale Principles.

1. Open membership.
2. Democratic control.
3. Limited interest on capital.
4. Distribution of surplus to members in proportion to their transactions.
5. Political and religions neutrality.
6. Cash trading.
7. Promotion of education.[3]

In 1963, the International Co-operative Alliance appointed a commission to formulate the fundamental principles of co-operation. According to their recommendation the following are the principles:

1. Voluntary and open membership.
2. Democratic control.
3. Limited interest on share capital.
4. Patronage divident.
5. Promotion of education and
6. Mutuality.[4]

In 1995, International Co-operative Alliance stated the following principles:

1. Voluntary and open membership.
2. Democratic member control
3. Member economic participation
4. Autonomy and Independence
5. Education, training and information

6. Co-operation among co-operatives
7. Concern for community.[5]

Co-operative organisations are important ingredients of development administration especially in the developing economics. The co-operative organisation differs from other economic organisations.[6]

The I.L.O. has abserved, "while endeavouring to strengthen the economic independence of its members, it also endeavours to establish bonds of normal solidarity between all members and the create a common social life, based on development of personality."[7]

According to V.L. Mehta "...there are, however, numerous sectors of the economy where the twin objectives of social ownership and equal distribution can be better ensured by the co-operative system than through state ownership or collectivisation."[8]

In 1951, the Director general of International Labour Office, in his report, described that co-operatives are helping to solve the economic problem such as inflation, keeping down the prices of food and essential consumer goods, equatable distribution of restricted and controlled consumer articles through network of co-operative societies and marketing of goods on no profit, no loss basis at certain occasions. The most extensive activities under co-operative sector has been in agriculture especially through co-operative credit societies. These activities continue to contribute towards rural development in a big way.[9]

"The co-operative movement has gained momentum through out the world and the reasons for such speed and sustained movement are its principles Co-operatives are association of persons and not of capital, mutual help and service."[10]

Agriculture is the mainstay of the Indian economy. It contributes to net national product to the extent of 40 percent and provides livelihood to about 60 percent of the total work force of the country. After independence, it has passed through a stage of transition from a predominently semi-feudal-oriented and subsistence farming to a commercialised market oriented forming.[11]

Continity of farm production has to be maintained with every season,

therefore, investments have to be made accordingly. Availability of capital from outside agency is the credit which plays an important role in the country of farm production on commercial basis. It means that the "...need for depending on external financial resources becomes inevitable"[12] The potential and well organised external financial resources are the financing institutions, viz., Commercial Banks, Rural Banks and the Co-operative Bankis.

The Agricultural credit distributed by the credit co-operatives in 1960-61 was Rs. 214 crores[13], it was over Rs. 3000 crores at the end of 1984-85.[14]

It is true that the contribution of credit co-operatives is higher than that of commercial Banks. There are 3 lakhs co-operative soceities in the country with a total membership of about 120 millions out of which 50% membership is harded by the agricultural credit societies at the primary level.[15]

The credit institutions under the co-operative sector are rural oriented and cover more than 86% of the total villages of the country.

Agricultural Credit by the Financing Institutions

TABLE 3:1

		Short-Term	Medium-Term	Long-Term	Total
Co-operative Socities	1970-71	519.34	58.54	100.91	678.79
	1980-81	1581.86	227.27	365.99	2112.12
	1981-82	1707.34	232.53	370.21	2310.08
	1982-83	1957.10	223.24	407.49	2587.83
	1983-84	2180.42	259.44	499.10	290038.96
	1984-85	2500.00	250.00	500.00	3250.00
	Medium / Long-Term Combined				
Commercial Banks	1970-71	N.A.	206.37		206.37
	1980-81	575.00	700.00		1275.00
	1981-82	680.00	840.00		1520.00
	1982-83	800.00	1010.00		1810.00
	1983-84	940.00	1210.00		2150.00
	1984.85	1110.00	1450.00		2560.00

Source : Governemnt of India, Ministry of Agriculture and Co-operation Annual Repot, 1984-85.

On the recommendation of a committee headed by Sir Edward Law was the first attempt to introduce co-operative movement in India. This Act laid the provisions required to form a co-operative society.

The Act was inadequate to fulfil the necessary legal requirements of the society. The members of the rural credit societies felt difficulties to distribute the profits among the members. So, the co-operative societies Act (II) of 1912 was passed with the following features :

1. The societies having its objectives of promoting economic interest of its members in accordance with co-perative principles could be registered.
2. Liability of rural society was to be unlimited whereas, the liability of central societies was to be limited.
3. A registered society could contribute its profits for charitable purpose subject to the condition that such contribution was restricted to 10% after carrying ¼ of the net annual funds. Registrar's sanction was necessary.
4. The provincial government could grant examption to a society from registration, registration fees, income tax and stamp duty.
5. Shares or interest in co-operative societies were exempt from attachment.
6. The Society used to have the first charge to enforce the recovery of dues from members.
7. The local government could frame rules governing the procedures for business, conditions of membership, general meetings, arbitration of membership, and the committee of officers / officials of society.[16]

To review the working of the co-opertive societies the Government of India appointed a committee known as Maclagan committee.

The main recommendations of the committee may be summarised as below :

1. The societies should be co-operative and business like.
2. Societies should be small at the commencement and gradual increases should be allowed. "Small societies are more easily supervised and trained in co-operative principles...."[17]

3. There should be one society for one village.
4. Members should be admitted to a society irrespective of caste creed or socio-economic status, and society should not be formed exclusively for one class-caste poor or middle class, etc.
5. Societies affiliated to one Central Bank as far as possible should represent different types of occupations.
6. Before registering a society, the Registrar must ascertain :
   (a) Whether the proposed members have really assimilated the principles of co-operation,
   (b) Whether they appear to be too in-volved to make a society successful,
   (c) Whether the applicants are of good character,
   (d) Whether adequate working capital is available,
   (e) Whether means are at hand to provide for necessary supervision of the society when formed.
7. The Managing committee should work as a committee and should not be placed beyond the control of general meeting and the period of a committee should not normally exceed one year.
8. "....It is not the pace at which the movement proceeds which is of importance, so much as the quality of the societies which are established and we believe that on the whole of it is beat the Registrars, so far as they control the progress of the movement, to loan towards a policy of coution and concentration."[18]
9. Deposits, shares, loans, reserves and surplus assets should from the capital of agricultural societies.
10. Maximum limit should be fixed in respect of dividends so as to prevent the neglect of co-operation in favour of individual profit.
11. Deposits should be encouraged and increased. Deposits in excess of needs of society should be forwarded to Central Bank.
12. Guiding principles should be formulated to issue term loans, its procedure, assessment of requirements and period of recovery.

13. The audit of the society should include not only the accounts audit but a further examination.

14. Formation of non-agricultural credit societies, non-credit societies, urban thirft and credit societies, employees societies, societies for poor castes, such as butchers, weavers, mill hands, scavengers, etc.

15. Report has suggested that audit and supervision of co-operative societies should be with the Registrar. This will "watch and regulate the whole efficiency of the movement," There should be "One Registrar on Joint Registrar for every thousand or fraction of a thousand societies."[19]

16. The Registrar should be assisted by the cadre of officers from Provincial Civil Service.

17. It is the business of the Directors and the staff to visit villages from which spontaneous applications are received and to organise societies therein.."[20]

18. "The management of Provincial Bank requires more expert knowledge and experience than that of a Central Bank and it is permissible and aften desirable, that the management should be mainly in the hands of businessmen. The representatives of societies are seldom capable of taking an effective part in the management of a bank of this class. But though the detailed administration need not be constantly controlled by them, the ultimate decisions, as exercised at the general meeting should under the bye-laws rest with them, and when they find that the Directors are mismanaging the Bank or exploiting co-operation for the advantage of the individual shareholders should be in a position to intervene and to reconstitute the Management."[21]

19. A Central Bank should deal with 200 or 250 societies.

20. The share capital plus reserves of the Central Banks should be at last 12.50% of total liabilities.

21. The share capital plus assets funds of the Provincial Banks should not be less than $^{1}/_{10}$ of funds borrowed from out-side.

22. The Registrar should be whole time and permanent and his status should not be less than District Collector.

23. Audit and supervison is very essential. About a hundred societies should be audited by an auditor per year. "The audit should go beyond the requirements of the Act and include an enquiry into all the circumstances which determine the general position of a society."[22]

The Maclagan Committee recommendations may be termed as forerunner of the modern co-operative movemen in India.

The co-operative movement was very speedy during the period from 1912 to 1947. The recommendation of many committees, commission's is reports and legistative measures enabled co-operative movement to make stronger and fruitful.

The Act of 1912 was adopted in many provinces, Co-operative Societies Act 1925 was first passed by the Bombay province. Then Madras, Orissa, Bihar and Bangal passed the same Acts.

In 1928, The Royal Commission gave more importance on co-operation and uttered, "If co-operation fails, these will fail the best hope of rural India."[23]

In 1930, The Indian Central Banking Enquiry Committee and the creation of RBI in 1934 and setting up of rural cridit department in the Bank gave vitality and new life to the co-operative movement in India.

In 1937, the provincial autonomy again strengthened the co-operative movement.

The role of co-operatives in post-war was appreciable.

The co-oprative movement started on a fresh note to have its progressive origin in the constitution. According to Artical 246 of the constitution the Administration of co-operative is essentially the responsibility of the state government.[24] Then the government of India decided to utilise the existing organisational set up in the form of co-opertive societies for the rural development and to help the poor people of the society.

The Government of India created some agencies like National Co-operative Development Corporation (NCDC), Agricultural Refinance and Development Corporation (ARDC), National Bank for Agriculture And Rural

Development (NABARD) etc to strengthen to co-operation organisations of the rural sector. Besides appointing expert committees, the Government of India helps in preparing co-operative legislations, for the guidance of states.

The major role to the co-operative in the five year plans is a recognition of the potentialities inherent in the co-operative societies to deliver the goods and fulfilling the objective of rural development.

The first five year plan has observed that it was the purpose of the plan to change the economy of the country from an individualistic to a socially regulated and co-operative basis, its success should be judged, among other things, by the extent to which it is implemented through co-operative organisation.

"It is an indispensable instrument of planned economic action in democracy".[25]

In the first plan it was decided to bring 50% of the villages and atleast 30% population in rural area under co-operative with in 10 years. The first year plan had due consideration for co-operative development. But the co-operative did not make much head-way due to various factors like, inherent less membership and less loan operations, heavy overdue, less deposit mobilisation, lack of uniformity in policy formulation and implementation, lack of diversified economic activities under co-opertaive sector, lack of co-ordination between the Central Government and the State Governments in relation to co-operative policy planning.

In 1954, The All India Survey : Committee of Directions conducted rural survey which revealed the then organisational credit structure. And also it revealed the problems and shortcomings prevailing in the entire systems. According to them the co-operatives contributed 3.1% in the total borrowings of the cultivators where as the professional money-lenders contributed 44.8%, and the agricultural money-lander contributed 24.9%. But the Commercial Bank's contribution towards loan was only 0.9%.

The position is indicated in the following table.

TABLE 3 : 2

Sl. No.	Credit Agency	Percentage of borrowings of cultivators.
1.	Professional Money-Lenders	44.8
2.	Agricultural Money-Lenders	24.9
3.	Relatives	14.2
4.	Traders / Commission Agents	5.5
5.	Government	3.3
6.	Co-operatives	3.1
7.	Others	1.8
8.	Land Lords	1.5
9.	Commercial Banks	0.9
		100.00

Source : Survey of the Report of the Committee of Direction. Voll II. The General Report of All India Rural Credit Survey RBI. Bombay, 1955.

During the first plan, more emphasis was given on agriculture and allied activities. The agricultural production was to be increased. The agricultural operations to be mechanised. For all these reasons, the credit requirements were increased, specially in rural area. But the credit structure under co-operative sector was not ready to cater to the increased credit requirements, So, All India Rural Survey : The committee of Directions examined all the reasons for inadequacy of co-operative credit. They suggested that the state should take the partnership in co-operative institutions or organisations. And also suggested to provide trained and efficient personnel in co-operatives.

The Central Government and the State Governments accepted the recommendations and suggestions which was given by the committee of Directions of the All India Rural Survey. So the Governments constituted and established national Agricultural Credit (Long-Term Operations) Fund, the National Agricultural Credit Stabilisation Fund, National Co-operative Development and Warehousing Board and the Central Corporation and the State Corporations to draw up integrated plan for the development of co-operative credit.

It was aimed in the Second Five Year Plan to build up large co-operative sector. The plan mentioned, "The building up of a co-operative sector as part of the scheme of planned development is...one of the central aims of National Policy."[26]

In this plan the target to raise the membership of the co-operative societies were 50 million persons, 10% of marketable surplus to be marketed through co-operative sector and to disburse in agricultural credit of Rs. 225 crores.

At the end of this plan the membership could reach upto 17 millions. In co-operative sector marketing could not be flourished. So a committee was appointed to find out the major causes of such failures.

In 1960 the committee gave its report with some recommendations:

(a) Economic viability should be ensured while organising primary societies in the villages. Village should be the basic unit. NOrmally a village society should not cover more than 3000 population and distance from the village headquarters should not be more 3/4 miles so that co-operative characteristics. viz. contact, voluntarism, mutual help etc, are maintained. However, if the population of a village covered is too small, adjoining village could be included.

(b) The co-operative principles are in consonance with the spirit of aims of a welfare state. Therefore, the state should participate in the movement activity.The state participate in the share capital of viable primary agricultural credit societies on a matching basis. Such participation may be limited to Rs. 5000 and Rs. 10,000. This will help in maintaining the viability of societies.

(c) Credit societies should diversity their lendings so that activities of other societies are strengthened. This will add strength to the viability base of the societies especially the marketing and consumer societies.

(d) Credit societies should increase and strengthen their financial position by mobilising deposits from maximum sources collecting share capital. This can be done by increasing the membership and maximum credit services should be provided to its members.

(e) Credit should be linked with marketing. therefore, construction of godowns at primary level should be taken up.

(f) Besides Government assistance, the Reserve Bank of India should liberalise its lending policies in respect of co-operative sector.

(g) Special funds recommended by the All India Rural Credit Survey Committee should be constituted and built up as early as possible.

(h) Primary societies should be reorganised on the basis of definite target-oriented programme so that the weak societies are weeded out and economically viable societies are retained and strengthened.

(i) Effective and efficient supervision should be ensured by imparting training to the departmental and institutional staff, regular audit and implications and above all appointment of full time trained staff in the societies.[27]

In the Third Five Year Plan emphasis was given to establish marketing societies specially in the primary level. The primary agricultural credit societies in number were reduced and re-organised them. In comparison the membership was increased by 10 millions. In this period the coverage of villages were increased from 75% to 90%. The Third Five Year Plan Observed, ".....a rapidly growing co-operative sector with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital factor for stability, for expansion of employment opportunity and for rapid economic development. Therefore, in a planned economy pledged to the values of socialism and democracy, co-operation should become prograssively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industry, processing and marketing, the provision of essential commodities, distribution, supplies, rural electrification, housing and construction."[28]

To achieve plan objective of "growth with stability" the Fourth Five Year Plan envisaged to institutionalise the services under the co-operative sector. And this can be achieved by increasing efficiency and economic vaiability of the co-operative. During the plan period for development of co-operatives were.:

(a) To finance primary societies directly by the apex co-operative banks.

(b) To make the primary credit societies by re-organising and rehabilitating the weak Banks.

(c) To strengthen the agricultural credit stabilisation funds.

(d) To encourage opening of more branches of Banks in the rural areas for mobilising more deposits.

(e) To reduce overdues, and

(f) To provide for Rs. 790 crores by way of short and medium term credit to the co-operatves and Rs. 900 crores by way of long-term credit.

Much development was made under the plans in respect of volume of institutional credit, planned re-organisation of societies linking credit with marketing. But it was found that the growth was uneven in the country.

In 1966, the Reserve Bank of India, appointment All India Rural Credit Review Committee to review the system of rural credit. The committee brought to light the progress made during the last 15 years after reviewing the progress upto 1966-67.

(a) Agricultural Credit Societies increased from 1.08 lakhs in 1950-51 to 2.21 lakhs in 1960-61. Reorganisation or amalgamation brought down the number to 1.75 lakhs in 1966-67.

(b) Coverage of villages under co-operative sector rose from 75% in 1960-61 to 90% in 1966-67. The number of dormant societies and the coverage of rural population by them were brought down.

(c) Membership increased from 4.1 lakhs in 1951-52 to 283 lakhs in 1967-68.

(d) Overdues brought down from 52.6% in 1960-61 to 39.7% in 1966-67.

(e) Short-term and medium -term loans increased from Rs. 24 crores in 1951-52 to Rs. 365 crores in 1966-67.

(f) Loan advanced to per member, increased from Rs. 51 in 1951-52 to Rs. 143 in 1967-68. Average share capital and average deposits for society increased respectively from Rs. 827 to Rs.8236 and Rs. 408 to Rs. 2783 during the same period.

(g) Percentage of overdue to outstanding loans increased from 25.3% in 1951-52 to 33.5% in 1966.67. This was not good trend.

(h) To have only one viable Central Bank in a district, the number had to be brought down.

The number of Central Banks decreased from 509 in 1951-52 to 339 in 1967-68. Similarly, number of branches of Central Banks rose from 779 in 1951-52 to 2825 in 1967-68. Deposits increased from Rs. 38 crores in 1951-52 to Rs. 291 in 1967-68. Loans outstanding rose from Rs. 36 crores to Rs. 547 crores during the some period. Overdues to outstanding of the Central Banks have increased which reached at the level of 24.9% in 1966.67.

(i) State Co-operative Banks increased from 16 in 1951-52 to 25 in 1967-68. Deposits increased from Rs. 21 crores to Rs. 180 crores during the same period. The Reserve Bank of India liberalised its policy in sanctioning the limits to the state co-operative Banks for agricultural purpose resulting an increase in short-term limits from Rs. 112 crores in 1960-61 to Rs. 314 crores in 1967-68.

(j) The Central Land Development Banks increased from Six in 1951-52 to 19 in 1967-68. The Primary Land Development Banks increased from 289 to 719 during the some period. Total loans issued by the Central Land Development Banks rose from Rs. 2.5 crores to Rs. 86 crores between 1951 and 1968 period. Nature and activities of these Banks also underwent varied changes during the period.

For providing institutional credit for achieving integrated rural development and also to overcome structural weakness inherent in the co-operative credit structure in the country, the committee recommended to adopt multi-agency approach.

"The credit gaps and inadequacy of the existing co-operative credit structure to meet the growing credit requirements due to mechanisation of agriculture, use of chemical fertilisers and the increase in industrial activities especially in rural industrialisation paved the way not only for other agencies to contribute in this task but also strengthened the co-operative credit structure in a bid to protect against tendencies diluting co-operative movement."[29]

According to recommendations of the All India Rural Credit Review Committee, The Small Farmer's Development Agency (SFDA) and Marginal and Agricultural Labour Agency (MFAL) were set up in selected district of the country.

At the initial stages, the Commercial Banks faced difficulties in financing agricultural operations and did not show improvement in agricultural operations. The activities of the Nationalised or Commercial Banks were mostly confined to agricultural activities in the area approchable by roads.

In respect of areas where financiang of PACS offiliated to Co-operative Banks, The results were not encouraging.

In 1979, The Reserve Bank of India, appointed a study group to make a through probe in the functioning of a scheme for financing of PACS by Commercial Banks.

The Said Study group recommended "...it will be inadvisable to continue with the Banks and we see no reason why the scheme should not be discontinued. In the circumstances, we see no circumstances to the scrapping of the scheme, as the basis for future policy, and we so recommend."[30]

The Fifth Five Year Plan sought for strategies to strengthen the co-operative structure so that it may emerge as a viable one and able to contribute to National Policy of Growth. The Plan stressed on development of non-viable primary agricultural credit societies and existing structure of weak Central Banks. And large number of consumer societies and marketing societies were re-organised according to the recommendations of National Commission on Agriculture. There are farmers' service societies were set up. More emphsises were given to re-orient the Co-operative Societies to take care of small and marginal farmers. And privileges were given to the scheduled castes, scheduled tribes, economically backward classes and urban poor under non-agricultural

co-operative credit sector. The plan also stressed on the necessity of co-operation between the Commercial Banks and co-operative Banks. The then management of the Central Co-operative and State Co-operative Banks and the apex co-operative institutions level was not fully professional. So, stress was laid to provide professional management. It was felt necessary to review the arrangements for institutional credit and rural development.

In 1979, the CRAFICARD committee reviewed the institutional arrangements for agricultural and other credit necessary for rural development. The said committee pointed out :

(i) The rural poor belong to the families of small and marginal farmers, agricultural labours, rural artisans, scheduled castes and scheduled tribes.

(ii) They have to be named as "target groups" for the purpose of policy and implementation of programmers for the poor.

(iii) To uplight these target groups, it is necessary to work out integrated rural development programmes and implement the same very carefuly, under a time bound action plans.

(iv) Term credit and production credit to those target groups should flow adequately and in time from any multi-agency credit scheme.

(v) Necessary infrastructure should be created to ensure timely supply of inputs and services.

(vi) Security-based lending should be replaced by project/scheme-based lending.

(vii) Regional Rural Banks should be asked to fill the gap of institutional credit for the rural poor.

(viii) Primary societies should be made viable and one of the methods is that they should be multi-purpose co-operative societies.

(ix) Setting up of National Bank for Agricultural and Rural Development (NABARD).

The Governemnt of India chalked out the time-bound action programme for the identification of target groups on the recommendations of the CRAFICARD committee. Also increased the tempo of institutional credit in non-agricultural activities. In 1982, setting up of NABARD was the turning point in the history of agricultural credit in India.

In the Sixth Five Year Plan it was suggested that how to remove the constraints in the existing movement. To meet the requirements of the members, made primary village societies. It was stressed on federal structure of the co-operative organisations for the bettermant of the rural people. And also stressed to supply timely credit inputs and marketing services. In the co-operative institutions we can find the rapid increase in advancing of loans, borrowings, deposit mobilisations, owned funds etc. In this plan, the co-operatives became diversified. To support agricultural production by means of supply of credit and inputs and service specially the post-harvest facilities to protect and promote the interests of farming and artisan communities, there has been increased activities of the co-operatives. Total credit had increased from Rs. 1700 crores in 1979-80 to Rs. 3250 crores in 1984-85. Agricultural produce marketing increased from Rs. 1750 crores in 1979-80 to Rs. 3067 crores in 1984-85. During this period godown capacity increased 47 lakh tonnes to 80 lakh tonnes. Co-operative organisation also increased in fertilizer distribution from 23.5 lakh tonnes to 36.25 lakh tonnes. Also co-operative organisation increased the number of cold storage, spining and sugar mills.

The Seventh Five Year Plan gave emphasis to strengthen the institutional structure so that artisans, farmers, workers could have easy access to modern inputs for increasing production. Besides fostering democratic and professional management of co-operative organisations, Agro-processing, storage and utilisation of resources fund specially mentioned in the plan. Special attention was given in case of hill and tribal areas in case co-operative development. For rapid growth the co-operative cridit was utilised properly. More stress was given production of paddy, pulses and oilseeds also in drylands. Planning Commission appointed a task force on Agricultural credit to estimate short-term credit requirements at Rs. 8695 crores and medium-term credit at Rs. 1845 crores and Rs. 19955 crores long-term credit during the Seventh plan period out of

which the share portion of the co-operatives was Rs. 5540 crores short-term, Rs. 1845 crores medium term and Rs. 3945 crores long-term loans.

A package of credit including consumption credit and credit for redumption of prior debt was provided for weaker section. Loan proceedure was liberalised.

During the Seventh Plan, the plan outlay Rs. 25 crores for non overdue cover assistance to the weak co-operative states, Rs. 2.40 crores for agricultural stabilisation fund, Rs. 125 crores for investments in debentures, Rs. 75 crores for crop insurence and Rs. 15 crores of special schemes for S.C. & S.T.

The Eighth Five Year Plan emphasises to give more outonomy and dramatic spirit to co-operatives. Co-operative organisations should create more employment opportunities for rural people those who were living below the poverty line, artisans, small and marginal farmers, women and for weaker sections. Co-operative credit organisations are to be made viable. For the protection of the consumers the consumer co-operatives have to ensure implementation of Public Distribution System. Professional management to co-operatives is the main thrust. Co-operative organisations should be free from bureaucratic control . Co-operative sector should support the National Programme The Co-operative Sector should achieve, the objective, a sum of Rs. 1550 crores have been approved for The Eighth Plan.[31]

The co-operative Banks have played a dominent role in providing productive credit in rural development involving short-term, medium-term and also in long-term cridit. In case of long-term credit the commoercial Banks have played a vital role.

The comparative position of targets and achievements for agriculture credit including co-operative credit during 1992-93 to 1994-95 is indicated below :

TABLE 3:3

Year	Target (Rs. in crore)	Achievement (Rs. in crore)	Column 3 as % & Column 2
1992-93	18941	15169	80.1%
1993-94	22368	16494	73.7%
1994-95	26669	21113	79.2%

Source : Ninth Plan in Perspective : Role of Co-operatives in various segments of co-operative Movement, co-operative planning council, N.C.U.I New Delhi.

From the above it will be found that during the period 1992-93 to 1994-95, there has been a short-fall in the attainment of agriculture credit target to the extent of 19.9% in 1992-93, 26.3% in 1993-94 and 20.8% in 1994-95. In case of short-term loans to meet up the credit requirements arising out of the seasonal agricultural operations. The co-operative Banks done well. But in case of medium and long-term loans for the development of farming and rural communities the co-operative Banks could not done so well. The commercial Banks also fail to supply the credit needs of agriculture and rural sector. The gross capital formation for the agriculture sector as percentage of gross capital formation in all sectors of the Indian economy at constant 1980-81 prices has howevered around 10% to 11% during the period 1990-91 to 1994-95 as will be seen from below :

TABLE 3:4

Year	Gross capital formation in India		
	Agl. sector (Rs. Cr.)	All sectors (Rs. Cr.)	Col. 2% of Col. 3
(1)	(2)	(3)	
1990-91	5874	51846	11.3%
1991-92	4988	46853	10.6%
1992-93	5128	49645	10.3%
1993-94	6119	51648	11.8%
1994-95	6427	59211	10.8%

Source : Ninth Plan In Perspective : Role of Co-operative in Various Segments of Co-operative Movement, Co-operative Planning Council, N.C.U.I. New Delhi.

Short-term and Medium-term Advances by Co-operative Credit Institution.

Dealing with the short-term and medium-term loans, the Co-operative credit structure is based on a three -tier pattern with State Co-operative Banks at the apex level, District Central Co-operative Banks at the middle level and Primary Agricultural Credit Societies at the grass root level. The number of the State Co-operative Banks increased from 25 in 1970 to 28 in 1990 and their branches increased from 169 in 1970 to 651 in 1990 during the same period. Improvement can be shown in financial position of the State Co-operative Banks. The Banks have increased their own fund of Rs. 854 crores in 1989-90 to Rs. 1336 crores in 1992-93. These Banks also increased their deposits of Rs. 5883 crores in 1989-90 to Rs. 8595 crores in 1992-93. The outstanding of loans stood in Rs. 6833 crores in 1989-90 to Rs. 7247 crores in 1992-93. The overdues of loan of demand have reduced from a level of 17.7% in 1989-90 to 16.2% in1992-93.

The number of District Central Co-operative Banks stood at 354 with branches net work of 11546 in 1992-93. These Banks able to make their working capital of Rs. 23394 crores, out of which Rs 6446 crores borrowed from the Reserve Bank of India and NABARD in 1992-93. The amount of loans issued of Rs. 13575 crores during 1992-93. The overdues of loan were at the level of Rs. 3684 crores and overdues percentage was 42.9% in 1992-93.

The Primary Agricultural Credit Societies work at the grass-root level. They constitute the major retail outlet of short-term and medium term credit to the agriculture and rural sector, with a membership of more than 86183 thousands, there are about 9000 societies. On an average the number of members has been increased to more than 900. These societies issued loans of Rs. 6401 crores and their deposits amounted to Rs. 1863 crores during 1992-93. Total overdues of loans amounted to Rs. 3189 crores and as percentage of ovedues of loans were at the level of 42.0% in 1992-93.

The statistical profile of State Co-operative Banks, District Central Co-operative Banks and Primary Agricultural Credit Societies is indicated below :

TABLE 3 : 5

Statistical Profile (1992-93)

Item		SCBS	DCCBS	PACS
1.	Number	28	354	83000
2.	Owned Funds (Rs.cr.)	1338	2307	2006
3.	Deposits (Rs. cr.)	8595	13302	1863
4.	Borrowings from	3471	6446	7811
	RB1/NABARD of which (a) for short-term agric. purpose	3233	-	-
5.	Working Capital (Rs. Cr.)	14202	23394	-
6.	Loans Issued (Rs. Cr.)	8260	13575	6401
7.	Loan Outstanding (Rs. Cr.)	7247	14693	9116
8.	Loans Overdue (Rs. Cr.)	919	3664	3189
9.	% of overdue to demand	16.2%	42.9%	42.0%

Source : Ninth Plan in perspective : Role Co-operatives in various segments of co-operative movement, NCUI, New Delhi.

As effective channels for creatinga creating a climate for development in the rural areas. The co-operative credit institutions have been recognised. To finance agriculture sector and rural development activities, the co-operative credit organisations disbursed 50% of total institutional credit in 1934-95. But, these credit organisations have remained un-developed due to various factors such as (i) lack of proper and sincere efforts on the part of concerned institutions; (2) Imposition of financial discipline by RBI / NABARD; and (3) Deficiency in the working of the system itself.

To build up efficient financial system and in order to achieve the expectations, it is necessary to identify the problem areas. The problem areas could be indicated as below :

1. Problems of overdues

The co-operative credit institutions suffered for their inoverdues of demand which varing between 40% to 50%. This disturbing growth of overdues increases the level of non-performing assets and affects the capital adequacy norms of the co-operative credit institutions. The credit overdues chocked the channel

of flow of founds and in the process re-cycling of credit flow gets hampered. The performance of development efforts gets reduced.

All effort should be taken to stop this pattern of choking credit lines during the Ninth Plan period. It should be considered the writing off as a normal remedy by the co-operative credit institutions and they should show enthusiasm for the recovery of loans by them while disbursing co-operative loans.

Agricultural and Rural Debt Relief (1990) scheme had a weakening effect on rural credit system. This came in utter chaos in the rural credit system. Fifty percent impact of this scheme on the co-operatives was to be met by the Government of India. Winin 1992-93 the impact of the Debt Relief scheme was to be neutralised. But, the burden of Debt Relief scheme on the Central Government finances continued even in 1993-94 and 1994-95 being of the order of Rs. 500 crores in 1993-94 and Rs. 341 crores in 1994-95. To compensate the burden of the state governments, these loans were to be paid to the financial institutions. The absolute volume of loans by the Primary Agricultural Credit Societies in the nominal terms declined as overdues mounted as the following figures indicate in the wake of the introduction of ARDR scheme.

Performance of PACS

TABLE 3 : 6

Years	Loan Issued (Rs. in crore)	Overdues
1988-90	4197	38.6%
1989-90	4789	28.9%
1990-91	4681	45.1%

Source : Ninth Plan in perspective : Role of co-operatives in various segments of co-operative movement, co-operative planning council, NCUI, New Delhil.

2. Strengthening of Primary Agricultural Credit Societies

The super structure of the co-operative credit system is based on the Primany Agricultural Credit Societies. About 36000 out of 88000 Primary Agricultural Credit Societies are said to be running in losses. Many of them are without full time trained and paid secretaries. All effort has to be move to convert

the Primany Agricultural Credit Societies which are associated with losses into profitable institutions in the interest of the co-operative credit institutions, Business Development Plan (BDP) for PACS which aims at developed of selected societies in certain states into viable units have been drown up. For building up better Management information systems and infrastructural facilities for Primary Agricultural Credit Socities for mobilising deposits, a co-operative Development Fund has been formed by the National Bank for Agriculture and Rural Development.

The NABARD has continued its efforts to identify thrust areas and priorities for credit support. Thrust areas identified inter-alia include minor irrigation, plantation and horticulture, post-harvest technology, tissue culture, export-oriented project, agro-processing dry land farming, wast land development, forestry, fisheries and non-farm and other allied activities. For the development of resources of state Co-operative Banks and District Central Co-operative Banks, The National Bank for Agriculture and Rural Development have decided to liberalise the norms for financing individuals by the Banks. The facilities extended for the purpose inter-alia include : (i) Raising of the maximum ceiling loans against gold ornaments/ jewellery per individual to Rs. 40,000; (ii) Raising of the ceiling for loans for perchase of consumer durable from Rs. 25,000 to Rs. 30,000; and (iii) Sanction of cash credit facility to business on traders against collateral pledgs of hypothecation of stock in trade upto Rs. 2 lakhs.

3. Commercial Orientation, Regular Recycling of Funds, Professionalisation and Accountability

District Central Co-operative Banks and State Co-operative Banks have been advised to prepare institution specific development action plan and the State Action Plans. The main objective of action plans is to analyse in details the strengths and weaknesses and identify un-tapped potential available for development and evolve specific course of action. The essential features of the development action plans would be consolidated into the State Action Plans to be prepared by the State Co-operative Banks which would form the basis for formulating the action points to be incorporated in memorandum of understanding. The State Governments and the state co-operative Banks will be required to enter into momorandum of understanding with the National Bank

for Agriculture and Rural Development for the improvement of the co-operative credit institutions. The state specific development action plans to revamp and improve the viability of the state level apex co-operative banks have been initiated with the National Bank for Agriculture and Rural Development entering into an agreement with the co-operative Banks and the concerned state governments. NABARD has sign that type of agreement with Seventeen State Co-operative Banks at the end of March, 1995. The agreement envisages on the part of these banks a time bound performance on specific actons for turning the co-operative Banks into viable. These action plans inter-alia envisage (a) concerted efforts for accelerating the recovery of over dues; (b) Reduction of transaction cost and cost of management (c) Undertaking human resource development; and (d) Improving the quality of loans.

4. Measures to rehabilitate weak District Central Co-operative Banks

The District Contral Co-operative Banks provide to the needs of the Primary Agricultural Credit Societies and are also involved in mobilisation of deposits from public through their branches net-work. Due to poor recovery of loans, their financial viability has been affected and over a period of time have become financially weak. It has become necessary to recommend on the existing rehabilitation schemes for the weak District Central Co-operative Banks. It may also be necessary in case of weak District Central Co-operative Banks to re-introduce the central sector scheme of assistance.

5. Discipline by NABARD

NABARD has imposed some disciplines concerning to credit limits seasonal agricultural credit limits.Some of them may be mentioned (a) level of overdues, (b) Eligibility on the basis of owned funds and audit classification, (c) Seasonality discipline; (d) Minimum level of performance with regard to advances to small farmers.

On the full utilisation of credit for seasonal agriculture operations sanctioned by NABARD these conditions act as constraints. So some conditions or disciplines should be relaxed for smoth credit flow.

Agriculture And Rural Development Banks :Long-term Loans for Financing Farming and Non-Farming Activities.

In the co-operative sector, the Agriculture and Rural Development. Banks (A.R.D.Bs) have over the years appeared as important rural credit institutions. In providing long-term credit to the farming community and other enterpreneours in rural areas ARDBs have performed valueable service. ARDBs have financed for the purpose of minor irrigation, farm mechanisation, horticulture and plantation, dairy, poultry, semi culture etc. They have also diversified their loaning programme to cover activities like small scale industries and rural house building.

Long-term agriculture credit is a mixed one in organisational structure. In some states, the organisational structural is federal and consists of Primary Agriculture and Rural Development Banks and the State Agriculture and Rural Development Banks. In another set of states, the structure is unitary in the sence that only State Co-operative Agriculture and Rural Development Banks exist with their branches. In some state their we can find mixed structure. There we can find that the State Co-operative Agriculture and Rural Development Banks functioning with their branches and through some Primary Agriculture and Rural Development Banks. The membership of ARDBs has gone up to 19.3 millions in 1993-94 from 4.65 millions in 1978-79.

Loan advance for the purpose of Minor irrigation continued to be the single largest activity financed by ARDBs, the range and scope of these loans has widened considerably in recent years in the areas of farm mechanism, animal husbandry and non-farm sector. Loans have been advanced for dairy, fishery, poultry etc. by the ARDBs, under these heads, the advances have increased Rs. 216.4 crores in 1993-94 from Rs. 31. crores in 1978-79. ARDBs have also made begining in financing activities like waste land development, rural godowns, coldstorage, market yards etc. which contribute to the over all development of the rural economy.

It has not been uniformally high in all states while the overall growth of ARDBs loan operations has been encouraging. The growth in loans has been on the lower side in the eastern and north eastern states resulting in regional imbalances.

The overall recovery levels range between 61.2% in 1985-86 and 26.3% in 1989-90 of the total demand of ARDBs. The overall recovery in the decade 1980-81 to 1989-90 was 57.1% though bank-wish it varied considerably between 17.5% in Assam and 72% inPunjab. The recovery position has showed improvement and trend has ranged between 50% to 60%. The poor recovery position can be attributed to defective loaning policies and procedures followed by the banks, inadequate follow-up and supervision over loans granted, natural calamities, absence of required infrastructure and linkages, Government and political interference in recovery efforts etc. With the implementation of development action plans being implemented by the ARDBs through a memorandum of understanding with NABARD, the recovery position standing at the level of 60% in 1994-95 is likely to improve further during the period of Ninth Five Year Plan.

The lending policies of ARDBs are based on the terms laid down by the refinance agencies such as NABARD, National Housing Bank and the provisions of Co-operative Societies Act and Bye-laws based on the Act. For the improvement of the lending capacity of ARDBs it would necessary to give freedom to ARDBs to lay down their own lending policies depending upon the local conditions in the interest of improving their viability and profitability. The freedom in lending implies :

(a) Free hand in choosing the type of lending

(b) Class of borrowers.

(c) Terms of lending which would help them to increase lending both quantitatively and qualitatively.

ARDBs may be allowed to undertake short-term lending for productivity and other purposes so that they can provide a package of credit for agriculture and rural development.

ADDB should be assured of full refinance support to carry out planned term lending programme. Refinance should be provided for a fixed period of 12 years so that ARDBs some manoeuvability in fixing repayment schedule for various loans instead of fixing separate repayment period for each loan.

Previously NABARD was providing facility of interim finance for initial lending. This needs to be restored during Ninth Plan Period as ARDBs do not have their own funds and always face problems. This type of facility will help the Banks to reduce the cost of raising funds and in the process accelerate lending operations. The procedure for releasing refinance may be simplified by switching over to loan system reducing the paper transaction.

100% refinance should be provided by the NABARD without insisting on State and Central Governments support since the State and Central Government find it difficult to release their contribution in time due to resource constraint and inadequate budgetary provision. Without insisting on providing Government guarantee with regard to payment of interest and repayment of principal amount involved NABARD should provide refinance to ARDBs.

Recovery of loans

In respect of ARDB Loans, the recovery percentage of demand has improved from 51% in 1992-93 to 60% in 1994-95. According to national level federation of ARDBs, the recovery level could be improved to 80% by the year 2000 and to the level of 90% by the year 2001-02, However, in order to improve the recovery levels, various steps would have to be taken by the Banks as well as borrowers. These are as follow :

(i) The Banks should assess currectly the various internal factors responsible for the high level of overdues like defective lending policy; defective monitoring system and follow-up procedure etd.

(ii) The Banks should seek support form Government in their efforts to take cohesive action against recalcitrant defaulters.

(iii) The Government should not resort to loan waiver scheme as also loan melas and interest rebate.

(iv) The Banks should tie-up recovery of loans by forging necessary linkage with marketing societies, mandi committees for effecting recovery.

(v) The Bank stuff should be given adequate powers to execute recovery such as issue of arrest warrent against defaulters. In this context it is necessary that bank staff are declared as public servants.

Operational Efficiency

The Banks should try to minimise transaction and management costs and should concentrate on remunerative types of farm and non-farm activities. The package of investments in various activities should be arranged as maximise yeilds on investments. Many ARDBs are facing losses. So the Government should come forward to provide one-time assistance to such sick Banks for cleansing their balance sheets.

Interest Margin for ARDBs

The ARDB structure would require a minimum margin of 5.5% in their interest structure to make the operations viable according to the views of the national level federation of ARDBs. The federation has issued detailed guidelines to its members Banks in November 1994 for fixing interest rates.

Impact of new policy regarding de-regulation of Interest rates on profitability of Banks

A general preposition it could be stated that as the proportion of the loans having higher interest rates increase in the total outstanding, it would help in improving the profitability.

Professionalisation of Management

It was stated that the professionalisation of management of ARDBs is yet to take place and the Chief Executives are imposed on the Banks from State Government on deputation resulting in frequent changes, in a seminer on "Future Role of ARDBs" held in Goa in November, 1995. The Banks will have to give training to their personnel and induct management trainees and subject-matter specialists like economists, chartered accountants technical personnel etc during the Ninth Plan period. The Banks should also make efforts to strengthen the management information system by computerising their operations. The practice of deputing Chief Executives from co-operative departments or IAS has to be

dis-banded as they are changed too frequently and many times in the mid-stream. Efforts will have to be made to appoint the Chief Executives from the Bank's cadre etc. At the Goa seminar, the following recommendations were also made :

(i) Most of the ARDBs still continue to provide only term loans and that too for traditional purposes in agriculture only against mortgage of land. Time has come when ARDBs should become resource base institutions by mobilization of deposits and other resources of their own and broadbase their operations through improvement in their management skills, strengthen their finances if they have to reach the level of viability and continue to be a major partner in the field of rural financing with liberation of the economy and de-regulation of interest rates structure, opportunities are waiting for them to expand their role and sweep all operations to become viable Banking institutions.

(ii) Control over the management of the Banks exercised by the Registrar has proved to be a serious threat to the elected representatives of members and autonomy of the co-operative Banks. De-regulation and de-control should be equally made applicable to co-operatives. The lead given in this regard by the Andhra Pradesh Government by enacting a new Act providing autonomy to co-operatives is worth emulating.

(iii) Loaning policies and procedures of the Banks should be constantly reviewed with a view to streamline and simplify the process of loan. The endeavour, should be to make it simplier from the borower's angle and effective from the Banks viewpoint.

(iv) ARDBs should have the freedom to fix their own terms and conditions which would suit the borrowers as also help them to recover the loans and to meet the demands of higher financing agencies.

(v) The importance of recovery in lending institutions like ARDBs needs no over-emphasis. The Banks should upgrade their abilities to appraise projects on loan proposals scientifically. The member have to be educated and impressed upon with the need for prompt repayment. The supervisory staff associated with recoveries could be rewarded in cash and non-cash

forms for good performance. In case of recalcitrant villages or group of villages, banks must stop financing such villages. The Banks should miantain proper registers for farm, non-farm and other sectors separately showing details of current overdues and demand.

(vi) The Banks should increase their own funds comprising share capital and reserves. They should step up the equity linkage with borrowings. The profit earning Banks should allocate substantial portion of their profits to reserves. The interim finance required for initial lending should be availed from NABARD.

(vii) Banks should review at regular intervals investment portfolio and replenish their portfolio with high yielding securities to the extent possible.

To improve the operational efficiency, the ARDBs need to concentrate on remunerative types of farm and non-farm activities. The ARDBs should try to minimise transaction and management costs. The package of investment in various activities should be so arranged to maximise yield of investments. However, many ARDBs are facing losses as in the case of scheduled commercial Banks. For cleansing their balancesheets, the Governement should as a result consider providing one time assistance to such sick banks. The credit institutions should keep in mind a target of 4% annual growth for the agriculture sector, 10% growth for the non-farm sector and 15% growth for exports of agriculture commodities while assesing leanding targets for the Ninth Plan. The tentative lending target for the Ninth Plan for loan disbursement has been estimated at Rs. 19,100 crores. The assessment of the target is made by the National level Federation of ARDBs.

Co-operative credit institutions should take lessons from many self help group which are outside of the co-operative structure but they are functioning well. There are many Self-Help Co-operatives dominated by housewives and other women groups need to be encouraged during the Ninth Plan period. In the Ninth Plan period, stress needs to be laid on dispensation of credit to financing of development programmes like tube-wells, irrigation pumps and even agriculture research relating to development of crops like pulses, oilseeds etc. The profit making ARDBs should allocate substantial portion of their

resources to the building up of their reserves and review at regular intervels the investment portfolio.

For strengthening the co-operative credit institutions, the National conference on Co-operative Rural Credit Institutions organised by N.C.U.I and NABARD in February 1996 have made important recommendations. Some of the important recommendations are the following :

(i) There is a strong justification and need for financial support to the co-operative credit institutions for attaining substainable viability. The extent of the needed financial support should be firmed up by the banks and suitably shared by Government of India and State Government. Necessary provisions in this regard should be made in the Ninth Five Year Plan. Such support should be given as one-time measure to all such units which have prospects of turn-around within a reasonable period.

(ii) The Co-operative Banks should take advantage of the deregulated interest rate and should determine their lending rates keeping in view their financial cost of raising resources and optimam transaction cost. The State Governments should give fully liberty to the Banks in fixing interest rates on both deposits and advances.

(iii) Suitable amendments have to be made in the model deposit scheme as also in the bye-laws of the ARDBs to enable them to raise term deposits from their members as also non-members.

(iv) There is the need for changing the system of providing refinance from subscription to the deventures to loans and advances.

(v) To improve the resource position, the co-operative institutions should (a) create awareness among rural masses through publicity for deposit mobilisation (b) adopt target oriented approach in deposit collection (c) implement attractive deposit schemes (d) evolve deposit insurance schemes within the co-operative structure to instill confidence among the depositors.

(vi) The PACS should diversify their operations into various non-credit activities depending upon the reguirements of the rural masses in their

area of operation. The loan business of PACS can be diversified into agriculture and non-priority loans such as jewel loans, consumption loans etc. The ARDBs should diversity into areas like aqua culture, floriculture, water management system, housing finance etc.

(vii) Need for examination of the feasibility of establishing a fund out of which DCCBs can meet the establishment expenses of loss making PACS with a view to preventing the latter from diverting the funds recovered towards meeting establishment cost.

(viii) The State Governments should not resort to announcement of waivers and imposing of bans on recoveries to create conducive environment for recovery of credit.

(ix) The efforts should be made to fully utilise the available facilities in the training institutions. Also training should be tailored to meet the objectives of organisational development and transformation.

(x) Women should be adequately represented in the management of Co-operatives at all levels.

(xi) NABARD need not insist on State Governments guarantee for refinance particularly for financially sound ARDBs and Co-operative Banks.

The above recommendations should be kept in view while formulating policy changes for the co-operative credit institutions for the Ninth Plan Period.

It is necessary to study the role of various national development organisations in the development of co-operative movement in India. So, the role, organisational set up and functions are given in the following paragraphs.

The Department of Co-operation : Registrar of Co-operative Societies

In India the Co-operatives were organised as a reaction to provide relief to agriculturists from their indebtedness. After freedom the Government of India wanted the co-operatives to perform the services such as supply of credit, distribution of inputs, marketing, supply of consumer goods etc. off late such service co-operatives have been converted into multipurpose, multifunctional

integrated co-operatives to undertake value addition through processing.

In all stages the Government acted as an initiator, promotor and protector of the movement through policy, financial outlay and legislation. The institution of Registrar of Co-operatives" has been important since inception of co-operative movement in India.

The role of the Registrar of Co-operative societies in the development of co-operative movement has been examined from time to time by various Expert Committees and working groups. Notable of such committees are :

(i) Imperial Committee on Co-operation popularly known as Maclagan committee on Co-operation (1914).

(ii) Co-operative Planning Committee (1945)

(iii) Royal Commission of Agriculture (1928)

(iv) Committee of Direction popularly known as All India Rural Credit Survey Committee (1954).

(v) Committee on Co-operative Administration (1963)

(vi) Working Group on Co-operation appointed by the Administrative Reforms Commission (1968).

(vii) Adhanarees waran Committee (1987)

Above mentioned committee mainly considered the qualification of Registrar. The Maclagan Committee commented that "Registrars should not be viewed as officials but as guides, philosophers, and friends to the societies, appointed and paid by the state. "About the duties of Registrar the committee commented "It is the duty of the Registrar to receive and inquire into application for registration, to register the bye-laws of societies and amendments to them, to audit the accounts or cause them to be audited, to make valuation of the assets and liabilities of societies, and prepare a list of overdue loans; to see that the Act, rules and bye-lows are observed, the make special inspections when called upon to do so, to dissolve or cancel societies and to carry out their liquidation."

All committees had gone into the qualification and tenure of Registrar of Co-operatives as they considered the importance of the position of the Registrar of Co-operative Societies. Registrar of Co-operative Societies is responsible for implementing the co-operative ligistation by promoting, supervising, auditing and controlling the functions of co-operatives.

In a state, the co-operative department is headed by the Minister of Co-operation. The Secretary and Commissioner for co-operation is in charge of the department and he is assisted by Additional Secretary, Joint Secretary, some Under Secretary and three or four section officers in the Government secretariat.

The Registrar of Co-operative Societies is the head of the department in the state. The Registrar of Co-operative Societies is a senior IAS officer appointed by the Government. He holds the key position in the state. He is the authority for registering co-operative societies and administering the law governing co-operative societies. The success of the co-operative movement depends upon the role played by him.

The administrative set up of the office of the Registrar of Co-operative Societies differ from state to state. The department gets more prominence or less depending upon the nature and status of the co-operative movement in the state. In a state like Maharastra, the size of department is very small compared to that of Tamil Nadu. In Maharastra the functions of the department as a regulating body but in Tamil Nadu the departmental officials manages the co-operative societies as a special officer.

There are three types of powers viz. administrative, financial and statutory of the Registrar of Co-operative Societies. He exercises all the powers which are confered on him by the state co-operative societies Act. He is assisted by a team of officials in the department at head-quarters as well as in the field of promote, regulate, supervise, audit and control the co-operatives. The Registrar of Co-operative Societies have delegated these powers to his team of officials so that they exercise these powers in their area of operation.

The organisational structure of co-operative societies in a typical state would be shown below.

Head Quarters

Registrar of Co-operative Societies

Additional Registrar (General, Audit, Credit, Project, Consumers, etc.)

Joint Registrar (Urban Bank, Housing, Marketing etc.)

Deputy Registrar

Assistant Registrar

Field Level

A. Divisional Level

Jonit Registrar

Deputy Registrar

Assistant Registrar

Inspector — Senior / Juniro

B. District Level

Deputy Registrar

Assistant Registrar / Co-operative Sub-Registrar

Inspector — Senior / Junior

C. Taluka Level

Assistant Registrar / Co-operative Sub-Registrar

Inspector — Senior Inspector / Junior Inspector

D. Block Level

Co-operative Inspector / Co-operative Extension Officers to assist the Block Development Officer in extension of Co-operatives in the Block.

The organisational set up is different from state to state. In state like Maharastra and Karnataka, there is Joint Registrar at the division level and Deputy Registrar at District level. In states like. Tamil Nadu and Kerola, Joint Registrars are there at District level.

In state like Karnataka and Tamil Nadu the functions of Audit is seperate. There we can see a seperate wing called Directorate of Co-operative Audit with an IAS officer holds the charge of Director of Co-operative Audit. In such states the Audit is independent of the department of co-opertion. In states Like Kerala and Maharastra it is within the powers of R.C.S. to audit the Co-operative societies.

Co-operative departmental officers are sent on deputation to District Rural Development Area and in Development Blocks as extension Officers. They are expected to undertake extention activities and plan and promote co-operative in new areas. Co-operative department officials are also sent on deputation to departments like Dairy, Industry, Handloom, Khadi and Village Industries, Fishery, Sericulture etc, where the head of departments are given the power of Register to register, amend bye-laws, promote, supervise the co-operatives in those department. The head of departments on whom such powers are confered are known as functional Registrar. They have all powers of R.C.S. of co-operation department and they delegated their powers to their officers to exercise the powers in the area of their jurisdiction.

Credit Co-operatives

Credit organisations are of two kinds viz. Short-Term and Medium term credit-Institutions and Long term credit Institutions. The credit provided by these institutions also have been classified according to the period for which it is given and also purpose for which it is given.

Short term is made available for meeting the production cost of seasonal agricultural operations generally in the begining of the season but utilised as

and when required fertiliser, insecticide and meeting other agricultural expense.

Medium term loans are granted for periods ranging from 3 to 5 years generally for investment purpose like purchasing of cows, bullock, carts, camels, goat, sheep, pigs, poultry unit etc and other purposes of land reclamation sinking of wells, repairing old wells etc. Long-term loans are granted for a period exceeding 5 years for improvement of land, purchasing of tractors, construction of wells, Installation of Pump set etc.

The short term and medium term loans are given by primary agricultural co-operatives. They have federated into District Central Co-operative Banks at the District level and State Co-operative Banks at the State level. The long-term loans are given by Primary Co-operative Agriculture and Rural Development Banks established at the taluka level and federated into State Co-operative Agriculture and Rural Development Banks.

SHORT TERM CREDIT STRUCTURE

A. Primary Agricultural Credit Societies

Previously the area of operation of these societies was one village and now due to the process of amalgamating of merging the unviable co-operatives into viable co-operatives, the area of operation has been extended toa group of villages.

The main function of primary agricultural co-operative societies is to raise resources and lend to members for agricultural production and investment and allied activities. Generally they raise resources from members in the form of share capital, deposits and include their own resources. The State Government also contribute share capital to enable the primary societies to increase its borrowing capacity from DCC Banks. The primary societies borrow form DCC Banks who are their apex financing institutions.

With increased reliance being placed on the co-operatives as an instrument of economic development at the village level, the multipurpose principle has received a new emphasis and has further expanded in the idea of service co-operative which now the national policy.

There were 1.15 lakhs primary agricultural co-operative societies working in the year 1950-51 and their number increased to 2.12 lakhs societies in 1960-61. But their number has come down with reorganisation. In the year 1990-91 merely 88167 co-operative societies were working. Their coverage of members however show a tremendous increase. There were 44 lakhs members of the Primary Agricultural Co-operatives Societies in the year 1950-51 and the number of members became 848 lakhs in the year 1990-91.

The Primary Agricultural Co-operative societies have been classified into LAMPS, FSS and PACS. In the tribal area LAMPS have been organised to give all facilities to tribals under one roof viz. credit, pooling and marketing of minor forest produce, supply of consumer goods both controlled and non-controlled.

The FSS have been organised on the recommendations of National Commission on Agriculture and they provide all service like providing credit hiring out agricultural implements, supply of inputs, marketing of agricultural poduce etc. In 1950-51 only Rs. 22 crores were issued as short and medium term loans by the primary co-operatives and in 1990-91 this had increased to Rs. 4834 crores.

The overdue to demand from members have grown from 22% in 1950-51 to 45.50% in 1990-91. Because of these increase in overdue about 24.8% of primary co-operatives have become non viable. The total 88167 Primary Co-operative Societies in 1990-91 only 29095 coperatives societies earned profit i.e. 33% and 35267 co-operative societies incurred loss i.e. 40% co-operative societies.

With this view and on the recommendation of Agricultural Credit Review Committee, the Government of India had implemented Business Development Plan.

Under Business Development Plan, the DCC Bank officers are to be trained in order to train the secretaries of PACS in preparing BDP. They have to take into the potential avavailable area of operation and formulate plans to increase its business to become viable. The PACS should have Rs. 10 lakhs loan

business in order to become viable on the basis of loan business. However in view of less income due to non recovery of loan and less margin available on crop loan, the PACS could increase its non credit business. To make a PACS viable it is estimated that overall business turnover of it should be Rs. 30 laks.

The National Bank for Agriculture and Rural Development also implemented 15 point programme in June 1986 for development of LAMPS and PACS on selective basis and by the end of 1987, 420 PACs and 158 LAMPS in the 15 pilot project districts mere identified and selected for this programme. Under thes programme besides providing additional share capital, meeting 50% of the cost of infrastructure facilities and subsidising the salary of an additional secretary in each society the NABARD announced financial assistance by way of grent and soft loan in the ratio of 30:70 towards the entire project cost of construction of godowns and storage facilities so as to enable to LAMPS to undertake procuring of minor forest produce and marketing of Agricultural Produce.

Details of working of primary societies 1990-91

PACS

1.	Village covered by PACS		99.8%
2.	Population covered per PACS		6359
3.	Total Number of PACS		88,167
4.	Percentage of viable PACS		51.8%
5.	Percentage of Potentially viable PACS		23.8%
6.	Percentage of non viable PACS		24.8%
7.	Total membership (Million)		84.77
8.	Membership per PACS		961
9.	Total share capital	Rs.	12966.3 Million
10.	Share capital per PACS	Rs.	1,42,405
11.	Percentage of government perticipation		16.9%
12.	Total deposits	Rs.	13636.2 Million
13.	Deposit per PACS	Rs.	1,54,663
14.	Total loans advanced	Rs.	48340.7 Million
15.	Short term loan advanced	Rs.	40636.9 Million
16.	Medium term loan advanced	Rs.	7702.8 Million
17.	Loan advanced per PACS	Rs.	5,48,285
18.	Percentage of borrowers	Rs.	32.5%
19.	Total working capital	Rs.	124653.1 Million

20.	Total overdues	Rs.	32954.5 Million
21.	Percentage of overdues to demand		45.5%
22.	Value of agricultural produce marketed	Rs.	769.0 Million
23.	Value of agricultural requisites disbursed	Rs.	1251.0 Million
24.	Value of consumer goods disbursed	Rs.	12225.0 Million
25.	PACS with own godown		54%
26.	PACS with fulltime secretary		78.7%
27.	PACS engaged in distribution of consumer goods		57.4%
28.	PACS engaged in inputs distribution		60.7%
29.	PACS doing marketing business		7.2%
30.	Number of PACS in profit		33%
31.	Number of PACS in loss		40%
32.	Employment in PACS		2,17,347
33.	Percentage of trained employees		57.7%
LAMPS			
1.	Number of LAMPS		2646
2.	Membership		39,31,000
3.	Number of viable LAMPS		1201
4.	Percentage of Borrowers		20.6%
5.	Percentage of overdue to demand		66%
6.	Number of Societies in profit		13.7%
7.	Number of Societies in loss		21.8%
FSS			
1.	Number of FSS		2410
2.	Number of vioble FSS		15%
3.	Membership		6,774,000
4.	Percentage of borrowing members		30%
5.	Percentage of overdue to demand		30.2%
6.	Percentage of societies in profit		7.5%

Source : "Co-operation", National Council for Co-operative Training of N.C.U.I. New Delhi, 1995.

B. Central Co-operative Banks

After formation of primary co-operative societies, under the Central Act it was felt the necessity to form a federal body to help the newly organised primary co-operative societies to raise finance from money market and to help the co-operative institutions.

The Madras Central Urban Bank was registered on 19th October 1905 and it was the first Bank of its kind. In 1906, the Bombay Central Co-operative Bank was started. The objectives of both the Banks were to find money to

finance societies in all parts of presidencies. The Banks consisted only of individual members. The constituion was very similar to that of a joint stock Bank. These Banks could lend only to co-operative societies. But they had no legal status. After passing of the co-operative societies Act 11 of 1912, Central Co-operative Banks came into existence and Central co-operative Banks were organised in all districts and at present 353 District Central Banks (DCCB) are functioning in India.

The D.C.C.Bs. are working in the district as the Central financing agency. The area of operation of these Banks are restricted to one district only. All co-operatives should become members of DCC Banks as per the co-opertive Acts of all states.

The main objectives of the District Central Co-operative Banks are :

(i) To help the primary agricultural co-operative societies to give credit to agriculturists by raising its own resources and borrow from central refinancing Banks i.e. The National Bank for Agriculture And Rural Development through the State Co-operative Banks.

(ii) To do Banking business by mobilising deposits from individuals through its branches and from co-operatives, public bodies etc.

(iii) To control affiliated societies by careful and regular inspections, monitoring the progress of the affiliated societies etc.

The working capital of central co-operativ Banks consists of

(a) Share capital

(b) Reserve funds

(c) Deposits from members and public

(d) Loan from State Co-operative Bank

(e) Loan from Government, other financial institutions like SIDBI etc.

The Central Co-operative Banks are to carry out its functions according to the direction given by the Registrar of co-operative societies and the National Bank for Agriculture And Rural Development from time to time. Periodically, the

administration of Central Co-operative Banks are carried out by the Board of Management. Government nominees are also placed in the Board of Management. The Central Co-operative Banks have been given some conecssion in maintaining Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) of 25% and 3% respectively. The NABARD encourage to finance to Agriculture by 60% of total finance. The NABARD provides refinance facilities on condition that the DCC Banks recovery should be 60% to be eligible for refinance. Many of the Central Co-operative Banks have become weak and incurred loss because of competition with Commercial Bank and Regional Rural Banks and increased overdues. As on 1986 as many as 66 CCBs overdue was more than 60% and 176 DCCBs were classified as "Weak Banks".

Loan Operations

The District Central Co-operative Banks advances loans to primary co-operatives for issuing to their members for short-term agricultural production loan medium term loan for investment in allied activities. Generally DCCBs do not finance individuals except against their fixed deposits or against jewels. The DCCBs are advance 60% to agriculture and rest 40% to non agriculture of all types of co-operatives by sanctioning cases credit accomodations within the rules and regulations prescribed by NABARD out of their lending resources.

The details of working of DCC Banks in the year 1990-91 is shown below:

1.	Number of DCC Banks	:	353
2.	Total membersship	:	1.30 Million
3.	Membership of Co-operatives	:	0.26 Million
4.	Total share Capital	:	Rs. 9,690.5 Million
5.	Government participation in share capital	:	21.1%
6.	Total deposits	:	1,11,805.6 Million
7.	Deposits of Co-operatives	:	38.5%
8.	Total Borrowings	:	Rs. 54600 Million
9.	Borrowing from Government	:	2.1% (Rs. 613.2 Million)
11.	Borrowings from State Co-operative Bank	:	81.3% (Rs. 44392.32)
10.	Borrowings from Commercial Banks	:	1.1% (Rs. 44392.32)
12.	Total working capital	:	Rs. 190792.5 Million
13.	Total loan advanced	:	Rs. 187710.1 Million
14.	Short term loan advanced	:	Rs. 130766.6 Million (66.7%)
15.	Medium term loan advanced	:	Rs11161.0 Million(5.9%)
16.	Others	:	Rs. 45790.0 (24.4%)
17.	Percentage of overdues to demand	:	36%
18.	Number of Banks in profit	:	119 (33.7%)
19.	Number of Banks in loss	:	48 (11.3%)

Source : "Co-operation" National Council for Co-operative Training NCUI, New Delhi,1995.

C. State Co-operative Banks

In 1914 Maclagan Committee was appointed. This Commitee recommended among other things formation of apex Co-operative Banks as a financial link between the small scattered primary co-operative societies on the one hand and the money market on the other. These Banks form a key stone of the co-operative movement in the state, it links the movement not only with the commercial money market, but also with the Reserve Bank of India as potential source of credit seasonal and emergent requirements.

The state Co-operative Bank is a federation of the Central co-operative Banks in a state. Now state Co-operative Bank occupics an important position in the entire structure of co-operative of short term crdit. It is the Banker's Bank for co-operatives. The fundamental objective of the Bank is to act as a balancing centre and financial agency of the co-operative institution in the state.

According to the openion of the Reserve Bank of India the State Co-operative Bank is the apex Bank of the movement in a state. It acts as the clearing and balancing centre for the central Banks by transfering surplus funds of one locality to another set up as a channel for the remitance of funds. The State Bank may co-ordinate the working of Central Co-operative and Urban Co-operative Banks in the state in such matters as the borrowing and lending rates for collection of various documents, besides advising, the Banks generally in regard to the effecient conduct of thier business.

With some of credit institution of lower lovels each state is served by one State Co-operative Bank. Three tier system with State Co-operative Bank (SCB) at the opex level, DCCB at District level and PACS at the village level is functioning in 16 states like Andhra Prodesh, Bihar Gujrat, Hariyana, Himachal Prodesh, Jammu & Kashmir, Madhya Prodesh, Maharastra, Kerola, Karnataka, Panjab, Rajasthan, Orissa, Tamil Nadu, Uttar Prodesh, West Bengal. In these states the State Co-operative Banks have opened branches in the metropolitan cities for mobilising deposits and offices at Regional level for coordinatin and controlling the DCC Banks. In 11 states and union territories viz. Meghalaya, Delhi, Assam, Manipur, Arunachal Prodesh, Pondicherry, Goa, Nagaland, Mizoram, Tripura, Andaman and Nicobor Islands two tier system without DCC Banks at Central level are functioning. In these states the primary societies are

affiliated with the State Co-operative Banks and the Apex Banks have opened branches at the district headquarters or sub-divisional headquarters in order to mobilise deposits and co-ordinate and control the functioning of the Primary Agricultural Credit Societies.

The important sources of working capital of the State Co-operative Banks are :

(i) Share capital
(ii) Reserve Funds
(iii) Deposits from members and non-members
(iv) Borrowings from NABARD and
(v) Borrowings from state.

There are many State Co-operative Banks depends only on the borrowings from NABARD and the State Government because the weak position of lower level co-operatives in the structure i.e., DCC Banks and PACS.

As on 31st March 1993, State Co-operative Banks with 651 branches / offices are working in India.

The details of working of the State Co-operative Banks is given bellow.

1.	Number of Banks	:	28
2.	Membership	:	32480
3.	Membership of co-operatives	:	24.3%
4.	Total paid up capital	:	Rs. 2237.6 Million
5.	Percentage of Government participation	:	15.82
6.	Borrowings	:	Rs. 35717.8 Million
7.	Borrowings from NABARD	:	82.10%
8.	Total deposits	:	Rs. 67596.7 Million
9.	Deposits from co-operatives	:	Rs. 77.4%
10.	Working capital	:	Rs. 123293.8Million
11.	Loan Advanced (Total)	:	Rs. 115726.1 Million
	(a) Short term Loan Advaced	:	Rs. 69470.5 Million
	(b) Medium term loan Advanced	:	Rs. 7038.7 Million
	(c) Others including long-term	:	Rs. 2024.6 Million
12.	Percentage of overdues to demand (overall)	:	22.7%
	(a) Short term	:	20.8%
	(b) Medium term	:	46.3%
13.	Number of Banks in Profit	:	16

Source : "Co-operation" National Council for Co-operative Training of NCUI, New Delhi, 1995.

Long Term Credit Structure

The short term credit structure advances loans to the farmers to meet their current consumption and production requirements. The Land Mortgage Banks were organised in India to give term loans, for investment in agriculture and allied activities for increasing productivity of lands. In 1915, the need for a separate co-operative credit structure was first anticipated and recommended by the committee headed by Maelagan. The said committee found that the primary agricultural co-operative societies were not expected to provide term loans exceeding 4-5 years and it therefore recommended setting up of a separate institution for long term credit disbursements.

The first Co-operative Land Mortgage Bank was organised at Jhang in Punjab in the year 1920. Two Banks were set up in Madras in 1925. By 1927, 10 such Banks were established. But the first Central Co-operative Land Mortgage Bank was organised in 1920 in Madras. The progress of the land Mortgage Banking system was not upto such expectation. The (1939-1946) review of co-operative movement in India by Reserve Bank of India revealed "The land Mortgage Banking movement has failed in the place of its birth, namely in Punjab. It has either failed or remained in a moribund condition in other provinces. The only province in India which has made a mark in Land Mortgage Banking in Madras."

In 1954, the Rural Credit Survey Committee while reviewing the performance of Land Mortage Banks was critical of their working particularly in regard to the raising of resources, delay in sanction of loan, limited purpose for which loans were sanctioned, methods followed therefore, and the absence of co-ordination among the various agencies concerned with the disbursement of long term credit. In pursuance of the recommendation, the Land Mortgage Banks shifted inot Land Development Banks. And lending also changed after establishment of ARDC in 1963 and NABARD in 1982.

The State Land Development Banks now called State Agriculture and Rural Development Banks have been diversified its loan operation and include land reclamation, irrigation scheme like minor irrigation and agricultural implements like tractor, power tiller, biogas, social forestry, non farm activities and rural housing.

From NABARD The State Agriculture and Rural Development Banks get refinance on its schomatic landing operations and non-farm sector financing. For rural housing activities the National Housing Bank gives refinance facilities to the state Agriculture And Rural Development Bank.

Organisational Pattern

There are two types of structures exist in different states in the long-term credit structure. In some states viz., Kerala, Tamil Nadu, Assam, Punjab, Rajasthan, Orissa, Karnataka and Haryana federal structure is working with State Co-operative ARDB at state level and Primary Co-operative ARDB at the subdivisional level / Taluka level / Block level in some states viz., Maharastra, Gujrat, Bihar, Jammu and Kashmir, Tripura, Uttar Pradesh and Pandichery have unitary structure with branches of State Co-operative ARDBs at taluk level. In Andhra Pradesh, the State Co-operative ARDB operates through an integrated credit structure i.e. single window system at the lower level. Two state where we can see the mixed type of federal and unitary structures viz., Himachal Prodesh and West Bengal.

The State Co-operative Banks are looking after the disbursement of long term loan with the help of Land Development Banking section in other states and Union Territories, Like Manipur, Meghalaya, Nagaland, Goa, Arunachal Pradesh, Delhi and Andaman and Nicobar Islands.

Sources of Funds

For sound working of ARDBs, it is necessary of ensure that institutions are properly organised, efficiently managed and financially run. It is necessary that the Government should assist these institutions. The ARDBs raise the fund through.

TABLE 3 : 7

Central L.D. Bank or State Co-operative ARDB		Primary PLDB or PCARDB	
1.	Share Capital	1.	Share Capital
2.	Grants and Subsidies	2.	Grants and Subsidies
3.	Interest on loans	3.	Interest on loan
4.	Interim finance / loan	4.	Loan from the CLDB
5.	Debenture		
6.	Refinance / Loan from NABARD		
7.	Refinance / Loan from NHB		

For LD Banks right from their inception debenture constituted the main source of funds. The debentures are secured by mortgages of lands of borrowers and are often guaranteed by the concern State Government. The deventures carry the guarantees of the State Governments both in regard to the repayment of interest and repayment of principal. The debentures are taken by Life Insurance Corporation of India, Commercial Banks, State Co-operative Banks and other Agriculture and Rural Development Banks.

Management

In case of federal structure, the farmer becomes member of Primary Co-operative Agriculture and Rural Development Banks and his loan application is scrutinised by the secretary and the board of directors pass a resolution recommending the sanctioning of the loan and forward to District Branch. The District Branch Manager scrutinises with the help of his officers and sanction if it is within his limit or forward to the head office with his remarks.

In case of unitary structure, the individual farmer becomes a member by filing the loan application and the Branch Manager scrutinises and after his satisfaction sanctions the loan if it is with in his limit. On forwards to the District Branch Manager and the District Branch Manager Sanctions if it is within his powers otherwise forward to the head office. Before forwarding to the head office, it is vested by the department officers and legal assistant about the valuation of the land, title of the land etc.

In case of unitary structure, the Board of Directors are elected by the representatives of Districts. The District level representatives are elected by the members of the branches. In case of federal structure, The Board of Directors of SLDBs are elected by Presidents of PLDBs. The Board of Directors of PLDBs are elected by the members of PLDBs.

According to National policy of ensuring growth with social justice, small farmers are the major beneficiaries at the hand of the Land Development Banks. In 1992-93. 79% of the total investment credit have been given to small farmers.

Problems

The Land Development Banks are facing a severe problem of heavy overdues. The heavy overdues not only erodes its owned funds but also affects its reputation before institutional investors in debentures. It affects the lending eligibility and refinance eligibility from NABARD in addition to lacking up its own funds.

For heavy overdues of the State Co-operative ARDBs and Primary Co-operative ARDBs many primary ARDBs have become weak. It was proposed by the NABARD to rehabilitate PLDBs/ Branches of SLDBs which have overdues exceeding 60% of demand. NABARD has evolved 10 point programme for the rehabilitation programme, in the year 1986-87 372 PLDBs were having overdues about 60%.

The overall percentage of overdues to demand in case of Primary Co-operative ARDBs is as high as 47.6% and in case of State Co-operative LDBs is 52% in the year 1990-91. This high overdues have affected functioning LDBs in many of the co-operatively developed states even.

The details of functioning of State Co-operative ARDBs (SLDB) and PCARDBs (PLDBs) are shown below :

State Co-operative Land / Agriculture and Rural Development Banks 1990-91.

1.	Number of Banks	:	20
2.	Number of Branches of CLDBs	:	1487
3.	Total operational Units	:	2841
4.	Membership (Million)	:	13.92
5.	Share capital (Million)	:	Rs. 2892.3
6.	Percentage of Government participation in share capital	:	26.3%
7.	Deposits	:	Rs. 393.3 Million
8.	Reserves	:	Rs. 3148.0 Million
9.	Borrowings	:	Rs. 39188.1 Million
10.	Working capital	:	Rs. 54031.8 Million
11.	Loans advanced (Total) L.T.	:	Rs. 8148.3 Million
12.	Percentage of Loans advance to farm sector	:	88.9%

Purpose wise Loan Advanced

1.	Minor irrigation	:	35.5%
2.	Farm Mechanisation	:	24.9%
3.	Plantation & horticulture	:	5.1%
4.	Animal husbandry, fishery sericulture and rural godown etc.	:	17.7%
5.	Land development	:	3%
6.	Non farm sector	:	3.2%
7.	Rural Housing	:	5%
8.	Percentage of overdues to demand	:	52%
9.	Number of Banks in profit	:	6

Primary LDBs / Primay Co-operative ARDBs

1.	Number of Banks	:	709
2.	Number of viable Banks	:	77.2%
3.	Number of Branches / area office	:	675
4.	Membership	:	5.62 Million
5.	Percentage of Borrowing members	:	56.8%
6.	Percentage of non-borrowing members	:	30.5%
7.	Number of borrowers	:	516000
8.	Share capital	:	Rs. 1766.0 Million
9.	Percentage of Government Participation	:	16.2%
10.	Deposits	:	158 Million
11.	Reserves	:	Rs. 536.5 Million
12.	Working capital	:	Rs. 22776.6 Million
13.	Loan advanced (Total)	:	Rs. 3754.6 Million
14.	Percentage of overdue to demand	:	47.6%
15.	Number of PLDBs in profit	:	25%

Source : "Co-operation", National Council for Co-operative Training of N.C.U.I., New Delhi, 1995, p-94.

Reserve Bank of India

The role and functions of the Reserve Bank of India has described in the Reserve Banks of India Act, 1943.

The Reserve Bank of India is expected to perform with regard to rural credit as, ..."However, with the economic developments assuming importance, the range of the Bank's functions steadily widened and the Bank had to perform a variety of developmental and promotional tasks which, in the past, were regarded to being out-side the normal purview of the Central Banking. Few aspects of the working of the Reserve Bank have been so striking, in comparison with other Central Bank generally as its role in the sphere of rural credit. The Bank's responsibility in this field is relatable to the predominantly agricultural basis of the Indian economy and the urgent need to expand and co-ordinate the credit facilities available to the agricultural sector."[32]

The functions of RBI are to co-ordinate and maintain operations of the Bank with State Co-operative Banks, other Banks, to give aid and advise the Government of India, State Governments, State Co-operative Banks, other Banks, and organisations engaged in the business of agricultural credit.

In India prior to NABARD, the RBI has been leading to the agriculturists, through apex co-operative credit institutions with whom it used to establish direct relationship. Short, medium and long-term credit limits were sanctioned by the RBI. Purposes for which these limits were sanctioned can be explained briefly; financing of bonafide trade or commercial transactions, financing of agricultural operations, marketing of crops , financing distribution of chemical fertilisers, subscription to the share capital of State Co-operative Banks, Agricultural Credit Socities including F.S.S. and LAMPS, Central Land Development Bank, Primary Urban Co-operative Banks, agricultural allied purposes including animal busbandry, making loans and advances to Central Land Development Banks, purchasing of debentures of Central Land Development Banks to enable the State Co-operative Banks and Regional Rural Banks to pay arears in respect of accommodation of short-term agricultural purposes which they were unable to repay due to failure of crops on account of drought or other natural calamities, and making loans and advances to the Agricultural Refinance and Development Corporations.

The Reserve Bank of India provided finance for production and marketing activities of more than two board categories of cottage and small industries, weavers co-operative societies.

Agricultural credit Board created with Governor of RBI as its chairman, Dy. Governor as Vice-Chairman and the members include Executive Director in-charge of this department four representative of Central Board of the Bank, three Government of India representatives, six representatives from commercial Banks and two specialist in rural economy.

NABARD

In 1982, the National Bank for Agricultural and Rural Development was started with authorised share capital of Rs. 500 crores and Rs. 100 crores paid up captial.

The aim of the NABARD is to provide "undivided attention, forceful direction and pointed focas to the credit problems arising out of the integrated approach to rural development."[33]

The preamble of the National Bank for Agriculture and Rural Development Act 1981 observes that the Bank is, "for providing credit for promotion of agriculture, small scale industries, cottage and village industries, handicraft and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas for matters connected there with of incidental thereto."

The main objective of the NABARD are : to provide refinance to State Land Development Banks, State Co-operative Banks, Scheduled Central Banks and the Regional Rural Banks for supporting production and investment credit for rural development, to improve credit delivery system by formulating rehabilitation schmes, training of personnel and monitoring system etc., to keep liason with Government of India, State Government, RBI and other national level institutions directly or indirectly connected with the credit formulation for rural development. NABARD by floating of special debentures, in regard to the assistance provided by them under specific agricultural developmental schemes or projects which are provided by the NABARD. In order to enable the co-operatives to maintain strong capital base and to increase their borrowing power long-term loans to State Governments are provided by the RBI for contribution to the share capital of Co-operative Credit societies and Co-operative Banks. Such loans are made available from the National Agricultural credit (Long-term operation), fund maintained by RBI.

The National Federation of the State Co-operative Banks and the National Federation of the State Co-operative Agriculture and Rural Development Banks at the National level are voluntary organisations which co-ordinate short-term, medium-term and long-term credit activities respectively and evolve strategies for the efficient and co-ordinated functioning of the State Co-operative Banks. These Federations play important role in obtaining various concessions from the Central Government and provide a forum at the highest level for state units which hlep in evolving uniformity in the states and UTs in respect of ligislations, procedures methodology, practices etc. throughout the country. These efforts

help in strengthening co-operative credit structure enabling to provide cheap and adequate credit. The NCUI is the major spokesman of theCo-operative movement in India. It is responsible to arrange for and suport to the programme of co-perative training and education. There are other more than ten national level co-operative federations which has been organised to co-ordinate and provide support at the national level to the activities of the co-operatives in their respective areas.

The Central Government lends a support to the co-operative movement by way of adequate financial provisions under the plans, especially for the weaker sections by way of increase in loans on liberal terms, legislative measure to allow adequate representations organisation of large sized multi-purpose societies in tribal areas.

National Co-operative Development Corporation (NCDC) is a sanctional level organisation set up under the National Co-operative Development Corporation Act, 1962[34] to plan and promote programmes for the production, processing, marketing, storage and allied activities in respect of agricultural produce, food stuffs and certain other items based on co-operative principles.

The functions of the NCDC are to plan and promote programmes through co-operative societies, for

"(a) The production, processin, marketing, storage, export and import of agricultural produce, food-stuffs, poultry feed and notified commodities, and

(b) The collection, processing, marketing storage and export of minor forest produce."

In particular and without prejudice to the generality of the foregoing provisions, the corporation may :

(a) Advance loan, grant subsidies to State Governments for financing co-operative societies and for employment of staff for implementing programmes of co-operative development.

(b) Provide funds to State Governments for financing co-operative

societies for the purchase of agricultural produce, foodstaffs and notified commodities on behalf of the Central Government.

(c) Plan and promote programmes through co-operative societies for the supply of seeds, manures, fertilizers, agricultural implements and other articles for the development of agricultural produce.

(d) Provide loans and grants directly to the national level co-operative societies and other co-operatives having objects extended beyond the state.

(e) Provide loans to co-operative socities on the grants of State Governments and

(f) Participate in the share capital of national level co-operatives.

Financial role of the NCDC has assumed significance in promoting co-operative movement in India.

The National Co-operative Development Corporation has observed in this respect, "The co-operatives with requisite risk capital and margin money for raising funds from institutional agencies for investments on plant, machinary and buildings, for processing and storage programmes and for expanding their business operation"[35]

The State Co-operative Banks, the State Co-operative Agriculture and Rural Development Banks, Regional Rural Banks and Commercial Banks are eligible to have refinance facilities from NABARD in a number of ways and for a number of short, medium and long-term agricultural and non-agricultural activities.

NABARD also provide long-term loans to the State Government out of National Rural Credit (LTO) Fund for contribution to the share capital of co-operative credit institutions. The NABARD also plays an important role in building up the institutions, e.g., It monitors the reorganisation of PACS. Pilot Project has been launched to strengthen the credit delivery system.

To improve operational efficiency of PACS and LAMPS efforts have been made by strengthning infrastructural facilities manpower and financial resources.

The NABARD has a good programme to assist weak Central Co-operative Bank under the Rehabilitation programme. The scheme was started in 1971 which envisaged investigation of overdues, stepping up recovery, nationalisation of loans policy and procedure, mobilising additional resources and stepping up of reserve, etc. The Bank has also taken measures to improve the operational efficiency of SCARDBS by drawing up rehabilitation programmes, providing organisational and managerial improvements, etc. The Banks has constituted committees known as "Committee on Term Lending through Co-operative" (COTELCOOP) and Standing Committee on Co-operative Credit (SCCC) to improve administration of long-term short-term credit structure.

NABARD has the statutory responsibility to inspect State Co-operative Banks, Central Co-operative Banks, State Co-operative Agriculture And Rural Development Banks, Regional Rural Banks and other apex societies to ensure the protection of depositor and members.

NABARD also recommends to the Reserve Bank of India for the grant of licences to open new SCBs and CCBs and their branches. The NABARD assigns priority to training of personnel involved in the various aspects of banking which are especially meant for rural development.

Research and Development Fund has been instituted by the NABARD to "develop new insights into the problem of agriculture and rural development through analytical studies and applied research. The Fund would support innovative approach to such problems, with the backing of technical and economic studies, conducted by approved research institutions, organisations and such other agencies including groups of individuals aponsored by suitable organisations...."[36]

New Economic Policies

In the economic policies and structural adjustment processes, India has started a large scale changes. These changes have yet to run their full course. That, these have important and wise-ranging ramification, would be generally accepted. They represent a continum of the socio-economic principles as have guided the panning process that was ushered since independence. Market, technologics, mangement of economic enterprises will have a much greater

impact on our lives. A large role for initiative of the people with the corresponding reduction in the role of the state are bound to leave their imprint on the co-operative movement.

India with short capital resources need to maximise efficiency in the use of this resource There has also been increasing acceptance of the market forces deciding upon the allocation of resources rather than this being guided by the state. Only then it would be possible to avoid the lopsided growth of the economy. In any event, the question of sustainability of the practice followed especially in terms of the burden cast upon the exchequer and through this on the tax payers is also an extremely important consideration.

Then, the changes in policy have also been dictated by the need to enhance and upgrade the technologies used in production. These have wide ramifications. For one thing the upgraded technologies can produce products and goods required by the consumers through better conversion efficiency in the use of raw materials on other scarce resources like energy water etc. Higher the efficiency in the economic use of natural resources, the lower the adverse impact it has on environment. In the context of all our policies secking to achieve sustainable development, this aspect has, as crucial a role to play as anything else.

Lastly, the profitability of the economic activities is also an extremely important consideration as only this can ensure that requisite capital formation would take place for investments in expansion of the production capacities.

Agricultural Policy and Co-operatives

New economic policy and the GATT Agreement are not going to have the same kind of impact on agricultural sector as they will have on industrial and trade sector because.

(a) Government intervention in agriculture is not as pervasive as in other sectors and

(b) Agriculture production system is essentially in the hands of a large number of individual farmers.

The Impact of new economic policy would be felt in the following areas.

(i) Removal of restrictions on the marketing of commodities with in the country and to facilitate adequate scope for exportable commodities.

(ii) The trend towards diviersification of agriculture can only be facilitated through improving marketing infrastructure and post-harvest handling of primary products.

(iii) Changes in the fiscal policies and subsidies may have adverse impact on small farmers and marginal farmers.

Role of Co-operatives

The implecation of these changes on the Co-operative Movement can be visualised in four aspect :

1. Farm and producer level
2. Post harvest management
3. Processing and marketing and
4. Exports.

The co-operative will have to play an important role in application of technology, making the credit and inputs available and also providing extension services and for this, the PACS and the entire agriculture credit structure will have to adopt itself to the changes situation so that they can serve the farmers better for increasing the agricultural production.

The co-operative will have to play an important role in supporting production programme, meeting the information needs on technologies, upgrading extension capabilities for modernising agriculture, irrigation management etc.

In the market, intervention operations, co-operatives have been used as purchasing agencies. It is unlikely that its position is going to change in any significant manner. The co-operatives have been playing some role in commercial purchase of agricultural commodities and their sales through consumer co-operatives and ensuring that farmers are not forced to resort to distress sales through credit support on the basis of pledging of produces. In

the changed scenario, this will become a major activity where the role of the co-operatives will have to be vastly expanded.

A substantial amount of loss of agricultural produce at farm level as the produce is not handled properly after harvest. The improved technology will have, therefore, to be supplied in the field of postharvest management to avoid such losses. This would include precooling units, transportation of agricultural produce by refrigerated trucks, cold storage both at production and processing centres. The co-operative will be the best suited for organising these activities. A begining has been made by the co-operatives in some states in this regard and there is a need to increase such co-operatives at identified centres.

Some processing co-operatives have achieved considerable success in a sectors like sugar milk and spinning. Farmers can organise themselves into co-operatives which will take up the processing of other commodities including fruits and vegetables for value addition and maximising the returns to producers.

Agro-processing area provides vast scope for promotion of co-operatives particularly with the state support. The existing licensing requirements operating for sugar and industries should be continued with the priority for co-operation section.

The co-operatives can play an important role in supporting the cultivators to produce commoditics for exports through providing information on exports, extension support, inputs and other services, establishing infrastructural facilities like cost storage for custom hire services under several schemes being supported by the government.

The agricultural development requires some imports like fertilizer, pesticides etc. and hence co-operatives should be given preference for import of such agricultural requirements. The concept of agricultural business consortium is being tried on a pilot basis. The consortium felt that agricultural co-operatives may take note of this and examine the feasibility of acting as one of the partners in such a venture.

Reformation of Financial Systems

This issue has been examined by an expert committee oppointed by the Ministry of Finance, Government of India. This committee is called-M. Narosimhan Committee, The committee has made a number of recommendations to make the financial system vibrant and co-operative. The crux of these recommendations is that the financial system should be freed from a number of controls and restrictions imflicated on it. The committee has not taken note of the co-operative banking sector that has emerged as a very significant component of nations financial system. It is well known that the co-operative Banks, Land Development Banks and primary agricultural co-operative societies have made its presence felt even in the remotest village in India.

Urban Co-operative Bank and Credit Societies in urban areas are the shining examples of self-reliant financial institutions. The Narasimhan Committee has not taken note of the contribution of the co-operative banking system. But the committee has dealt in adequate details with the functioning of RRB. and other non-banking financial institutions.

The Narasimhan Committee, among others had recommended for formation of private Banks so as to add competativeness in banking business. It has also emphasised the need for removing right and restrictive controls to which banking institutions are subjected to.

The co-operative Banking sector has also been demanding more than two decades that it should be allowed to function without any restriction and unnecessary control from Reserve Bank of India, Government and NABARD. The co-operative Banking sector has also been demanding the establishment of a National Co-operative Bank so as to bridge the systematic gap. The Agricultural Credit Review committee i.e. Khusro Committee was appointed by the Reserve Bank of India has categorically come out in favour of establishment of a National Co-operative Bank to ensure the efficient functioning of the Co-operative Banking sector in an integrated manner. National co-operative Bank under the Multi State Co-operative Societies Act has already been registered.

Under the new economic policy, the co-operatives have to compete with private sector companies, then they ought to be able to choose and enjoy the same legislature and regulatory environment as their competitors. This is the case in the united states. Newzealand, Denmark and Zimbabeve. Their co-operatives are no less committed to the principles of co-operation then ours ; and it could be argued, and they are better able to practice co-operation than we are. Co-operatives be provided with the choice to register as a multi-State Co-operative Company under the companies Act.

It is recently amended it Act in Madhya Prodesh and brought about several positive changes. Some modest improvement have been incorporated in the UP Act. And independent commission is examining the co-operatives Act of Andra Prodesh State.

Newzealand is a typical case where threat of liberalisation, global competition and shrinking world demand was converted into opportunity to make dairy industries low cost efficient and competitive. It used innovative organisational designs and practice. The Government provided a favourable policy and legal support. Strangely, under globalisation process co-operatives were not replaced by private enterprises. On the other hand, all private proprietary enterprises gradually gave way to co-operative companies having full control. However, from proprietary companies, milk producers learned sophisticated business and production methods. They showed their willingness to employ highly paid up grade professional to run their co-operative companies. As farmer owned co-operative companies regained their competitive strengths, they began acquiring established proprietory companies. The growing co-operative sector then started to get considerable protection and Government assistance.

In India, the co-operative companies may not suit as the largest chunk of rural population comprises of small peasant properietors, landless agricultural labour, artisans, small trader etc. Co-operative have to be competitive and efficient in cost in cost and quality of service.

According to A.M. Khusro, Formerly Member Planning Commission, Government of India "A co-operative apex Bank should be set up a balance the surpluses and deposits of the various present-day co-operative apexes

and to represent the co-operative system in National Councils. In a deregulated and liberalised set up, with allegiance to the market mechanism rather than to officialdom a structural reform of the co-operative system from the base to the top would, probably yeild an entirely different state of co-operative dynamic, resilient, profitable as well as socially oriented."[37]

According to the opinion of Mr. B.S. Vishanathan, President, N.C.U.I. and Regional Chairman Asia and the Pacific, I.C.A. , New Delhi "Co-operative Banks in India have played an unique role in financing farmers and the poor thus contributing significantly in alleviating poverty and in sustained growth of agricultural productivity and production. Their contribution in building up an equitable society is undisputed though they have suffered in the process of serving the cause of socio-economic objective of helping the poor and those with limited means. In the coming years too, co-operative banks are not likely to give up this objective though they will equaliy be concerned to maintain their viability in a competitive economic secenario.

While structural reforms are being initiated to face the emerging challenges, certain systemic gaps in the banking sector are being plugged by setting up a Co-operative Bank at the national level known as Co-operative Bank of India. This new Bank will serve as a balancing centre both in raising resources and in its deployment in the various sectors of co-operative movement in the country. Needed to support and strength in resource augmentation, financial services, business and manpower development and in areas of policy formulation will be provided by the Bank to the constituent at different levels. Resource augmentation and its profitable deployment, apart from improving efficiency and effectiveness of services, will be the key to the success of co-operative Banks in the coming years. By the turn of this century, the Co-operative Banks will be a force to reckon with and they will be less dependent on Government support. Their contribution in bridging the economic disparities in the society will be considerable looking to their objective of service to the common man and helping those who are economically vulnerable. In a free market economy and its globalisation, the trend which is blowing even in Asia-Pacific region including India, the poorer sections of the society will be hard hit in the initial period and their interests have to be protected, not by private sector Bank but

by the Co-operative Banks, particularly when Govt's protective role and intervention declines gradually."[38]

Rural Development

Concept of Development

Some countries are more developed than other countries. It is not uncommon to come across references to the less developed countries as compared to developed countries. Development therefore involves making relative comparison.

Development implies on over all positive change in the physical quality of life.

The basic elements of development are following :

1. Removal of equality and poverty.
2. Increase in material welfare of the people.
3. Increase in social well-being such as education, health, housing, welfare etc.
4. An equitable distribution of the gains of development among different groups of people in region or country.
5. An enhancement in technology and the capacity to produce a wider range of goods and services in the economy leading to a better quality of life.
6. Building institutional structures which permits participation in decision making at all levels equalisation of opportunities for development and removal of disparities.

Characteristics of Under-development

Most developing countries are characterised by the following conditions.

1. Mass poverty.
2. Low levels of income and concentration of incomes in a few hands.

3. Low levels of productivity and backward technology.
4. High levels of unemployment and under-employment.
5. Poor nutrition, health, housing, literacy and welfare status.
6. Preponderance of primary sector and low levels of industrialisation.
7. Lower status of women.

Theories of Development

Different theories of development advocate and stress different set of economic and social factor that will lead towards development. Some of the important theories are mentioning below :

Roslow's Stages of Growth

The transaction from under-development to development must proceed along a series of steps according to this American development theorist. Four stages of growth are :

1. Traditional society
2. Pre-conditions for take-off
3. Take-off
4. Age of mass consumption

The Lewis Theory of Development

During the 1950s Arther Lewis put forward a different theory of development. According to Lewis under developed countries are characterised by the presece of two section :

(a) A traditional, rural based sector which is of the nature of a subsistence economy i.e. providing for self-consumption within this sector. This sector also has a surplus of labour.

(b) The modern, urban industrial sector where productivity is higher.

According to Arther Lewis labour can be transferred from the rural to urban sector without adversely affecting productivity in rural sector. He envisioned a

dynamic role for the industrial sector which will lead to sustained economic development.

Gandhian View of Development

The Gandhian concept of development attaches more importance to the question of relationship between individuals and economic micro-groups. The role of local level decision making through institutiions such as panchayats also play a key role in the Gandhian Scheme.

Marxian Concept of Development

On the other hand, the Marxist view of development emphasises the role of classes in society. It contends that different classes are opposed to each other. In this system, class analagonisms inhibit overall development of society.

The importance of explaining the fundamental features of the major theories on development has been to emphasise the point that different schools of thought perceive the problem of development differently. Consequently, they also differ as to the paths to be followed. Thus, different theories advocate defferent paths towards development.

Concepts of Rural Development

The primary objectives of rural development are the following :

1. To improve the living standards by providing food, shelter, clothing, employment and education.
2. To increase productivity in rural areas and reduce poverty.
3. To involve people in planning and development through participation in decision making and through decentralisation of administration.
4. To ensure distributive justice and equalisation of opportunities in society.

There is no single universally acceptable approach towards development. That strategies are necessary to progress towards development since it is a long-term process. There are various approaches to the problem of rural development. Various schools of thought perceive the problem of rural

development differently and emphasis different set of factors in their theories.

Rural Development Projects and Programmes.

It is important to distinguish between rural development projects and programmes. Rural development projects are micro level efforts to bring about changes in rural areas. These changes can take many forms ranging from efforts to increase literacy to attempts to increase agricultural productivity.

Rural development programmes involve a number of projects which are aligned to one another so that they affect various facts of rural economic and social life. Therefore, rural development programmes attempt to bring about change in a wider area affecting a greater number of people.

As a result of the problems, planning has assumed greater significance in launching and competing rural development programmes.

Community Development

The Community Development Programme (CDP) initiated in the 1950s intended to involve popular participation in rural development. It laid emphasis on the building of infrastructure in rural areas with the participation of rural communities.

The Community Development Prograamme sought promote rural development in a phased manner in different parts of the country. A block of villages was identified as the development unit and an infrastructure of technical and administrative staff provided to implement development programme in different sectors. But, the C.D.P. did not lead to a noticeable impact on rural poverty because those who were powerful in those rural communities were able to corner much of the gains made from this programme.

Integrated Rural Development

The term "integrated rural development" has gained widespread acceptance in spite of the fair amount of disagreement among rural development experts in defining the concept. Inspite of disagreement, most schools of thought emphasise certain basic elements of rural development.

An integrated approach towards rural development is essential. The various dimensions of rural life-growth of agriculture and allied activities, rural industrialisation, education, health, public works, poverty alleviation and rural employment programmes-all form a part of an integrated approach to the problem of rural development.

Local Level Participation in Rural Development

Rural development has been given another facet in recent times. Man non-government organisations (NGOs) in many parts of the Third World are now working towards what they call liberation from the developed countries. The following are the main implication of these efforts.

(a) Suppression of elitist elements in rural areas so that the process of development is shaped actively by the poor.

(b) Stressing the importance of self-development rather than foreign aid, and

(c) The use of education as a tool in people's perception towards change in rural societies. Education is used so that it enable people to organise themselves to change society.

Some of the suggestions given by Prof. B. K. Narayan Swamy will help for resource planning development lending formation of rural credit plans at grass root level.

1. Effective communication.
2. Deposit mobilisation.
3. Scope of the area.
4. Estimation of rural credit need or requirements.
5. Better utilization of rural credit.
6. Decentralised planning.
7. Partial budget technique.
8. Rural credit should be linked with processing, storage and marketing.
9. Limited insurence support.
10. Credit should be provided timely.
11. Banks must identify motivated farmers for giving credit.
12. Farmers who have to be given credit should also be trained.

13. Banks must keep success stories of beneficiaries.
14. Bank officers must also participate in village meetings.[39]

Co-operation and Community Development.

Lete Sri V. T. Krishnamachari remarked that "Co-operative is the soul of Community Development."

Co-operation aims at arranging 'better farming, better living and better business.' for the people, and as such its objectives are identical with those of community development. Some of principles of co-operation, namely voluntary association, self-help and mutual help, equality etc. can also be identified with the aim of extension education in community development. Co-operation is thus a means to the same end which community development aims at and is rather an instrument for the effective execution of many of its major programmes.

Late Prof. D.G. Karve beautifully put the position like this : "The essence of community action, as that of co-operatives, is that it is action taken by each for all, all for each. It is the complete multiplicity of thought, interest and action which is the substance both of co-operation and community development as contrasted with mere contractual relationship". He added that " a mere co-operative structure which is not related to a programme of development through an appropriate agency of educative and technical assistance may be too static to be of any use in promoting welfare progress."[40]

Scope of Co-operative action

The scope of co-operative action can be summed up in the achievement of the triple ideal of "better business, better farming and better living". It can thus play its role in facilitating the advancement of the integrated programme of community development especially :

1. In the field of agriculture, it can help in increasing production by making up deficiencies in local resources. Co-operation can best help the panchayats in preparing the village production plans. It can arrange the supply of agricultural implements, seeds, fertilizers, insectides and credit at reasonable rates in the village at the proper time.

2. Co-operative farming societies provide a step further in affecting internal

economics and improving farm management. They provide an institutional arrangement for the rational use of land, labour and farming equipment and help in better planning.

3. Where as the service and farming societies cut down costs of production, co-operative marketing societies help the farmars in getting the maximum price for their produce. They help in cutting costs of marketing and provide grading, pooling and processing facilities. They help the farmer by storing his produce and selling it when prices are favourable.

4. Societies may also be organised for effecting permanent improvements on land like irrigation, land reclamation and oil conservartion.

5. Co-operatives can also help in organising subsidiary professions such as dairy farming, piggery, poultry, in order to supplement the income of the cultivators and others.

6. Subsidiary occupations in the shape of village and small scale industries on co-operative lines can bring about an industrial revolution on small scale in the rural areas.

7. Members of labour societies can build houses, roads and minor irrigation works for the community in general.

8. Above all, an intensified saving drive which is of utmost importance for the success of plans can be usefully carried out through the co-operative societies. Co-operative societies can also be organised among women for the encouragement of savings and home crafts.[41]

Co-operatives have been given a special role in the scheme of rural development. They would serve as the chief agency for distribution of credit, inputs, distribution of consumer goods as also for undertaking social activities depending upon their economic resources.

The National Policy on co-operation adopted by the Government also lays down that co-operatives shall be built up as one of the major institutions of decentralised, labour intensive and rural oriented economic development and closely associated with the process of planning for economic development and social change.[42]

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