

# **THE EXPERIMENTS AND PROSPECTS OF RURAL COOPERATIVES IN WEST BENGAL**

**A DISSERTATION SUBMITTED FOR PH. D. DEGREE  
IN ECONOMICS (ARTS) AT THE  
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## Chapter I

### THE PROBLEM

#### 1.1 INTRODUCTION

The English rulers in India stopped their Government level exploitation of Indian people in the twentieth century. Even though the business of British trading and industrial companies continued to earn and repatriate profits, the British Government in India took up promotion of agriculture and other spheres in India in right earnest. The irrigation projects were taken in various parts of the country. Such projects as the Mettur-Cauvery and Nira Valley Projects, the Sutlez Valley Project, Lloyd Barrage and Canal, the Sarda Canal, the triple canal Project, the Punjab and the Sind Canal Colony Works and the Ganga Canal are but some examples. Whatever the British did was, however, limited by the experience and limitations of their civil servants and experts. But there is little doubt they wanted to apply their knowledge and experience to raise the productive capacity and the productivity of Indian agriculture. The agricultural departments were set up in all British Indian provinces. The Imperial Institute of Agriculture was founded. The Agricultural Colleges were also set up.

Even in the nineteenth century the Land Improvement Act (1883) and the Agriculturists' Loans Act (1884) were passed. These were indirect results of the work of Royal Commission of Agriculture and of the Famine Commission (1880) and the idea of an Agricultural Bank of Sir William Wedderburn (1882). The new laws offered



low interest rate loans for being used in productive processes. Sureties were necessary. These laws provided what is regarded as the takkavi system. The Government administered the sanctioning of loans and the accounts are maintained by the officials of the Government.

One difficulty with the takkavi system is that the borrower can never work out empathy for the lender. Again, he can have similarly no feeling also for fellow borrowers. Both these difficulties bear on the giving and the recovery of loans. So the opinion gained ground that a system of institution where borrowers will participate in management would be better than the takkavi system. So debates, discussions and expert reports led to the appointment of a committee on Cooperative Credit Societies. This Committee met in Calcutta in 1900. The Committee approved the formation of agricultural cooperative credit societies on the Raiffeisen model.

The year 1844 saw the emergence of the Rochdale pioneers in England. The twenty-eight immortal pioneers set up a cooperative of non-profit stores in order to obtain relief from their own low wages and high prices charged by non-cooperative shops. Democratic management by members (one member enjoying one vote), reduction in costs payable by members, avoidance of piling up of dividends at excessive rate are the three principles these pioneers passed on to successive cooperative societies.

Raiffeisen in Germany carried forward later in the nineteenth century the work of cooperative philosophy further and

developed a revolutionary model for agriculture. The merit of this system stems from the fact that the members have unlimited liability. Since the members' liability is not limited to their amount of shares, the savers who open accounts with or deposits money for a longer term at the society feel that their savings are insured without the existence of an external deposit insurance corporation. What is more, since the inefficient management of funds might cause sudden depletion of their material resources the members are obliged to be ever vigilant to make sure that their society does not commit mistakes. In rural areas, far off from regional centres, the Raifeisen cooperative societies made wonders in Western Europe.

It is rather unusual for the English ruler in India to introduce this model of agricultural cooperative credit societies almost at about ~~the~~ same time when the Raiffeisen model just passed the first experimental test. The first cooperative legislation, namely, the Cooperative Credit Societies Act of 1904 was passed after the deliberations of another committee with the publication of the Report of the Famine Commission in 1901.

The Act of 1904 was not an elaborate legislation. It specified that rural credit societies would be of unlimited liability. Urban credit societies were to be limited. The Cooperative Societies Act of 1912 made improvements upon the 1904 Act. The agricultural cooperative credit societies were to be unlimited. In these cooperative societies one member had one vote. But in limited liability non-agricultural cooperative societies a member could have as many votes as may be prescribed by the byelaws.

There was no provision even for temporary taking over or domination of cooperative societies by the Government. The Government, however, could inspect and recommend for liquidation of societies. In other words the societies were allowed to develop freely. Only when the societies could no longer sustain themselves the Government might make arrangements for liquidation after thorough enquiry.

The Bengal Cooperative Societies Act of 1940 allowed the running and registration of agricultural cooperative credit societies with unlimited liability. But for the first time Indian political parties had already come to power in various provinces. So vote-catching politicians were unwilling to offer complete freedom to the cooperative societies. The subsequent Acts in Bengal (West Bengal) in 1973 and 1983 tightened the Government noose on agricultural credit societies and prevented the new agricultural cooperative credit societies from being registered with unlimited liability.

## 1.2 THE PROBLEM

The Cooperative Societies in the rural sector have played a big part in America, Western Europe and even in Israel to raise the level of productivity in agriculture and in turn assist in the process of reaching the high road of growth in the respective national economies. The form and management of these societies have never been what we now find in vast majority of our cooperative societies.

The problem to investigate in this study is to discover the correct pattern of agricultural cooperative societies — the pattern that might usher in an in-built urge for growth and in turn can usher in a process of high development in the members' productive activities. All the existing agricultural cooperative credit societies except the one, namely, Sridharpur Cooperative Bank are Government dependent cooperative societies without free initiative. So we compare the performance of the agricultural cooperative society at Sridharpur with unlimited liability with the performances of two Government initiative cooperative societies. On the basis of this comparison based on data we make some recommendations in the last chapter.

### 1.3 THE METHODOLOGY

In the first stage we make a list of agricultural cooperative societies in some districts of northern and southern West Bengal. We find that all societies except the one at Sridharpur are limited. But the Sridharpur Society is with unlimited liability. So from the limited liability agricultural cooperative societies we select two of the oldest societies. Simultaneously we study the working of the agricultural cooperative society with unlimited liability at Sridharpur.

^ measurement of  
The up-to-date performance is made on the basis of analysis of historical data collected from the cooperatives as well as their members. The prospects of dynamism are discussed on the basis of quantitative measurement of input responses.

#### 1.4 A SHORT OVERVIEW

The second, third and the fourth chapters deal respectively with cooperation as an instrument of growth, general experience in India and the cooperative movement in Bengal. The fifth chapter deals with the history of one of the oldest agricultural cooperative credit societies of West Bengal. The sixth chapter analyses the achievements and impact on the village economy of this society. The seventh studies the success story of the Sridharpur Cooperative Bank and the eighth its impact on the village economy. The ninth chapter analyses the experience of a government initiative agricultural cooperative marketing society. The last chapter includes the recommendations and warnings.

## Chapter II

### COOPERATION AS AN INSTRUMENT OF GROWTH IN VARIOUS COUNTRIES

#### 2.1 INTRODUCTION

In the history of economic development of countries there have been numerous illustrations of the efforts of institutional agencies to fulfil certain developmental activities. Cooperation as an institution is used in various countries as instrument of growth which has its roots in the far-reaching economic, social and political changes that took place in Europe as a result of Industrial as well as Agricultural Revolutions. Cooperation is, indeed, a world wide movement which exists in almost all the countries. However, the forms of cooperation differ from country to country and there are many places where it is rooted firmly more in agriculture than in the supplies of consumers goods.

Cooperatives have played a significant role not only as instrument of economic growth, but also influencing the people towards social and economic changes by way of adopting innovations and technology. Cooperatives, in fact, help people to move from the existing standard of living to the better one by offering immense possibilities for the individuals to participate unitedly in the economic activities.

## 2.2 COOPERATION AS INSTRUMENT OF GROWTH

Like many other fields England is the path finder of cooperation in the modern world. The Industrial Revolution of England had increased the miseries of the working class, which, ultimately resulted the violences, massacres and revolts against the factory owners. Social reformers and philanthropists like Robert Owen (1771-1858) and William King (1786-1865) devoted themselves for the cause of the working people. They inspired the working people to organise themselves unitedly on cooperative basis. On August 15, 1844, twenty-eight flannel weavers of Rochdale of Lancashire area started first cooperative store. The members of the cooperative store were very intelligent and possessed courage, common sense and a faith in self-help. They were of varied political and religious persuasions.

The success of the store is much attributed to the structure and rules framed by the pioneers. The rules framed by the Rochdale Pioneers have been termed as the Rochdale Principles. These principles were eight-fold. Firstly, membership was open to all. Only people of bad character could be refused admission. Secondly, management of the store was democratic. A system of "one man one vote" was introduced. Thirdly, a fixed rate of return on capital was given before the declaration of dividend. Fourthly dividends on purchases were given in proportion to the purchases made by the members. Fifthly, there was no system of credit sale. Sixthly, pure and unadulterated articles were sold in order to attract the consumers. Seventhly, members were provided cooperative as well as technical

and general education. Finally, political as well as religious neutrality were maintained. The Rochdale Principles are very sound and therefore these are used not only in the cooperative movement in England but also in the whole world.

In America cooperative movement took its birth amongst the farmers of the country. Cooperatives before the setting up of National Grange of Patrons of husbandry by Oliver Hudson Kelley and his six friends in Washington D.C. on December 4, 1867, were only informal and were concerned mainly with joint production. The formal beginning of the movement took place in 1865 when the first cooperative law was enacted. The National Grange and subsequent American Cooperatives were influenced by the Rochdale Principles. Cooperative dairying in America is the oldest form of enterprise which play a vital role in the production of butter and cheese. The cooperative movement in America has grown up with success revealing a clear picture about its role in the economic development of the country.

The agricultural cooperation had its beginning in Germany where F.W. Raiffeisen and W. Haas formed a system of rural cooperation which included credit, supply and marketing. Raiffeisen credit society is a model which has been followed by almost all the rural credit societies all over the world. This society exhibits the following remarkable features: (a) limitation of the area to secure personal knowledge; (b) low share; (c) permanent individual reserve fund; (d) unlimited liability; (e) loans only for productive and provident purposes; (f) loans only to members; (g) credit for relatively long periods repayable in instalment basis; (h) determination of maximum credit of individual members; (i) absence of



profit seeking; (j) gratuitous service on the committee and  
(k) promotion of moral and material advancement of members.

The success of cooperatives among the urban artisans, the industrial workers and the small traders was due to Herr F. Schulze through the formation of people's banks. Both Schulze and Raiffeisen type of societies have revolutioned the whole economic and social life of the people of Germany.

In Ireland Sir Horace Plunkett took up the cause of cooperation to develop the economic condition of the farmers. He was greatly influenced by the cooperative movement of England and established the Irish Agricultural Organisation Society in 1894 which organised credit societies and creameries. By his activities Plunkett convinced the farmers that their economic betterment would become possible through the cooperative societies.

Cooperation in Denmark plays a vital role in the national economy which has its roots in the hearts of the Danes. Good education and uniform size of land-holdings of the peasantry prepared the ground for cooperation in Denmark. Cooperative dairies, marketing societies and bacon factories were formed by the local leaders. The American type of cooperative was in turn accepted by the Danes after their initial experiments for a decade or so. An official delegation of Danish Commissioners to the Philadelphia Centennial Exhibition in 1876 eventually prepared a report for circulation among Danish agricultural schools. Stiller Anderson studied this report as a student of Tune and adopted the American pattern in founding the first successful cooperative creamery in

Hjedding of West Jutland in 1882. Thereafter the success of Danish cooperatives became legendary.

France is the birth place of production cooperatives which took a lead in the field of production societies. Philosophers and thinkers like Charles Fourier, Louis Blanc and Buchez made important contributions to the early cooperative thought in France. Production cooperatives were set up as early as 1831 and 1841 but the movement took a definite shape after the revolution of 1848 when the government recognised the right of the working people to join together. Producers societies are of various types such as bankers, painters, textile producers, masons and so on. Other important forms of production cooperatives are cab drivers societies, precision instruments societies, spectacle makers societies, electricians societies and news papers societies. Agricultural cooperation too holds a dominant position in the national economy. There are two types of agricultural cooperatives of which one type deals in credit and the other type non-credit work. Credit cooperatives provide short-term and medium-term credits to the farmers in the rural areas.

In Italy Luzzatti (1841-1927) tried to improve the economic conditions of the people by organising friendly society and people's bank in urban areas. In establishing people's bank Luzzatti was influenced by the cooperative banks established by Schulze in Germany. In the rural areas cooperative village banks were set up by Dr. Wollemburg who was influenced by the Raiffeisen banks in Germany. Catholic societies established by the catholic

priests in rural Italy also perform remarkable activities. The development of labour cooperatives is remarkable as a special branch of service society. In this field Italy is pioneer.

The Rochdale pioneers had their influence in the formation of cooperatives in Scandinavia, Germany, Switzerland and Holland. But there were other purely continental influences. The example of Austrian Unions of civil servants was the basic inspiration for the success of the Dutch consumer cooperative of the Hague. But the principles <sup>of Rochdale prevailed</sup> later for subsequent dutch cooperative stores.

In communist countries the cooperatives are clearly the organs of the state powers and enjoy freedom only in respect of paying wages lower than what obtain in the non-cooperative sector.

The cooperative movement in Israel has performed useful role in the process of economic development. The first attempt of organising cooperative movement in this country was made at the fag end of the 19th century. Cooperation in Israel proved useful at the time of labour settlement. The cooperative movement in Israel is dynamic and its multi-dimensional activities may serve as models to the Asian nations.

The Indian experiments in modern forms of cooperatives were made by the English during the British rule. From India the cooperative movement spread to large parts of Asia. Cooperation found success in Japan and in the late 20's to East Africa.

### 2.3 CONCLUSION

Cooperation took its birth in England to protect the interests of the working class. It was used to provide economic benefit to the members and to improve their democratic condition. The forms of cooperation differ from continent to continent, from country to country and even from place to place. In some countries it is deeply rooted in agriculture and in some other countries it is rooted in industry and service sectors. But the ultimate goal of the cooperative movement of all countries is to raise the level of productivity, extend improvements in technology and expand areas of employment in order to ensure the basic necessities of life of every member.

## Chapter III

### GENERAL EXPERIENCE IN INDIA

#### 3.1 INTRODUCTION

There was in existence of the traditional forms of cooperation in India ever since the dawn of her history. These forms of cooperation continued over centuries in the socio-economic activities of the people of India. The term "Cooperative Society" was heard in the eighties of the 19th century when the Deccan saw the threat of the farmers of Poona and Ahmednagar against the money lenders. In 1901 the Indian Famine Commission pleaded in support of establishing agricultural banks similar to the mutual credit associations of Europe. Accordingly, the government of India appointed a committee headed by Sir Edward Law in the year of 1901. This committee known as Law Committee made proposals for the formation of cooperative credit societies in India. On the basis of the recommendation of the Law Committee the Cooperative Credit Societies Act of 1904 was passed which, in fact, marked the milestone in the modern cooperative movement in India.

#### 3.2 THE FIRST PHASE

Though Lord Curzon was much criticised for the partition of the then Bengal in 1905 he was at the same time able to win the loud approval by passing the Cooperative Credit Societies Act, 1904 which began the "Cooperative Era" in India. This Act permitted the formation of rural credit societies with unlimited

liabilities and the urban credit societies with limited liability. The Cooperative Credit Societies Act, 1904 was founded on the English Friendly Societies Act with the inclusion of the provision of corporate existence of the cooperative societies. It was put into practice to the whole of British India. The Act was highly elastic and gave full freedom to the provincial governments to make rules for proper functioning of the credit societies in their respective local circumstances. The framers of the Act made it very simple and elastic for proper understanding of the provisions to the members giving institutional autonomy to the cooperative credit societies.

The growth of the cooperative credit societies from 1906 to 1911 is shown in table 3.1

Table 3.1  
Growth of Cooperative Credit  
Societies from 1906 to 1911

Year	Number of Societies	Number of Members	Amount of Working Capital (Rs.)
1906-07	843	90,844	23,71,683
1907-08	1,357	1,49,116	44,14,086
1908-09	1,967	1,80,338	82,32,225
1909-10	3,428	2,24,797	1,24,68,312
1910-11	5,321	3,05,058	2,03,05,800
1911-12	8,177	4,03,318	3,35,74,162

Source: Statistical Statements relating to the Cooperative Movement in India, RBI, 1959-60.

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One serious drawback of the Act of 1904 was that there was no provision for the non-credit cooperative enterprises and central agencies for finance or for supervision. The Cooperative Societies Act of 1912 permitted the formation of both credit and non-credit societies and the central agencies. This Act gave a great stimulus to the cooperative movement in our country. Under this Act societies were classified into limited type societies and unlimited type societies. Also this Act gave recognition of three kinds of central societies, namely, cooperative unions, central cooperative banks and provincial cooperative banks. Under this Act the Registrar of Cooperative Societies appointed by the Provincial Government was given authority to look into the affairs of the societies. In a word, the Act of 1912 helped to infuse some new energy into the cooperative movement.

In the year 1915 the Government of India appointed a committee under Edward Maclagan to study the activities and progress of the various types of cooperatives both in urban and rural areas. The committee pointed out that the cooperative movement of the country was hampered due to illiteracy and ignorance of the rural people. Also the committee stated that most of the managing committees of cooperative societies were advancing loans to their kiths and kins violating rules and norms. In its recommendation the Maclagan Committee stated that the delay in advancing loans to the farmers helped to drive them to the usurious money-lenders.

### 3.3 THE SECOND PHASE

Historically the benign British rulers of India wanted to bestow self-government on us by stages. The British Rulers salvaged their conscience by making cooperation as a transferred subject with the passing of Montegu-Chelmsford Reforms Act of 1919. Under the Reforms Act of 1919 the provincial governments were advised to have their own legislations on cooperation. The Bombay government was the first province to have its own Act in 1925. The Madras government passed its Act in 1932. Bihar and Orissa governments passed their Acts in 1935 and the Bengal government passed its Cooperative Societies Act in 1940. Tripura and Mysore enacted their laws in 1948 and then followed other states and Indian territories.

The cooperative movement gathered great momentum during 1914-29 especially in the fields of non-credit and industrial societies. Many noteworthy experiments were tried in these directions with success. The table 3.2 shown below represents the growth of societies of all types, their members and their working capital.



Table 3.2  
Growth of Societies, Their Members and  
Working Capital

Year	Number of Societies	Number of Members	Working Capital (Rs in thousand)
1914-1915	17,327	8,24,469	1,22,292
1916-1917	23,336	10,48,425	3,11,225
1921-1922	52,182	19,74,290	3,11,225
1923-1924	61,116	23,13,567	4,05,297
1925-1926	80,182	30,58,625	5,76,039
1927-1928	96,091	30,70,173	7,67,087
1929-1930	1,04,187	41,81,904	8,95,178

Source: Statistical Statements relating to the Cooperative Movement in India, Reserve Bank of India, 59-60.

The cooperative movement of our country suffered a setback as a result of the economic depression of the thirties when the prices of agricultural commodities came down abnormally. The movement came to grief first in Burma and then suffered seriously in prestige in Bihar, Bengal and many other provinces which ultimately resulted in heavy overdues and defaults in the societies. The government of India appointed the Central Banking Enquiry Committee in 1931 to examine the existing positions and functioning of the cooperative societies and to suggest ways to develop the system of cooperation. As a result, the Reserve Bank of India was established in 1935. The Agricultural Credit Department of the Reserve Bank of India maintained an expert staff to study the problems of agricultural credit and to tender advice to the central and the state governments as well as to the central cooperative financing agencies.

### 3.4 THE THIRD PHASE

The Second World War began in 1939. As a result of the outbreak of this War the cooperative movement of our country entered into a new phase. During this time the value of money fell short and the prices of necessities and that of the agricultural products increased sharply. This resulted in quick recovery of the overdue positions of cooperative credit societies. Naturally the financial position of the societies started improving. Not only the credit societies there was a remarkable development of the non-credit societies during this period. A number of types of cooperatives such as marketing, sale and purchase, housing came into existence which began to play a vital role in the development of agricultural sector. Also producers societies, weavers societies, milk supply unions, motor transport societies and many other forms of societies of non-credit types were formed.

The Second World War created some abnormal conditions, which, in turn, led to some far-reaching developments in the cooperative sector. The growth of the number of societies, membership and their working capital during 1931-45 is shown in table 3.3.

Table 3.3  
Growth of Societies, Membership and  
Working Capital from 1931 to 1945

Year	Number of Societies (in thousand)	Membership (in lakh)	Working Capital (in crores)
1931-35	105.71	43.22	94.61
1936-40	116.96	50.77	104.68
1941-45	149.19	77.18	124.35

Source : Review of the Cooperative Movement in India,  
1939-46

Table 3.4 shows the picture of improvement in the financial position of the agricultural societies during 1938-39 to 1945-46.

The position of multipurpose societies in regard to their number, working capital, deposits, loans, repayments, overdue, etc. in United Provinces, Bombay, Central Province and Behar and Bengal during 1940-41 to 1945-46 is shown in table 3.5.

Table 3.4

Growth of Societies, Membership, Owned Capital, Deposits,  
Loans, Working Capital, Recovery, Overdues etc from 1938 to 1946.

Year	No. of Societies		Membership (millions)	Owned Capital		Deposits (Crores)	Loan from	
	Credit	Others		Share Capital (crores)	Reserves (Crores)		Provincial & Central Banks (Crores)	Govt. (Crores)
	(In thousands)							
1938-39	93.8	11.5	3.6	4.0	8.7	2.8	16.0	0.1
1939-40	101.4	17.3	4.1	4.1	8.3	2.5	15.5	0.1
1940-41	104.1	19.6	4.3	4.1	8.5	2.5	15.3	0.1
1941-42	194.6	19.6	4.6	4.3	8.7	2.5	14.6	0.1
1942-43	110.6	15.4	4.5	4.5	8.8	3.0	12.7	0.1
1943-44	115.2	19.6	4.8	4.9	9.5	4.0	11.3	0.1
1944-45	115.8	20.6	5.0	5.2	10.1	4.4	10.6	0.2
1945-46	124.2	22.8	5.5	5.9	10.6	5.4	10.9	0.2

Source : Review of the Cooperative Movement in India, 1939-46.

Table 3.4 (Contd..)

Working Capital (Crores)	Fresh Advances to individuals (Crores)	Recoveries Non-individuals	Outstandings (Rs in crores)	Overdues	Non-Credit activities	
					Sale of goods to members (Rs in crores)	Purchase of members' Products (Rs in crores)
31.6	6.7	6.2	24.0	11.2	0.9	1.0
30.5	7.4	8.0	23.1	10.7	2.6	3.2
30.5	7.5	7.9	22.5	10.4	2.0	2.1
30.2	8.2	8.9	21.7	10.0	2.1	2.3
29.1	10.8	12.3	20.0	9.1	4.5	4.1
29.8	11.5	13.1	17.9	7.9	7.3	6.2
30.5	11.8	12.2	18.2	6.8	12.4	6.9
33.0	14.6	13.8	18.9	6.2	17.5	11.3

Table 3.5

Multipurpose Societies in United Provinces, Bombay, Central Provinces & Behar and Bengal during 1940-41 to 1945-46

Details of Working	United Provinces		Bombay		Central Provinces & Behar		Bengal	
	1940-41 (In thousands)	1945-46 (In thousands)	1940-41 (In thousands)	1945-46 (In thousands)	1940-41 (In thousands)	1945-46 (In thousands)	1940-41 (In thousands)	1945-46 (In thousands)
No. of Societies	2214	6692	70	264	14	104	33	218
No. of Members	57269	148271	3476	20925	1370	10745	44228	76898
Working Capital	2850.6	8037.7	190.3	2460.9	35.8	312.3	127.0	2281.5
Deposits from members	134.3	407.3	18.1	335.0	1.1	148.3	2.4	226.8
Deposits from Non-Members	49.7	91.1	23.0	370.7	12.1	4.7	2.2	36.2
Fresh loans to Members	1706.7	5689.5	181.8	1187.5	63.3	135.9	10.3	31.4
Repayments of loans by Members	1358.6	4063.2	-	-	36.1	140.3	45.1	31.6
Loans Outstanding With Members	2182.2	6202.4	132.3	910.6	28.2	52.0	23.3	49.5
Loans Overdue	314.2	437.7	17.9	167.3	0.1	5.7	21.8	13.4
Purchase of Produce	92.8	167.6	28.7	1134.3	0.5	528.5	67.0	1119.8
Sale of Goods	139.1	202.4	70.3	6448.9	3.1	781.8	33.5	15916.9

Source: Review of the Cooperative Movement in India, 1939-46.

### 3.5 THE FOURTH PHASE

With the attainment of independence and the partition of our country the cooperative movement began to attract the active attention of the government as well as of the people. But the partition of the country gave a big shock to the movement in the country as a whole which dislocated members of many cooperative societies from one side to the other, creating huge problems which were settled almost after twenty years.

The government of India appointed the Rural Banking Enquiry Committee in 1950 which recommended that due to many defects the banking facilities could not extend in the rural areas. The Committee gave more emphasis on tapping rural savings rather than to suggest measures for providing finance to the rural areas and relied upon cooperative banks for the short-term finance. Accordingly the Reserve Bank of India convened a conference of co-operators, banking experts, economists in 1953 to formulate the role and find out the planned approach to the problems of rural finance. The conference recommended the formation of a small expert committee to design and advice on the details of the rural survey and accordingly a committee known as the Rural Credit Survey Committee under the Chairmanship of A.D. Gorwala was appointed. The Rural Credit Survey Committee recommended that the Reserve Bank of India should collaborate with the State Governments in drawing up plans for the reorganisation of the cooperative credit institutions.

The integrated scheme of development was put into operation with effect from April 1, 1956 and the Reserve Bank of India, during 1956-57, played an important role under the integrated

scheme of rural credit which linked cooperative credit with cooperative marketing. In the second five year plan cooperative development followed the pattern suggested by the Rural Credit Survey Committee. During the second plan the membership of the cooperative societies went up from five millions to fifteen millions and the volume of agricultural credit increased from about Rs. fifty crores to Rs. two hundred crores. The progress of the movement from 1951-52 to 1959-60 is given in table 3.6.

Table 3.6

Progress of Cooperative Societies of all Types,  
their Membership and Working Capital

Year	Number of Societies of all Types (Rs. in thousand)	Membership of Primary Societies of all Types of (Rs. in lakhs)	Working Capital of all Types of Societies (Rs. in crores)
1951-52	185.60	137.92	306.34
1952-53	189.40	143.16	327.10
1953-54	198.60	151.80	351.79
1954-55	219.30	160.21	390.52
1955-56	240.00	177.21	469.00
1956-57	244.70	193.78	567.67
1957-58	258.00	244.23	696.17
1958-59	283.09	274.35	879.58
1959-60	313.04	303.12	1083.46

Source : Statistical Statements relating to the Cooperative Movement in India, Reserve Bank of India, 1959-60.



Under the third five year plan the development of cooperative sector found its due place. The plan envisaged a growing cooperative sector in respect of agriculture, small and medium-sized industries, trade, distribution etc. Organisation and reorganisation of 2,200 primary and 50 wholesale cooperative stores and organisation of 3,200 farming societies in 320 pilot projects was also included in this plan.

The total borrowing of cultivating households in the country from all sources during 1961-62, according to the All India Rural Debt and Investment Survey (1961-62), were estimated to be Rs. 1,034 crores, as against which the loans advanced by primary agricultural credit societies and land mortgage banks during that year amounted to Rs. 2.44 crores. Though the performance of cooperative societies showed variations as between different states, their impact on the agricultural credit situation was significant in most of the states, both in terms of the proportion of credit needs of cultivating households met by them and, the proportion of borrowing cultivating households financed by them. This may be seen from table 3.7. Table 3.7 shows that the progress of cooperative credit was relatively small in Orissa, West Bengal, Assam, Bihar and Rajasthan.

Table 3.7

Proportion of credit needs of cultivating households met by Primary Agricultural Societies and Land Mortgage Banks  
(Rs. in Crores)

States	Total borrowings to cultivator households in 1961-62	Loan and advances by primary agricultural credit societies and land mortgage banks during 1961-62	Column 3 as percentage of column 2	Proportion of borrowing members to total estimated cultivator members in 1961-62 (Percentage)
Maharashtra	83.16	45.61	54.85	34.9
Gujarat	70.93	29.04	40.94	30.3
Madras	101.98	31.53	30.92	40.1
Orissa	13.06	3.61	27.64	6.5
Punjab	59.39	16.11	27.13	42.2
Madhya Pradesh	75.00	18.56	24.75	15.6
Uttar Pradesh	162.05	38.18	23.56	22.5
Andhra Pradesh	112.84	24.68	21.87	20.2
Mysore	79.97	15.05	18.82	25.5
Jammu & Kashmir	7.49	1.33	17.76	43.2
Kerala	41.01	6.66	16.24	21.6
West Bengal	47.44	4.71	9.93	8.4
Assam	5.51	0.35	6.35	2.4
Rajasthan	105.80	5.52	5.22	9.9
Bihar	61.23	2.52	4.12	4.9
Union Territories	7.22	0.83	11.49	3.7
All India	1034.09	244.34	23.63	19.7

Source : Review of the Cooperative Movement in India, 1962-64, RBI.

The changes in the number of different types of primary cooperative societies during 1961-62, 1962-63 and 1963-64 are shown in table 3.8

Table 3.8  
Position of Cooperative Societies  
(Credit and Non-Credit) during 1961  
to 1963

(Numbers in Thousands)						
	1961-62		1962-63		1963-64	
	No. of socie- ties	Percen- tage to total	No. of socie- ties	Percen- tage to total	No. of socie- ties	Percen- tage to total
<u>Credit Societies</u>						
Agricultural	215	65.0	211	62.8	210	60.5
Non-agricul- tural	12	3.6	13	3.9	13	3.7
<u>Non-Credit Societies</u>						
Agricultural	34	10.3	35	10.4	38	11.0
Non-agricul- tural	70	21.1	77	22.9	86	24.8
Total	331	100.0	336	100.0	347	100.0

Source : Review of the Cooperative Movement in India,  
RBI, 1962-64.

The table shows that for the first time the total number of primary agricultural credit societies had decreased during 1962-64. But the number of villages served by these societies increased. The trend reflects the efforts of the State Governments towards revitalisation and reorganisation of primary credit societies by weeding out the dormant units.

The number of primary agricultural credit societies, the percentage of total number of villages covered by them, percentage coverage of rural population and the number of societies per 10,000 rural population in different states as on 1964, are given below in table 3.9.

Table 3.9  
Position of Primary Agricultural Credit  
Societies in Different during 1964

State	No. of Primary Agl. credit societies	Coverage of villages (%)	Coverage of Rural population (%)	No. of Societies per 10,000 rural population
Andhra Pradesh	15,518	94.6	30.94	5
Assam	5,244	62.5	14.43	5
Bihar	19,568	65.0	15.33	4
Gujarat	8,190	100.0	31.59	5
Jammu & Kashmir	1,204	82.8	45.14	5
Kerala	2,421	100.0	38.76	2
Madhya Pradesh	17,494	87.1	23.08	6
Madras	11,585	100.0	73.88	5
Maharashtra	19,938	98.7	38.91	7
Mysore	9,365	100.0	43.26	6
Orissa	5,443	41.8	12.24	5
Punjab	19,801	99.9	48.92	12
Rajasthan	12,474	79.6	25.01	8
Uttar Pradesh	46,231	100.0	34.42	7
West Bengal	13,040	73.9	13.91	7
All India	2,09,622	83.4	31.87	7

Source: Review of the Cooperative Movement in India,  
RBI, 1962-64.

According to the Review of the Cooperative Movement in India (1962-64), PACS were covered in all the villages of Gujarat, Kerala, Madras and Mysore. The coverage of villages was 95% or more in Andhra Pradesh, Maharashtra and Punjab. It was between 75% and 85% in Jammu and Kashmir and Rajasthan. The position was very poor in Orissa, West Bengal, Bihar and Assam. The coverage of villages in the country as a whole increased from 75% in 1962 to 83% in 1964. The number of societies per 10,000 rural population was highest in Punjab i.e. 12 and Jammu & Kashmir, Madras and Orissa. The coverage of the rural population in the country as a whole became 32% in 1964 which was 26% in 1962.

The cooperative credit for agriculture (both short-term and medium-term together) increased to Rs. 429 crores, long-term to Rs. 120 crores in 1967-68. The value of agricultural inputs sold by the cooperatives increased to about Rs. 250 crores in 1967-68. The total value of agricultural produce handled by the marketing and processing societies increased to Rs. 583 crores in 1968-69. Apart from this, there was formation of national federations and the reorganisation of the National Cooperative Union of India at the apex. Another important development during this period was the reorganisation of cooperative training programme. But one of the weaknesses of the cooperative credit system was the non-viability of a large number of primary agricultural credit cooperative societies. Therefore the programme for rationalisation of the cooperative credit structure had been undertaken.

After 1969, the government resorted to the policy of the multi-agency approach to the cooperative development particularly in the spheres of agricultural credit, marketing and processing, consumers' cooperation, industrial cooperation etc. through ushering in public and private sector enterprises to operate in those fields which were earmarked for cooperatives exclusively.

Total number of primary credit societies and their membership during 1970, 1971 and 1972 is given in table 3.10.

Table 3.10  
Primary Credit Societies and Their  
Membership during 1970, 1971 and 1972

Number	1970	1971	1972
Agricultural Cooperatives	1,62,700	1,60,780	1,57,454
Non-Agricultural Cooperatives	14,816	15,346	16,091
<u>Membership</u>			
Agricultural Cooperatives	2,97,66,000	3,09,63,000	3,20,09,000
Non-Agricultural Cooperatives	79,42,000	84,89,000	88,61,000

Source : Review of the Cooperative Movement in India,  
RBI, 1970-72.

In the fifth five year plan emphasis was given on strengthening primary agricultural cooperative societies. The major development in the field of credit during the sixth five year plan was the setting up of National Bank for Agriculture and Rural Development (NABARD) in 1982 which has emerged as an apex national institution

accredited with all matters concerning policy planning and operations in the field of credit for agriculture and other economic activities in the rural areas. The seventh five year plan embodied the main tasks on cooperation such as comprehensive development of primary agricultural credit societies to function as multipurpose viable units, policies and procedures of cooperatives to expand the flow of credit and ensure supply of inputs and services to the farmers, taking up of special cooperative programmes for implementation in the North Eastern Region, strengthening consumer cooperatives and promoting professional management and strengthening of effective training facilities for improving the operational efficiency. Recently the government of India have proposed to strengthen the cooperative credit structure along with organisational and structural changes.

### 3.6 CONCLUSION

The cooperative movement of our country is not based on the will of the people. The movement has been built up by the government. It would be worthwhile to recount government's integration with the cooperatives and certain gains accrued to the movement. The government's support to the cooperative movement has resulted in the speedy growth of the membership of cooperatives. But the fact is that the coverage of membership is hardly about 20 per cent of the total rural population. Owing to government's over-indulgence in the movement, the true character of people's participation in the activities of cooperatives does not find manifestation. The ultimate result is that, barring a few

examples, cooperatives could not develop as self-reliant independent institutions based on self-help. Therefore, instead of being a movement of the people, for the people and by the people, cooperation in India lasts depending on governmental help even after nine decades of life.



## Chapter IV

### COOPERATIVE MOVEMENT IN WEST BENGAL

#### 4.1 INTRODUCTION

It was Madras Government which first understood with mind the possibilities of cooperative movement in our country. To that objective the Madras Government sent Mr. Nicholson to Germany to study the activities of the agricultural and other banks in Europe. Mr Nicholson submitting his report concluded that we must "find Raiffeisen" in India. At the same time some benevolent English officers of Bengal, Uttar Pradesh and the Punjab earnestly wanted to set up cooperatives in the respective provinces. Notable among them was Mr. Maclagan, an ICS of Bengal, who did a Pilot work in the north-eastern part of the country and made conditions easy for the cooperative movement in various provinces including Bengal.

#### 4.2 EARLY HISTORY

Like many other provinces the cooperative movement in Bengal was started in the year 1904 with the passing of the Cooperative Credit Societies Act, 1904. This Act only permitted the formation of primary credit societies. The Cooperative Societies Act of 1912 gave a stimulus to the movement in Bengal. According to the Act of 1912 the cooperative societies were classified into limited liability societies and unlimited liability societies. Also this Act permitted to open non-credit societies and federal societies. A period of twenty-five years from 1904 to 1929 was

referred to as the period of growth, expansion and diversification of different forms of cooperatives in Bengal. The 1st World War gave a great stimulus to some types of cooperatives. But due to hasty expansion the cooperative movement was faced with severe problems. The great depression of the thirties shocked the movement of Bengal. There were various reasons for the setback of the rural societies of Bengal during the thirties. Firstly, the agricultural prices were very sensitive. Secondly, there was economic instability. Thirdly, members of the societies were heavily indebted. Fourthly, there was tough competition from the money lenders and finally the weakness in the functioning of the societies was a dominant factor.

During the thirties almost all the central banks were affected due to non-recovery of credit and thus their capacity to advance loans was contracted. This has seriously affected the agricultural operations in Bengal. The Bengal Government placed funds at the disposal of the provincial bank for making advances to credit societies through the central cooperative banks. But this was a temporary measure. Soon the Registrar of Cooperative Societies placed a scheme of rehabilitation and proposals for credit facilities to the Bengal Government in 1940. The Bengal Cooperative Societies Act, 1940 was enacted which gave power of supervision and control to the Registrar of Cooperative Societies to facilitate the work of rehabilitation and promotion of growth of the movement on healthy lines.

#### 4.3 SECOND STAGE

The Second World War and the famine of Bengal again shocked the cooperative movement of Bengal. During this period there was an artificial boom in the activities of the societies of multi-purpose type when the prices of essential commodities and that of the agricultural products rose abnormally. This had fallen the value of money which, in turn, resulted in quick repayment of cooperative dues. Thus the financial position of the societies started improving. Also some new forms of societies of non-credit types, namely, marketing, sale and purchase, housing and cottage industries came into existence. Also there was formation of consumers cooperatives and the producers societies. But the development of the societies shattered as soon as the government help was withdrawn. In the forties there were three types of cooperative institutions in Bengal, namely, land mortgage banks, rural cooperative societies and the sale and marketing societies.

In 1944 the government of India appointed the Agricultural Finance Committee to investigate ways and means of finding more funds for further development of agricultural finance and cooperatives. This committee suggested the formation of state-aided agricultural credit corporations in each province for providing agricultural credit. In 1945 a Committee known as the Cooperative Planning Committee was appointed which did not agree with the view made by the Agricultural Finance Committee. The Cooperative Planning Committee recommended that cooperation should cover the entire activities of the farming class. The main recommendations

of this Committee were accepted by the Registrars of Cooperative Societies of the provinces at a conference held at Madras in 1947.

A comparison of the rates of interest charged by the rural societies to their members in Madras, Bombay and Bengal was made in the Statistical Statements relating to the Cooperative Movement in India by the Reserve Bank of India for the years 1941-42 and 1942-43 to show the deterioration in the comparative positions of the primary credit societies in Bengal. According to this statement the Madras societies charged 7.5 percent, Bombay societies 9.4 per cent and the Bengal societies charged 12.5 percent to the members.

The Annual Report on the working of cooperative societies in the Presidency of Bengal, 1944 recorded that the position of the societies did not improve though the recoveries amounted to Rs. 47.33 lakhs which was Rs. 37.10 lakhs in 1942-43. Though the Cooperative Societies Act of Bengal, 1940 gave wide powers of control and supervision to the Registrar to facilitate the rehabilitation work and to promote the growth of the societies, the movement was stagnant.

#### 4.4 THIRD STAGE

We have got our independence in 1947 and with this the cooperative movement entered its next phase. Since then the movement began to attract the attention of both the state and the Central Government and the people. Great value was attached to cooperative enterprises and it was expected to introduce cooperativ

enterprises in almost all spheres. But our independence was followed by the partition of the country into two sovereign states of India and Pakistan which created gigantic problems for our government to solve. The partition of Bengal again disrupted the weak structure of the cooperative movement. After partition of the country the cooperative societies in West Bengal were decreased to about 13,000 of which 9,500 were credit societies and 3,500 were non-credit societies. Also the Provincial Bank faced a grave financial crisis for majority of its investments had been made in East Pakistan. The state government came forward with an offer of Rs. 1.24 crores to the Provincial Bank for making up its losses in East Pakistan investments and for reviving the faith of its share-holders and depositors.

An arrangement was made with the Reserve Bank of India to extend financial accommodation to the Provincial Bank to enable it to pass down seasonal crop loans through central banks and their affiliated rural credit societies against state government guarantee. The Provincial Bank thus began to issue crop loans from 1949-50. In this year a sum of Rs. 50 lakhs was sanctioned. In 1956-57 and 1957-58 Rs. 1.02 crores and Rs. 1.50 crores was issued by the Provincial Bank as crop loans. The Reserve Bank of India sanctioned a credit limit of Rs. 2.50 crores in favour of the Provincial Bank in the year 1958-1959.

The rural societies of both credit and non-credit types were developing gradually. In 1955-56 there were 12,171 credit societies and 5,161 non-credit societies. The membership together

rose to 11.78 lakhs and their owned funds and working capital increased to Rs. 5.38 crores and Rs. 23.34 crores respectively.

The Second Five Year Plan in the cooperative sector envisaged a target of Rs. 150 crores, Rs. 50 crores and Rs. 25 crores respectively as short-term, medium-term and long-term loans towards rural credit requirements of the country as a whole by 1961-62. The corresponding targets in West Bengal was fixed at Rs. 6 crores, Rs. 2 crores and Rs. 1 crore respectively. Again the organisation of 10,400 large-sized credit societies came to be taken up in various states under the Second Five Year plan period. The corresponding target of this type of society was fixed at 1,100 in West Bengal.

The Report of the Committee on Cooperative Credit published by the National Cooperative Development Corporation (1963) showed that as on 30.6.1958 the number of primary credit societies and their membership in West Bengal were 12,591 and 4,60,000 respectively. The Report also represented the position of loans, outstandings, overdues and percentage of over dues to outstandings in the years 1956-57 and 1957-58. This is shown below in table 4.1.

Table 4.1  
Position of loans, outstanding and  
Overdues in 1956-57 and 1957-58

Year	Outstanding (in lakhs of Rs.)	Overdues (in lakhs of Rs.)	% of Overdues
1956-57	133.96	83.38	62.2
1957-58	200.08	95.62	47.8

According to the Review of the Cooperative Movement in India, Reserve Bank of India (1960-61), a noteworthy improvement in the overdues position occurred in West Bengal between 1959-60 and 1961-62. In 1959-60 and 1960-61 the percentage of overdues to outstanding loans of agricultural credit societies were 43 percent and 29 percent respectively, whereas in the All India picture these were increased from 21 percent to 25 percent.

Statistical Statements relating to the Cooperative Movement in India, 1963-64 show that at the end of 1963-64 the number, membership and working capital of all cooperative credit societies in West Bengal were 14,229; 16,73,000 and 82,09,00,000 respectively. In the year 1977-78 the number of societies were reduced to 10,427; but their membership increased to 35,85,000 and total working capital also increased to 4,50,04 lakhs.

Progress achieved by the rural credit societies in covering the rural population had been entirely unsatisfactory if it is compared with most of other states of India. The Audit Report of the country as a whole of 1961-62 shows that the proportion of A and B class societies to the total number of societies was 67 percent in Gujarat, 62 percent in Maharashtra and only 0.8 percent in West Bengal. The all-India average was 18. The proportion of D and E class societies to the total was 20 percent in West Bengal whereas it was 11 percent in all-India average. This rate was only 2.2 percent in Madras, less than 5 percent in Maharashtra, less than 7 percent in Gujarat and only 0.8 percent in Punjab. The ratio of C class societies was 80 percent in West Bengal. Another disappointing picture was that the percentage of dormant societies was 48 percent in 1962-63 as against the average of 9 percent as whole for India. There were only twelve primary land mortgage banks by 1962-63 with average assets of a little less than Rs. 5.40 lakhs. The number of primary marketing societies of all types was 277.

In 1962-63, West Bengal's position was fifth in respect of consumers cooperatives although the average size of these stores was comparatively lower than Maharashtra, Madras, Assam and Uttar Pradesh. The consumers stores in West Bengal had been conducting a larger volume of business on average. The average amount of sales per consumer store was Rs. 70,900. During 1962-63 the average volume of loss per store was only Rs. 1,500. All the favourable results were achieved by the primary consumers stores of West Bengal at a comparatively lower cost of management which



was amounted to only Rs. 1,700 per store as against Rs. 8,200 in Madras and Rs. 2,800 in Maharashtra. In regard to the primary housing societies the total number was only 141 in 1962-63, but the average number of members was very remarkable. The position of these societies was very good in respect of overdues. The proportion of overdues to loans outstanding was only 1.37 percent.

The West Bengal Government had undertaken a scheme for popularising cooperative farming societies with provision for managerial subsidy and capital loans and grants for such societies at a total cost of Rs. 5 lakhs. In 1956-57, 90 farming societies were registered which were gradually reorganised and revitalised. In 1963 there were 138 farming societies of which 81 were joint farming and 57 were collective farming societies. The Burdwan district had the highest share of farming societies amounting to 35 in number of which successful farming societies were located in Memari bloc.

The alarming increase in the overdues of cooperatives has severely affected the flow of cooperative credit of the farmers. The All India Rural Credit Review Committee (1969) estimated that the loans advanced by the rural credit societies in 1971-72 amounted to Rs. 611 crores. According to the Review of the Cooperative Movement in India, Reserve Bank of India (1970-72) there were 1,36,560 active societies in the country as a whole as on 30.6.1972. In West Bengal the number of these societies were 7,652 and the average of rural population by these societies were 34.8 percent. In 1970-71 and 1971-72 the total membership of these societies were 10,34,000 and 10,37,000 respectively of which

the borrowing members were 2,70,000 and 2,92,000 respectively. The percentage of borrowing members to total membership was 26.11 and 28.16 respectively. The overdues of three consecutive years, namely, in 1970-71, 1971-72 and 1972-73 were 9.50 crores, 12.43 crores and 14.59 crores respectively and the percentage of loans outstanding were 56, 71 and 79 respectively.

The West Bengal State Cooperative Bank has been seriously affected due to abnormal rise in overdues of Central Cooperative Banks. In 1970-71, 1971-72 and 1972-73 the overdue loans of the West Bengal State Cooperative Bank were Rs. 6,35,39,000; Rs. 6,96,79,000 and Rs. 4,40,41,000 respectively. The percentage of overdues to demand were 51.9, 47 and 36 respectively and the percentage of overdues to loans outstanding were 51.6, 55 and 35 respectively.

According to the Study Team Report on cooperative agricultural credit institutions in West Bengal (1972), the classification of banks according to the level of overdues to demand for 1970-71 gives the idea that the Central Cooperative Banks in Tamluk-Ghatal, Howrah, Nadia, Birbhum, Burdwan, Balageria and Mugberia had the level of the percentage of overdues to demand lowest i.e. less than 60 percent. It was more than 60 percent but not exceeding 80 percent in the Central Cooperative Banks of Purulia, Midnapore, Raiganj, Malda, Murshidabad, Hooghly, Jalpaiguri, Bankura and Darjeeling. The percentage of overdues were very alarming and highest i.e. over 80 percent in Cooch Behar, Kalna Katwa, Balurghat, 24 Parganas North and 24 Parganas South.

In all, the heavy overdues at the level of Central Cooperative Banks had impaired their capacity to borrow from higher financing agencies. Due to heavy overdues and the resulting deduction of loans from the higher financing agencies the Central Cooperative Banks adopted several restrictive practices and as a result the position of overdues since then was slightly improved.

A general information on cooperatives of all types from 1970-71 to 1989-90 is given in tables 4.2 to 4.18. These data have been collected from the Registrar of Cooperative Societies, West Bengal.

Table 4.2

Number of Cooperative Societies in West Bengal for years 1970-71, 1977-78 and 1978-79

Type of Societies	1970-71	1977-78	1978-79
No. of Societies			
(a) Credit Societies			
(1) State and Central Banks	22	18	18
(2) Land Development Banks	22	25	25
(3) Agricultural Societies	11,905	8,575	8,387
(4) Non-Agricultural Societies	1,077	1,809	1,903
Total Credit Societies	13,026	10,427	10,333
(b) Total Non-Credit Societies	6,822	9,941	10,294
Total Societies	19,848	20,368	20,627

Table 4.3

Membership of Cooperative Societies in  
West Bengal for years 1970-71, 1977-78  
and 1978-79

Type of Societies	1970-71	1977-78	1978-79
No. of Members (in thousand)			
(a) Credit Societies			
(1) State and Central Banks	16	13	4
(2) Land Development Banks	34	93	121
(3) Agricultural Societies	1,120	2,073	2,315
(4) Non-Agricultural Societies	1,210	1,412	1,432
Total Credit Societies	2,380	3,591	3,862
(b) Total Non-Credit Societies	776	1,052	1,277
Total Societies	3,156	4,643	5,139

Table 4.4

Financial Position of Cooperative Societies  
in West Bengal for year 1970-71, 1977-78 and  
1978-79

Type of Societies	1970-71	1977-78	1978-79
Working Capital (Rs in lakhs)			
(a) Credit Societies			
(1) State and Central Banks	4,287	16,901	22,141
(2) Land Development Banks	1,180	5,937	7,972
(3) Agricultural Societies	2,256	9,948	12,763
(4) Non-agricultural Societies	7,602	12,604	13,121
Total Credit Societies	15,325	45,390	55,997
(b) Total Non-credit Societies	2,047	9,357	9,779
Total Societies	17,372	54,747	65,776

Table 4.5

Loan advanced by the Cooperative Societies  
in West Bengal for years 1970-71, 1977-78  
and 1978-79

Type of Societies	1970-71	1977-78	1978-79
Loan Advanced (Rs in lakhs)			
(a) Credit Societies			
(1) State and Central Banks	1,451	10,932	11,810
(2) Land Development Banks	248	1,925	1,087
(3) Agricultural Societies	573	5,176	6,414
(4) Non-agricultural Societies	5,365	7,854	8,571
Total Credit Societies	7,637	25,887	27,882
(b) Total Non-credit Societies	93	530	1,432
Total Societies	7,730	26,417	29,316

Table 4.6

Number of Societies, Membership and  
Working Capital in 1979-80, 1980-81  
and 1981-82

Year	No. of Societies	Membership (in lakhs)	Working Capital (Rs in crores)
1979-80	20,885	52.08	309.00
1980-81	21,065	54.41	874.71
1981-82	21,429	57.40	886.77

Table 4.7

Average Membership per Society, Average Working Capital per Society etc

Year	Average Membership per Society	Average Working Capital per Society (Actual)	% of Agl. population covered	% of total coverage by Cooperatives in the State
1979-80	249	3,63,247	60.05	58.77
1980-81	258	4,15,244	67.00	50.00
1981-82	268	4,13,818	71.00	53.00

Table 4.8

Short-term and Long-term credit provided  
by the PACS, Grain Banks and LDBs

Year	Credit Cooperatives		Short-term credit pro- vided by PACS & Grain Banks to Borrowers (Rs. in crores)	Long-term credit pro- vided by LDBs
	No. of Central Coopera- tive Banks	No. of Primary Credit Societies		
1979-80	17	7,589	38.18	101.65
1980-81	17	7,549	38.44	Not Avail- able
1981-82	17	7,574	Not Avail- able	105.52

Table 4.9

Consumers' Cooperatives: Number, Membership,  
Share Capital & Working Capital

Year	No. of Societies	Membership (In lakhs)	Share Capital (Crores)	Working Capital (Crores)
1979-80	2,375	5.36	4.97	15.46
1980-81	2,368	5.26	5.58	17.00
1981-82	2,413	5.40	6.03	18.85

Table 4.10

State Cooperative Bank : Share Capital,  
Deposits & Loan Advanced

Year	Number of Banks	Share Capital (Crores)	Deposits (Crores)	Loans Advanced (Crores)
1979-80	30	4.33	49.52	55.11
1980-81	30	4.28	58.97	42.02
1981-82	33	4.84	65.31	53.80

Table 4.11

Central Cooperative Banks : Deposits & Loans issued

Year	No. of Banks	No. of Branches	<u>No. of Members</u>		Deposits (Crores)	Loans issued (Crores)	Loans Outstanding (Crores)
			Societies	Individuals			
1979-80	17	162	9,900	2,662	53.10	66.55	96.14
1980-81	17	165	9,162	8,180	71.79	60.65	93.90
1981-82	17	171	9,116	13,104	79.60	65.65	102.34

Table 4.12  
Primary Cooperative Land Development Banks

Year	No. of Societies	No. of Members	Share Capital (Crores)	Working Capital (Crores)	Loans Issued (Crores)	Loans Outstanding (Crores)
1979-80	24	1,30,000	3.5	46.13	7.43	35.11
1980-81	24	1,42,000	4.13	48.00	5.92	38.38
1981-82	24	1,50,000	4.56	53.07	6.35	39.98

Table 4.13  
Primary Agricultural Marketing Cooperatives

Year	No. of Societies	No. of Members		Share Capital (Rs. in crores)	Working Capital (Rs. in crores)
		Societies	Individuals		
1979-80	303	8,709	1,29,732	2.73	14.55
1980-81	292	8,837	1,22,158	3.80	22.10
1981-82	296	8,675	1,08,711	4.08	23.33

Table 4.14  
Primary Fishery Cooperatives

Year	No. of Societies	No. of Members	Share Capital (Crores)	Working Capital (Crores)
1979-80	782	56,911	0.20	1.18
1980-81	775	58,311	0.30	1.19
1981-82	798	60,702	0.27	1.28



Table 4.15  
Number of Cooperative Societies

Type of Societies	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	18	18	18	18	NOT A V A I L A B L E	18	18	18
(2) Land Development Banks	25	25	25	25		25	25	25
(3) Agricultural Societies	7,580	7,510	7,692	7,719		7,464	7,526	7,561
(4) Non-Agricultural Societies	2,312	2,453	2,557	2,601		2,717	3,323	3,615
Total Credit Societies	9,935	10,006	10,292	10,363		10,224	10,892	11,219
(b) Total Non-Credit Societies	11,348	11,505	11,786	11,917		Not Avail- able	12,296	11,959
Total Societies	21,283	21,511	22,078	22,280		10,224	23,188	23,178

Table 4.16  
Membership of Cooperative Societies

Number of Members (in thousand)	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	18	18	18	18		18	18	18
(2) Land Development Banks	25	25	25	25		25	25	25
(3) Agricultural Societies	7,580	7,510	7,692	7,719	NOT AVAILABLE	7,464	7,526	7,561
(4) Non-Agricultural Societies	2,312	2,453	2,557	2,601		2,717	3,323	3,665
Total Credit Societies	9,935	10,006	10,292	10,363		10,224	10,892	11,269
(b) Total Non-Credit Societies	11,348	11,505	11,786	11,917		Not Available	12,296	11,959
Total Societies	21,283	21,511	22,078	22,280		10,224	23,188	23,228

Table 4.17  
Position of Working Capital of Cooperative Societies

Working Capital (Rs. in lakhs)	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	30,673	32,248	35,144	39,205	NOT AVAILABLE	55,370	59,269	44,162
(2) Land Development Banks	12,448	13,365	13,256	13,192		13,884	68,221	165,333
(3) Agricultural Societies	15,796	15,630	17,213	18,810		20,155	22,080	22,523
(4) Non-Agricultural Societies	22,759	21,993	25,451	26,762		30,419	21,719	23,891
Total Credit Societies	81,676	83,236	91,064	97,969		119,828	78,928	91,743
(b) Total Non-Credit Societies	18,115	28,426	23,491	21,187		Not Available	12,107	12,288
Total Societies	99,791	111,662	114,555	119,156		119,828	80,139	62,175

Table 4.18  
Position of Loans Advanced by the Cooperative Societies

Loans Advanced (Rs. in lakhs)	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
(a) Credit Societies								
(1) State and Central Banks	11,283	10,231	12,414	17,341		14239	21054	16,328
(2) Land Development Bank	1,324	1,503	1,509	1,628		2205	134109	251780
(3) Agricultural Societies	3,804	4,811	4,780	7,193		6136	7620	10452
(4) Non-Agricultural Societies	11,961	10,483	10,654	4,513		13280	9568	10525
Total Credit Societies	28,372	27,028	29,357	30,675		35860	172351	289085
(b) Total Non-Credit Societies	800	3,057	700	877		Not Avail- able	Not Avail- able	Not Avail- able
Total Societies	29,172	30,085	30,057	31,552		35,860	172351	289085

#### 4.5 CONCLUSION

The main obstacle in the way of the cooperative movement in the state of West Bengal is the existence of vested interest in it where a group of persons are controlling the affairs of the societies for a long period of time. Some dishonest persons are involved in corrupt practices. The existing Cooperative Societies Act of the state of West Bengal has given autonomy to the state government or the Registrar of Cooperative Societies to take upper hand in the affairs of the societies bypassing the principles of cooperation. It is necessary to make legislations in such a form so that the cooperative movement of this state would become a free and democratic without any external disturbance in it and would guarantee economic development of the state and the betterment of the condition of poor by full utilisation of local resources through cooperative enterprises. It is high time to create awareness among the people so that they can feel that cooperative societies are their own societies instead of thinking them as government societies by way of spreading education on true cooperative principles.

## Chapter V

A GOVERNMENT INITIATIVE COOPERATIVE  
CREDIT SOCIETY

## 5.1 INTRODUCTION

A Cooperative credit society of limited liability in which (a) the value of the share capital provided by the government is at least one hundred times the value of share owned by an individual member, (b) and the overwhelming portion of its working capital is from government sources may be defined as a government initiative cooperative credit society. Of these two features of a government initiative cooperative credit society, the second one, namely, the domination of its working capital by the government, is the most decisive characteristic of a government initiative cooperative society.

Usually the government-held portion of the working capital exceeds 80 percent in currently existing government initiative cooperative societies. On the other hand, if the government share of working capital in a cooperative credit society is less than 50 per cent, such a cooperative credit society may be termed government partnership cooperative credit society. Post independence legislation on cooperative societies provide, as we shall see in a later chapter, for some draconian powers in the hands of the government so that the latter can interfere into the administration of cooperative societies. The above mentioned distinction of the

two classes of cooperative credit societies have nothing to do with whether or not they are subject to more or less government control of the type hinted at.

The government partnership cooperative credit societies are the most recent phenomenon in the cooperative vistas of rural West Bengal. These cooperative credit societies receive deposits against payment of interest. They offer both savings bank as well as term deposit and recurring deposit facilities. The details of the nature of these mini-banks are yet to acquire a form of finality. Although the mini-bank part of these cooperative credit societies is being treated as a branch of the Central Cooperative Bank of the district, there is little doubt that a part, at least, of the deposits of the mini-banks will be given as advances to members of the relevant cooperative credit society. Since this development, as we have already indicated, is a recent occurrence and this has come to our notice at the writing stage of this study and since none of these mini-banks have yet completed one full year, we have not been able to present any case study of this type.

The definitions presented in the foregoing paragraphs are made on the basis of the actual working of these cooperative credit societies dominated or partnered by the government. On points of law, the matter is a little different. The share capital of both government initiative and government partnered agricultural cooperative credit societies will in total be limited roughly to Rs. 400,000/- only. The share values differ from society to

society as by-laws of each society is separately registered. Whereas the government can buy in terms of value the half of the authorised capital, none of the individual members can buy more than one fifth of the share capital authorised for such members. In practice, however, none of the individual members is seen to possess more than one share of the minimum permissible value. On the other hand, the government generally buys a large number of shares and the value of each of these shares is higher than the value of a share of an individual member. So in practice the value of the share capital provided by the government is at least 150 times the value of a share owned by an individual member.

The existing primary agricultural cooperative credit societies (PACS) of limited liability may thus be renamed as the Government Initiative Cooperative Credit Societies. An example of such type of society is Balaram-Bhandarigach Samabaya Krishi Unnayan Samiti Ltd of the block of Rajganj in the district of Jalpaiguri.

## 5.2 THE BASIC CONSTITUTION OF BALARAM-BHANDARIGACH SOCIETY

Primary Agricultural Credit Cooperative Societies (PACSS) are constituted in the rural areas of West Bengal for the officially avowed promotion of thrift, self-help and mutual aid among the rural people to achieve better and happier conditions of living for the weaker sections of the community.



According to the latest legislation of the state of West Bengal, the limited liability of agricultural credit cooperative societies must conform not only to the provisions of the legislation and the rules made by the Government thereunder but also get their bye-laws registered by the State's Registrar of cooperative societies. The other points of such societies may be described.

(1) The legislation prescribes that minimum number of members will be ten in which no two members will belong to a single family. The state government is given the power to limit the maximum possible number of members. (2) Individual members are 'A' class members and the state government is 'B' class member. (3) A board of directors constituted according to the bye-laws of the society, manages its affairs. (4) Total number of members in the board of directors will be from six to fifteen. But if the number of members is below twelve then the members in the board will be from three to five. (5) The state government has power to nominate not more than three members or one-third of the elected members of the board, on the board. (6) The employees of a society, whose number is ten or more than ten, can elect one member from amongst themselves on the board of directors who has no vote. (7) The salaried chief executive of the society will be a member on the board of directors without voting right. (8) The West Bengal Cooperative Societies Act of 1983 prescribes that a Gram Panchayat may nominate one of its members on the board of a cooperative agricultural credit society doing business within the jurisdiction of that Gram Panchayat. (9) For a society that does its business in the

areas covered by more than one gram panchayat, a panchayat samiti may nominate one of its members on the board of the society. The directors referred to under (6), (7), (8) and (9) do not enjoy any voting right.

### 5.3 HISTORY OF BALARAM-BHANDARIGACH SOCIETY

Historically, at the end of the 17th century when the Mughal attacked the Koch dynasty of Koch Behar, some mohammedans were found settled in the Rangpur area. At that time Vaikunthapur (Jalpaiguri) was under the jurisdiction of Rangpur. In the view of Milligan, it was a period when the Hindus were converted into Muslims. J.A. Milligan, in his book, "Final Report on the Survey and Settlement Operation in the Jalpaiguri District 1906-1916", mentioned that just after the Permanent Settlement of Bengal (1793) Mohammedans of Dinajpur district were taken by the Kings of Vaikunthapur for the sake of cultivating fallow land and increasing revenue from land. From Milligan's report it is supposed that Mohammedans of Dinajpur were skilled farmers.

From our investigation from field survey we have also found that the Mohammedans enjoy a lead over the Hindus who belong to Rajbanshi community. They are good cultivators in comparison with the Rajbanshis. Naturally the Mohammedans have been in the forefront when the Rajbanshis of the area were shy to move ahead. This is why the Mohammedans took leading position in the management of the society upto 1991. Things changed after 1991 when the Rajbanshis became politically aware. At present the Rajbanshis

are dominant on the board of directors.

The history of Jalpaiguri district like that of Cooch Behar and Darjeeling is quite different from the rest of the State. Districts other than Cooch Behar, Darjeeling and Jalpaiguri were inherited by the British from the Mughals. But these three districts came into being from the British involvements in the eastern Himalayas.

Jalpaiguri (Vaikunthapur), originally a part of Koch Behar Kingdom was separated from it at the end of the 17th century. Jalpaiguri then became a sub-division of Rungpur district. On July 1, 1867 the then Jalpaiguri sub-division along with the Western Duars was known as the new district of Jalpaiguri.

The Jalpaiguri sub-division of the Jalpaiguri district is watered by the river Teesta in its eastern sub-division at boundary. The West of the sub-division is watered by the Mahananda and some of its local tributaries. The Balaram Bhandarigach Society is situated in the Rajganj block of the western part of the Jalpaiguri sub-division.

What is now Balaram-Bhandarigach Samabaya Krishi Unnayan Samiti Limited is in fact an amalgamated society of two societies which were independently set up in 1940. The Balaram Society was more active of the two. This is why at the time of amalgamation during in 1967-68 the registration number of Balaram was retained and leaders of the Balaram Society led the combined society, namely, Balaram-Bhandarigach Samabaya Krishi Unnayan Samiti Limited.

One Mr Kiran Roy was the founder-Secretary of the original Balaram society. That society started with only seventeen members. Notable among them are Khakaru Roy, Dhandip Roy, Md Rafijaddin, Md Ashiraddin, Hatai Mohamed, Abdul Karim and Neken Mohamed.

There is little doubt that the officials of the cooperative department induced the local people to form into a cooperative society in order to promote thrift and self-help among the agriculturists of limited <sup>means.</sup> The reason advanced was that by forming into a cooperative society the farmers would be able to free themselves from the influence and grasp of money-lenders. Apart from the officials of the cooperative department, the Senior Officials of the Jalpaiguri District Central Cooperative Bank visited the people of the area and participated in persuasion.

#### 5.4 THE LOCALE

The Balaram-Bhandarigach Society is located in a very big mouza of the Rajganj block of the Jalpaiguri district. This mouza, namely, Binnaguri is the second biggest mouza of the block, next only to Gungle Mohal where a tea garden named Saraswatipur Tea Estate is situated. The mouza of Binnaguri covers more than 5892 hectares on both sides of the State of West Bengal Highway No. 12A linking Siliguri and Jalpiaguri.

Both Balaram and Bhandarigach, two of the many villages of the Binnaguri mouza, are situated to the east of the State of West Bengal Highway No. 12A. Bhandarigach is situated to the further east of Balaram. The whole of the western area of the

Rajganj block is watered by the Mahananda, its segregated streams and its many local tributaries which meet the Mahananda in the southern terrain of Bangladesh. Thus to the east<sup>of</sup> Bhandarigach flows the stream locally called Karotoa. To the west of Balaram the stream called Sahu.

So much tributaries which are purely rain-fed cannot exist without rather high rainfall. The normal rainfall in the area is 3319 mm. This normal has been calculated for a period of more than fifty years. In the year 1985 the annual rainfall has been 3868 mm. At one time some government-run small irrigation enterprises sold irrigation water to farmers in and around Binnaguri mouza. But presumably because of the possibility of bringing, by the Government, irrigation water from the canals of the Teesta project such government-run irrigation enterprises were temporarily or permanently abandoned. Irrigation canals have been dug through the West from the east. But they have not been operational. If a right form of cooperative credit society was formed, that society could have operated many enterprises of mini-deep tube-wells, persian wheel drawn well irrigation, animal drawn well irrigation either on its own or by its individual agents. Owing to large rainfall underground water is substantial. If the water is not drawn, that would normally flow out of the area to a lower region and to the sea directly or via any large river.

The flow of the tributaries of the Rajganj block show that the block is sloping from the north to the south, on the one hand, and from the north-east to the south-west on the other. But in the expanse of the Binnaguri block this slope, although decisive, is not seen through the naked eye. For the purpose of agriculture, therefore, the whole of Binnaguri mouza is almost monotonously flat. This, however, does not prevent farmers from restructuring the topography of their lands, within reasonable limits, so as to make their lands suitable simultaneously for different crops.

Most of the hectares available for cultivation are almost all sandy loam type of soil. Water and sufficient amount of organic manures would make this eminently suitable for the raising of crops the rainfall, heat and wind power permit. During the four cold months from December to March the heat varies from 4.5 to 35 degree celsius. The temperature varies from 16 to 36 degree celsius.

The crops which are suitable in consistence with the agro-climatic characteristics of the mouza are all varieties of paddy, jute, sugarcane, oilseeds especially Til and to some extent mustard, wheat, pulses, potatoes, tomatoes, all varieties of vegetables, and fruits like bananas, pappas, HYV mangoes, pine apples. These can flourish with right policies as well as with right institution like well-conceived cooperative societies.

## 5.5 EVOLUTION OF MEMBERSHIP

According to the Population Census (Provisional), 1991, the total number of population in the Rajganj Block is 3,00,033. The following table shows rural-urban composition of population of Rajganj Block:

Table 5.1  
Total Population : Rajganj Block

Area	Population	Percentage to total population
Rural	1,53,323	51.10
Urban	1,46,710	48.90
Total	3,00,033	100.00

From the above figure it is clear that rural population in the Rajganj Block is larger (51.1%) than the urban population (48.9%).

The Balaram-Bhandarigach Samabaya Krishi Unnayan Samiti Ltd. serves, as we tell in the preceding section, Binnaguri Gram Panchayat of Rajganj Block. Total population in Binnaguri Gram Panchayat is 24,980 of which male population is 12,859 and female population is 12,121. The table shown below indicates sex-wise classification of population of Binnaguri Gram Panchayat:

Table 5.2

Sex-wise classification : Binnaguri Gram Panchayat

Sex	Population	% to total
Male	12,959	51.50
Female	12,121	48.50
Total	24,980	100.00

Caste-wise classification of population in the Gram Panchayat is as under:

Table 5.3

Caste-wise classification

Caste	No. of population	% to total
Scheduled Caste (SC)	17,330	69.37
Scheduled Tribe (ST)	239	0.95
General Caste (other than SC & ST)	7,411	29.66
Total	24,980	100.00

Caste-wise classification of population in the Gram Panchayat indicates that SC covers 69.3%, ST only 0.95% and general caste (other than SC & ST) covers 29.66% to total population.



Mohammedans are the largest in number in the general caste category. Almost no caste Hindu lives in the Binnaguri Mouza.

Total population under the operation of the Balaram-Bhandarigach SKUS Ltd is about 10,250 of which total number of members is only 641. In fact the actual number of beneficiaries is 530. The total population of the area served by the Balaram-Bhandarigach Society has been counted by the office of the Block development officer of the Rajganj Block at our request.

The table shown below indicates population, number of members, actual beneficiaries and their percentage to total population of the SKUS Ltd:

Table 5.4

Total Population under Balaram Society Ltd.  
and their total number of members

Total population		Total Number	% to total population
10,250	Members	641	6.25
	Actual Beneficiaries	530	5.17

From the above table it is observed that the proportion of members of the society to total population in the command area is, at present, only 6.25 percent and the proportion of the actual beneficiaries to the total population is only 5.17 percent. There

are various reasons for the poor performance of the cooperative society in the coverage of total population.

The table drawn below indicates a progress of membership of this cooperative credit society:

Table 5.5  
Progress of Membership

Year	Number of Members
1940-41	17
1941-73	Not Available
1973-74	56
1974-75	124
1975-76	127
1976-77	127
1977-78	145
1978-79	150
1979-80	169
1980-81	169
1981-82	187
1982-83	204
1983-84	212
1984-85	224
1985-86	249
1986-87	271
1987-88	271
1988-89	271
1989-90	597
1990-91	641
1991-92	641

The table shows that at the start the total number of members was 17 and in the year 1973-74 it rose to 56. In the year 1974-75 the total number of members increased further to 124. The major increase in the number of members indicates that the society's expansion in membership was largest in 1989-90. Since the inception there was a gradual increase in the number of members from year to year except one or two years and finally in the years 1990-91 and 1991-92 when total number of members remains fixed at 641.

The management of the society is vested in a board of directors consisting of 9 directors who are elected in an annual general meeting.

Till 1991 the Mohamedans dominated the Board of Directors. Even though the Rajbanshis made up by then the majority of the members of the society, they hardly turned up at the annual general meeting of the society. The present Secretary Mr Kiren Roy belongs to the Rajbanshi community. Although the founder-Secretary belonged to the Rajbanshi community, upto 1991 no other Rajbanshi member functioned as Secretary of the Society. Besides the majority of the members of the Board of Directors were upto 1991 mostly Mohamedans. Md Nawabuddin was the Secretary of the society for many years upto 1981. Md. Nazimuddin was appointed in his time in 1977 the manager of this society. Although merely a matriculate Nazimuddin was a very dedicated official. The activities of the society moved with clock like precision and the working capital provided by the Government was very efficiently

collected, advanced and recovered in time from the loanees.

Nazimuddin continued to work upto 1991. Meanwhile Md Piaruddin became the Secretary of the Society in 1981 and continued in that capacity upto 1991. In 1991 Nazimuddin's good work drew the attention of the officials of the Jalpaiguri Central Cooperative Bank and he was appointed to the staff of the latter. On his joining the staff of the Jalpaiguri Central Cooperative Bank, Md Sazimuddin, a son of the Secretary Md Piaruddin was appointed manager of the Society. He is a drop-out of the secondary school and is unable to cope with the work his predecessor executed so successfully.

But even with a dedicated official like Nazimuddin this agricultural cooperative credit society could not go far on account of initiative being left wholly to government funds in respect of share capital and working capital. This grave limitation and its effect on the impact of rural development process will be discussed in the following chapter.

We, however, must not fail to list the blemishes of the management of this society. Even though the leadership of fund raising vests with the Government, the Board of Directors enjoy limited autonomy in selecting the beneficiaries of loans. It has been a constant complaint of members that friends and relations of the influential members of the Board enjoyed the lion's share of the loans.

The most serious defect of the society is that it has completely to set up infrastructural facilities, extension agencies or any markets either of important inputs or of outputs. As a result demand for loan did not rise as years rolled by. Judged by this test the history of this credit society is indeed a history of gross failure.

With the present inefficient manager and some of the members of the Board having many other preoccupations, the future of this government initiative agricultural cooperative credit society is indeed bleak. The only way out of the present impasse is to restructure it to let it grow independently rather than stay as a mere user of government funds.

#### 5.6 ANNUAL RECEIPT OF WORKING FUNDS

Agricultural credit in cooperative sector is broadly divided into three terms : (a) Short-term credit or Crop loan, (b) Medium-term credit, and (c) Long-term credit.

Short-term credit is given in the form of crop loan and should be repaid out of the sale proceeds of the crop. Naturally, short-term credit will not be for more than twelve months.

Medium-term credit is given for a period between thirty-six months and sixty months for the purposes of repayment of old debt, education, medical care, development of lands, purchases of agricultural rural industries. Long-term credit is channelised through a separate agency known as Cooperative Land Development Banks (LDB).

Generally credit sought for more than sixty months is treated as long-term credit.

Short-term credit and medium-term credit flow out of a three-tier cooperative banking structure with the primary credit societies at the base, the Central Cooperative Bank of the district at the middle and the State Cooperative Bank at the apex. The district level Central Cooperative Bank works, for the entire Rajganj Block , through its branch at the market town of Rajganj.

The Balaram-Bhandarigach SKUS Ltd is entitled to procure only the short-term loans annually from the Central Cooperative Bank, Jalpaiguri. The following table shows year-wise receipt of loans by those Samabaya Krishi Unnayan Samity (SKUS) Ltd from the Central Cooperative Bank, Jalpaiguri:

Table 5.6  
Receipt of Loanable Funds

Year	Loans taken from C. C. B (Rs)
1973-74	16,667.92
1974-75	16,840.00
1975-76	23,190.00
1976-77	Not Available
1977-78	75,108.00
1978-79	55,127.00
1979-80	55,127.00
1980-81	55,127.00
1981-82	59,367.40
1982-83	64,469.40

Contd..

Table 5.6 (Contd..)

Year	Loans taken from C. C. B. (Rs)
1983-84	75,644.40
1984-85	97,095.40
1985-86	1,18,560.31
1986-87	1,51,531.31
1987-88	75,000.00
1988-89	1,23,000.00
1989-90	2,82,545.31

The year-wise receipt of loan by the society from the Central Cooperative Bank indicates a steady increase in the amount of short-term credit. However, the data relating to the receipt of funds during 1990-91 and 1991-92 were not available. It is known that the new manager was responsible for poor recovery and, therefore, of poor receipt of funds from the district level bank.

#### 5.7 PROJECT TIED AND FREE LOANS

Although loans from the Central Cooperative Bank make up the main component of working capital of an agricultural cooperative credit society, its other sources of finance are share capital from members as well as government. A reserve fund is kept by the society as per provisions of law. The figure is never high. Members rarely keep deposits at the primary credit societies.

Government may also sanction loans to the rural societies for the construction of storage, godown, society buildings, etc. either from the fund of National Cooperative Development Corporation (NCDC) or from the State Budget.

The amount of funds that can be loaned by this agricultural cooperative credit society to its members is governed by what is known as "a scale of finance". This scale is fixed by the District Central Cooperative Bank. The Jalpaiguri Central Cooperative Bank follows the following 'scale of finance' for the whole of the Jalpaiguri district.

Table 5.7  
Scale of Finance for the Whole of  
Jalpaiguri District

Sl. No.	Crops	Kind (Rs)	Cash (Rs)	Total (Rs)
1.	Rice (Pre-Kharif & Kharif : Traditional)	700.00	1,000.00	1,700.00
2.	Rice (HYV) Pre-Kharif & Kharif	790.00	1,210.00	2,000.00
3.	Rice (HYV) Boro	1,140.00	1,560.00	2,700.00
4.	Jute	625.00	1,475.00	2,100.00
5.	Maize	776.00	824.00	1,600.00
6.	Wheat (HYV)	915.00	985.00	1,900.00
7.	Mustard	660.00	740.00	1,400.00
8.	Pulses	414.00	686.00	1,100.00
9.	Potato	6,430.00	1,670.00	8,100.00

Contd..



Table 5.7 (Contd..)

Sl. No.	Crops	Kind (Rs)	Cash (Rs)	Total (Rs)
10.	Winter Vegetables	1,500.00	1,400.00	2,900.00
11.	Til	585.00	615.00	1,200.00
12.	Tobacco	2,145.00	1,665.00	3,810.00
13.	Ground Nut	1,200.00	800.00	2,000.00
14.	Tomato (HYV)	4,140.00	1,660.00	5,800.00
15.	Cabbage (HYV)	3,050.00	1,450.00	4,500.00

Source : Compiled from the official records of Jalpaiguri Central Cooperative Bank, Rajganj Branch.

From the scale of finance it is evident that under the crop loan system, the loan amount is divided into two parts, Part I is issued in kind for adoption of improved inputs and Part II is issued in cash for meeting the cultivation expenses. Under this system, loan is issued purely for the purpose of production and not for the purpose of consumption. But it is seen during the survey that farmers also are in need of credit for the purpose of consumption because the poor farmers run out of their savings during the longer Kharif season. Since there is no provision for consumption credit for the farmers and since there is no simultaneous existence of infrastructural facilities especially when this cooperative society has failed to set up any, poorer farmers are prone to sell out the hard material inputs. This in turn causes failure to repay loans in time.

One might be disposed to consider that the 'scale of finance' adopted by the Jalpaiguri Central Cooperative Bank is not sufficient for the purpose of good and productive farming. Nobody should argue that the farmers should get whatever money they need for raising their crops as well as for their other needs. But the fact remains that the 'scale<sup>D</sup> finance' fixed by the Jalpaiguri Central Cooperative Bank does not include funds permissible for running mini-deep tube wells to sell irrigation water to farmers or for running organic manure producing units to sell organic manures to farmers. Once these sorts of input creating enterprises were financed by this cooperative society with the assistance of the Jalpaiguri Central Cooperative Bank, the demand for production credit would have increased substantially. Thus ultimately a system of hypothecation of the crops would have been acceptable to farmers themselves.

The rate of interest to be charged on members is fixed by participating banks. The interest varies with the amount borrowed as per table 5.8. As we indicate above, this society has never been able to advance high amounts of loans either for infrastructural units or for medium term or long-term development of farms. The maximum amount lent by the society to its members has never exceeded 4,500.

Table 5.8

Rate of interest to be charged  
on members

Size of Limit	Rate of Interest (% per annum)
1. Upto and inclusive of Rs. 7,500	11.50
2. Over Rs. 7,500 and upto Rs. 15,000	13.00
3. Over Rs. 15,000 and upto Rs. 25,000	13.50
4. Over Rs. 25,000 and upto Rs. 50,000	15.50
5. Over Rs. 50,000 and upto Rs. 2,00,000	20.00

Source : Jalpaiguri Central Cooperative Bank, Rajganj Branch

This society has never advanced any medium-term or long-term loan to its members. In fact, one of the aspects of its failure is this. But according to Reserve Bank of <sup>India</sup> instructions, the participating banks under finance from the National Bank for Agriculture and Rural Development have a system of rate of interest that varies directly with the amount lent. It is also provided, for the convenience of management of cooperative societies, that the participating banks will charge 2.5 points less than what the ultimate borrowers pay.

## 5.8 UNRECOVERED LOANS

In the present day society outside finance is essential for production purposes of industrial as well as agricultural sectors. Now-a-days modern techniques and scientific inputs are being gradually used in the agriculture sector which are hinghly input-intensive. But most of the farmers of rural Bengal have no means to purchase such implements and inputs with their own savings. Naturally they ~~are~~ bound to seek loans from the financing agencies. But the financing agencies, viz, regional rural banks (RRBs), commercial banks and cooperative institutions have difficulties because the borrowing cooperative societies are unable to receive high proportion of their loans. Working capital is blocked up which, in turn, results in non-availability of furtherloans and may bring the societies to the verge of liquidation.

Because of the recent management problems the Balaram-Bhandarigach Society could not furnish us the details of the latest figures of Working Capital and unrecovered loans. In lieu of the figures of the Balaram-Bhandarigach Society we are using the data of the whole Rajganj to obtain an idea of the loss of loanable funds of the Balaram-Bhandarigach Society. We get in table 5.10 the data of totalloanable funds supplied through Jalpaiguri Central Cooperative Bank and the amounts which were recovered and those which were unrecovered by the lowest level cooperative credit societies.

Table 6.10  
Loanable Funds: Recovered and Unrecovered

Year	Loanable Funds Made over to the Rural Cooperatives	Loans Recovered by the Rural Cooperatives	% of Recovery to Total Investment	Loans Unrecovered	% of Unrecovered Loans to Total Investment
	(Rs)	(Rs)		(Rs)	
1986-87	2,93,000.00	1,76,000.00	60.06	1,17,000.00	39.93
1987-88	2,24,000.00	1,72,000.00	76.78	52,000.00	23.21
1988-89	3,27,000.00	2,49,000.00	76.14	78,000.00	23.85
1989-90	5,29,000.00	2,51,000.00	47.44	2,78,000.00	52.55
1990-91	8,21,000.00	4,02,000.00	48.96	4,19,000.00	51.03
1991-92	6,91,000.00	4,02,000.00	58.17	2,89,000.00	41.82
1992-93	7,85,000.00	5,25,000.00	66.87	2,60,000.00	33.12

Source: Jalpaiguri Central Cooperative Bank, Rajganj Branch.

On the basis of our application of these data to the Society in question we find that on average the societies like Balaram-Bhandarigach Society lose every year about 41% of their working capital. The whole of Rajganj block, that is to say, all the government initiative agricultural cooperative credit societies together lose annually a sum of Rs. 2,13,285/- only of their combined working capital.

Were it the position that the unrecovered loans added to the productive assets of the members of the agricultural credit cooperative societies, we might have had some reasons for complacency. Our enquiries revealed that the unrecovered part of the working capital added to the consumption of perishable goods by the members.

Even though we did not get the figures of the latest three years from the Balaram-Bhandarigach Society, the figures of five years are tabulated in table 5.11 and 5.12.

Table 5.11

## Loans : Given and Recovered

Year	Loans given to Members	Loans Recovered	% of Recovery to total loans given
1985-86	1,18,560.00	88,920.00	75.0
1986-87	1,51,531.00	1,03,041.08	68.0
1987-88	89,000.00	75,000.00	84.2
1988-89	1,23,000.00	1,03,000.00	83.7
1989-90	2,82,345.00	1,38,349.05	49.0

Source : Balaram-Bhandarigach Samabay Krishi Unnayan Samity Ltd.

Table 5.12

## Loans: Given and Unrecovered

Year	Loans given to Members  (Rs)	Unrecovered Loans  (Rs)	% of unrecovered loans to total loan advanced to Members
1985-86	1,18,560.00	29,640.00	25.00
1986-87	1,51,531.00	48,490.00	32.0
1987-88	89,000.00	14,000.00	15.7
1988-89	1,23,000.00	20,000.00	16.2
1989-90	2,82,345.00	1,43,996.00	51.0

Source : Balaram-Bhandarigach Samabaya Krishi Unnayan Simiti Ltd.

## 5.9 PROFIT OR LOSS IN THE AUDITED ACCOUNTS

The table 5.13 shows the profit or loss as deciphered in the audited accounts of the Balaram-Bhandarigach Society for some years. The inevitable fate of a public sector cooperative credit society even in the course of such a large period as fifty years is written clearly on its face.

Table 5.13  
Profit or Loss

Year	Net Loss/Net Profit	
	(-)	(+)
	(Rs)	
1977-78	(-) 1,023.00	
1978-79	(-) 5,333.00	
1979-80	(-) 4,319.00	
1980-81	(-) 8,270.00	
1981-82	(-) 14,752.00	
1982-83	(-) 2,037.00	
1983-84	(-) 871.00	
1984-85	(+) 1,887.00	
1985-86	(-) 10,323.00	
1986-87	(-) 2,037.00	
1987-88	Not Available	
1988-89	Not Available	
1989-90	(-) 17,586.00	

Source: Audited Accounts of Balaram-Bhandarigach Society Ltd.



## AN ASSESSMENT OF ITS IMPACT

## 6.1 INTRODUCTION

The point of departure of this study, as we stress in the beginning, is that a cooperative society in the rural sector can go a long way to revamp a traditional rural society if it is rightly designed, rightly composed and rightly managed. It is precisely with a view to restructuring the existing agricultural cooperative societies in West Bengal that we make a close study of a few of such societies.

The impact of the Balaram-Bhandarigach Krishi Unnayan Samity Ltd is being studied mainly under three heads, namely, credit demand, use of inputs in agricultural production and the ushering of dynamism in the village economy. When we make, later in this study, a similar study of impact of a different form of cooperative credit society, we shall be better equipped with data to choose a proper form of agricultural credit cooperative society for the state.

Our study of the impact of Balaram-Bhandarigach Society, and later in this dissertation, of the Sridharpur Society will give us considerable insights into the functioning of a well designed society and a badly conceived society.

## 6.2 GENERAL IMPACT ON CREDIT DEMAND

While tracing the development of the Balaram-Bhandarigach Samabaya Krishi Unnayan Samity Ltd, we have had indeed a glimpse, in the last chapter, of the kind of work it could do in a span of half a century of its life. The purpose of this chapter is to understand in a still clearer way the part it has played in changing the production process of agriculture in the villages this society sought to serve.

It would be in order if we first examine the place of loans taken by the members from the cooperative credit society. The data for the purpose are taken from 53 members of the society. A picture is thus obtained about the borrowings of the members.

Table 6.1  
Borrowings and Rate of Interest by Sources  
1990-92

Source	Amount borrowed (Rs)	% of total borrowing	Rate of interest (%)
Cooperative	72,650	51	12.5
Non-Cooperative	69,400	49	58.0
Total	1,42,050	100	34.7

We can see from table 6.1 that of their total demand for credit (summing farm demand and household demand) 51 per cent is obtained from the cooperative society. But the interest paid on borrowings

from outside the cooperative credit society is about six times the interest paid on loans from the cooperative credit society.

But the demand for credit of these members as revealed by table 6.1 is a static or rather stagnant demand. Both production demand and consumption demand of these rural householders will increase many times if such societies that can administer loans for various infrastructural facilities are organised. All productive activities, not to speak of agriculture alone, flourish only when infrastructural facilities, as required, exist simultaneously. Rightly conceived and rightly organised institutions like the cooperative credit societies can go a long way to enhance the demand for rural credit by inducing farmers to make use of new services and inputs. Again, as they use new reproducible capital they enhance their income and hence their capacity to incur loans on mere household needs will naturally increase.

We see from table 6.1 that the average rate of interest paid by these members is 34.7 . The rate is too high and this is a clear-cut symptom of poor mobilisation of savings by the society under discussion. The data presented in table <sup>6.2,</sup> which are in fact deduced from table 6.1, point to the pitiful receipt of credit by the members of the Society.

Table 6.2  
Annual Per Acre and Per Family Borrowing

Source	Borrowing (Rs)	
	Per Acre	Per Family
Coop	189.518	685.375
Non-Coop	181.040	654.715
Total	370.558	1340.090

While the average receipt of loans by the members is so disheartening, the common trend in both years, 1990-91 and 1991-92, is that the average receipt of loans by members varies directly with the size of farms or size of operational holdings.

Table 6.3  
Borrowing from the Society by farm size  
(1991-92)

Farm size (Acres)	Borrowing (Rs)		
	Total	Per Family	Per Acre
Upto 2	15,750	715.91	518.43
2-5	27,400	1245.45	318.97
Above 5	24,800	2755.56	815.530
Total	67,950	1282.08	354.515

Table 6.4  
Borrowing from the Society in  
1990-91 by farm size

Farm size (acres)	Borrowing (Rs)		
	Total	Per Family	Per Acre
Upto 2	13,200	600	434.49
2-5	20,300	923	260.35
Above 5	22,900	2544	274.84
Total	56,400	1064	294.25

On the other hand, as we see from table 6.5, the average receipt of loans by members from non-cooperative sources varies inversely with land holdings. It is clear, from the picture that has emerged,

Table 6.5  
Borrowing in years 1990-92 by members  
from non-cooperative sources

Farm size (acres)	Borrowing (Rs)		
	Total	Per Family	Per Acre
Upto 2	73,550	3343	2421.00
2-5	51,100	2322	655.38
Above 5	2,000	222	24.00
Total	126,650	2389	660.77

that the present form of the Society is leaving the bulk of the farms dependent for most of their loans dependent on non-cooperative sources.

We must hasten to add that in the preceding tables of this chapter the number of families receiving the loans includes the families who received loan either in 1990-91 or in 1991-92 or in both.

A seggregation is now made of the members who received loans from this cooperative society during the year 1990-91.

Table 6.6  
Receipt of loans by members in  
1990-91

Farm size (acres)	Number of members	Amount of loan received (Rs)	Loan per acre
Upto 2	13	11,800	587.94
2-5	13	19,800	396.00
Above 5	8	22,900	296.17
Total	34	54,500	369.76

Viewing tables 6.6 and 6.7 we can see that of the members who borrowed 35 per cent of the members did not repay. Of the amount borrowed 36 per cent remained unrepaid. Of those who did not repay 50 per cent belonged to the farm size upto 2 acres, 33 per cent belonged to farm size 2-5 and 17 to above 5.

Table 6.7

Non-repayment of loans from the Society  
1990-91

Farm size (acres)	Number of members not repaying	Amount of loans not repaid (Rs)
Upto 2	6	8,200
2-5	4	5,200
Above 5	2	6,300
Total	12	19,700

### 6.3 USE OF INPUTS IN AGRICULTURAL PRODUCTION

In the course of the last fifty years the government initiative agricultural credit society under discussion has had no much impact on the use of inputs on the farms. If we use the data presented in table 6.6, we see that on average a loan receiving member received on average about 370 rupees per acre. On going through table 6.12 we feel sure that farmers as a whole finance less than half of their costs of production by funds from this cooperative society. We must add here that while the loan statistics were collected from 53 member-farmers, input data were collected from ninety eight farmers.

It is necessary to mention that some assistance to farmers is routed via the Gram Panchayat. Again some assistance is given with the knowledge and recommendation of Gram Panchayat. Some of

these aid are not given to every village every year. But almost none of the farmers received any such aid in 1990-91. So for this year the credit from this agricultural credit society was the only aid available from the government or government initiative cooperative society. The members who got this aid, which, as we write in a preceding paragraph, amounted to Rs. 370 per borrowing member, could at most spend the same on seeds, items of fixed capital, inorganic fertilizers and partially on hired labour.

This cooperative has had a very limited contribution to the supply of organic manures for the raising of crops. In the lagging local level rural economies, there is large-scale scarcity of fuel and energy for cooking, for want of rigorous and intensive local level planning. So in our estimate about half the cowdung secreted by the bovine population is burnt out as cooking fuel in farmers' households.

A very productive input of agriculture under the general agro-climatic features of West Bengal is organic manure based on cowdung. We estimate, on the basis of data of tables 6.8 to 6.12, that the value of the organic manure of this sort dumped on the farms during 1990-91 amounted to roughly Rs. 81,286. Again, on Rs. 100/- a farmer can buy  $2\frac{1}{2}$  quintals. On average a cow or a buffalo releases about 20 kilograms of dung. Calculating on the basis of these data the total of the organic manures used on the farms came from 27 bovine animals. If half of the cowdung available



Table 6.8  
USE OF INPUTS AND OUTPUT OF TRADITIONAL AMAN PADDY (KHARIF)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	PER		ACRE					Per Acre Total Cost (Rs)	
			Value of Total Output of crop (Rs)	Seeds (Rs)	Home Mandays (Rs)	COST		Depre- ciation (Rs)	Organic Manures (Rs)		Inorganic Manures (Rs)
						Hired Mandays (Rs)					
Upto 1	23	18.63	2932.796	150.187	283.360	50.993	155.555	41.331	101.825	783.251	
1-2	20	34.76	2636.334	122.928	320.166	-	123.101	-	106.731	672.926	
2-5	36	127.06	2496.466	119.966	246.269	52.668	119.030	6.296	111.230	655.459	
5-8	12	75.96	2982.885	152.238	288.572	42.259	129.620	-	137.572	750.261	
8-11	2	19.33	3181.58	100.000	122.71	77.59	123.228	-	117.175	640.703	
Above 11	5	68.65	2528.565	105.30	111.21	188.56	107.60	-	93.91	606.58	
Total	98	344.39	2686.343	124.974	236.821	73.454	121.710	4.558	112.959	674.479	

Table 6.9  
USE OF INPUTS AND OUTPUT OF TIL (PRE - KHARIF)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	PER ACRE							Per Acre Total Cost (Rs)
			COST							
			Value of Total Output of crop (Rs)	Seeds (Rs)	Home Mandays (Rs)	Hired Mandays (Rs)	Depre- ciation (Rs)	Organic Manures (Rs)	Inorganic Manures (Rs)	
Upto 1	-	-	-	-	-	-	-	-	-	-
1-2	6	4.97	938.832	56.539	99.396	-	108.450	51.509	15.694	331.588
2-5	8	9.99	1244.544	59.059	103.603	28.028	106.006	65.765	15.015	377.476
5-8	9	3.99	601.503	60.150	200.751	-	96.992	170.676	-	528.569
8-11	4	3.32	1362.951	71.385	69.277	84.337	96.385	80.120	-	401.504
Above 11	2	8.66	1832.217	57.736	25.404	112.009	104.734	108.545	-	408.428
Total	29	30.93	1289.718	59.747	89.880	49.466	103.847	90.526	7.371	400.840

Table 6.10  
USE OF INPUTS AND OUTPUT OF TRADITIONAL AUS PADDY (PRE-KHARIF)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	PER ACRE							Per Acre Total Cost (Rs)	
			COST					Depre- ciation	Organic Manures		Inorganic Manures
			Value of Total Output of crop (Rs)	Seeds (Rs)	Home Mandays (Rs)	Hired Mandays (Rs)	(Rs)				
Upto 1	-	-	-	-	-	-	-	-	-	-	
1-2	1	1.00	2100.000	100.000	210.000	-	115.000	120.000	180.000	725.000	
2-5	1	1.00	1900.000	100.000	300.000	-	300.000	150.000	-	660.000	
5-8	1	1.00	1400.000	75.000	290.000	-	105.000	-	90.000	560.000	
8-11	2	2.66	1860.902	84.568	132.330	75.187	119.172	125.187	90.225	626.687	
Above 11	1	3.00	1350.000	75.000	145.000	105.000	156.000	-	90.000	571.000	
Total	6	8.66	1662.817	83.718	183.256	59.468	128.752	69.630	90.069	614.896	

Table 6.11  
USE OF INPUTS AND OUTPUT OF JUTE (PRE-KHARIF)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	PER ACRE							Per Acre Total Cost (Rs)
			COST							
			Value of Total Output of crop (Rs)	Seeds (Rs)	Home Mandays (Rs)	Hired Mandays (Rs)	Depre- ciation (Rs)	Organic Manures (Rs)	Inorganic Manures (Rs)	
Upto 1	17	9.73	2243.884	140.801	430.935	118.705	170.606	198.869	60.328	1120.244
1-2	20	21.13	1715.522	111.926	400.378	-	145.433	221.296	36.961	915.994
2-5	36	55.64	2363.138	120.686	340.672	78.091	154.583	1043.907	42.990	1780.929
5-8	12	22.65	2312.008	121.633	382.119	131.788	172.715	256.953	62.251	1127.459
8-11	2	7.00	3000.000	114.285	184.285	246.428	152.000	257.142	77.142	1031.282
Above 11	5	23.00	2413.043	113.478	80.434	343.478	134.869	173.913	90.000	936.172
Total	92	139.15	2288.422	119.403	311.915	130.147	153.877	548.429	55.910	1319.683

Table 6.12  
USE OF INPUTS AND TOTAL OUTPUT (Rs)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	PER ACRE							Per Acre Total Cost (Rs)
			Value of Total Output of crop (Rs)	Seeds (Rs)	Home Mandays (Rs)	Hired Mandays (Rs)	Depre- ciation (Rs)	Organic Manures (Rs)	Inorganic Manures (Rs)	
Upto 1	23	28.36	2696.438	146.967	333.991	74.224	160.719	95.380	87.588	898.871
1-2	20	61.86	2176.753	113.465	328.047	-	129.421	81.668	76.770	389.055
2-5	36	193.69	2390.546	116.929	266.306	58.428	128.524	308.172	86.091	964.453
5-8	12	103.6	2729.218	141.254	305.656	59.797	137.548	62.750	115.347	822.355
8-11	2	32.31	2846.641	98.885	191.179	114.670	126.369	74.249	94.243	699.597
Above 11	5	103.31	2410.250	102.255	98.151	214.209	114.838	47.817	85.054	662.326
Total	98	523.13	2480.979	118.953	247.221	86.884	129.327	155.385	91.162	828.929

is used up as cooking fuel the farmers in our sample owned 54 bovine animals. An agricultural cooperative credit society could not make any further addition to the bovine resources of its members even in 50 years. Naturally a right form of agricultural cooperative credit society can not only contribute, through development of bovine resources, to the heightening of not only of crop production but also of milk output.

Two main crops of the members are jute (during the pre-monsoon or pre-Kharif season) and traditional Aman (monsoon or kharif season). The farmers of this locality generally give organic manures to their field in the beginning of the crop year, namely, in the pre-monsoon season. But inorganic fertilisers are dumped separately for every crop. This system is undoubtedly conditioned by the present scarcity of organic manures. Thus although, 93 per cent of organic manures are given to fields before jute seeds are sown, the expectation of the farmers is that once the fertility or humus of the soil is increased, this increase will work through the end of the crop year.

The jute is the principal crop of the pre-monsoon season (pre-Kharif season) because there is often the possibility that this crop fetches good price. In the year for which the data are presented, unfortunately the farmers could not earn good business income owing to low prices at which they had to sell raw jute.

Even though the total of mandays utilised for raising the jute crop is higher than that used for traditional paddy of the monsoon season (Kharif season), the total labour absorption of the latter crop is almost twice that of jute. There is no denying that with more credit the per acre absorption of labour can increase even without the concomitant use of non-labour inputs. One operation, for example, on labour can be used without further non-labour inputs is weeding. Good weeding also prevents the growth of crop damaging insects.

#### 6.4 EXPECTATION IN THE RISE OF DEMAND FOR CREDIT

An institution like an agricultural cooperative credit society, if rightly formed and managed, can indeed make a big contribution to usher in true dynamism in the operation of the local level rural economy. We have already seen in chapter V that the agro-climatic characteristics of the Binnaguri mouza which comprises the Binnaguri Gram Panchayat add to the higher potential of productivity of the land endowment of the area. One important aspect of this potentiality of high productivity of land is the prospects of implementing different kinds of irrigation for agriculture. We must instantly grant that it is rather difficult for a single agricultural cooperative credit society to implement very big irrigation projects of river canal irrigation. Because they require often hundreds of crores of rupees worth investment. In fact, it has been the experience of the researches conducted

by the supervisor Prof. P.C. Sarkar that the technology of irrigation by big river canals is usually not the best form of irrigation, judged by the productivity of such irrigation water. Therefore, if an agricultural cooperative credit society cannot bring about this type of irrigation water for use of its members and/or others there is little to bemoan it.

It is, however, within the power of a rightly organised agricultural cooperative credit society, to bring about irrigation enterprises, by creating them through offer of required credit, that will use river lift irrigation as well as mini deep tube well irrigation to supply irrigation water to farmers. Of other forms of irrigation, mention may be made of animal drawn Persian Wheels for well irrigation. If petrol is scarce, even mini deep tube wells can be operated by a set of well-fed bullocks or buffaloes. The fact this cooperative credit society has failed to make any effort whatsoever in setting up under its own initiative, or financing individually run small, enterprises for supply of irrigation water to farmers is an evidence to say that this form of government initiative agricultural cooperative credit society is constitutionally debarred from setting up any infrastructural facilities for the region.

The infrastructural facilities like irrigation water, marketing facilities, purchasing facilities or the input markets are not the only kinds of things a successful agricultural credit cooperative society may be expected to do. In expectation that the society will succeed to usher in all of them, the institution must



be ready to cope with the successive dynamic increases in the demand for rural credit. The present form of government initiative cooperative credit society for agriculture is especially handicapped because it is incapable of converting rural hoardings into usable rural savings.

It will be in order if <sup>we</sup> use some data we collected to obtain some idea of the possible increases in the demand for rural credit when various infrastructural facilities for agriculture will come to the farmers simultaneously. It is the simultaneous existence of the required facilities that will make farmers' capital outlay remunerative. The demand for credit will increase with every new setting releasing scope for further use of reproducible capital.

The data of 98 farms were fitted to derive linear and non-linear production functions. The functions are presented in tables 6.13 to 6.34. The data were collected from three different villages. It is possible the returns of these farmers were subjected to substantial non-sampling errors. Even though the data were not of unmixed purity we present the functions to select ultimately one or two with the purpose of having some sort of an estimate of future demand for agricultural credit in this area.

Table 6.13  
 Production Function (Linear)  
 Dependent Variable = Value of Total Output

Variables	Regression Co-efficients	T. with D.F = 91
Constant	2337.7	3.6939
VAS	-.069394	-0.1264
HOL	1.9354	2.7127
HIL	4.1048	4.9375
VAD	2.6559	1.4560
VOR	.049325	0.1999
VAIN	-0.9014	-0.6908
$R^2$		0.3132043

Table 6.14  
 Production Function (Cobb-Douglas Type)  
 Dependent Variable = Value of Total Output

Variables	Regression Co-efficients	T. with D.F. = 91
Constant	6.4490	3.5312
VAS	0.2422	1.7302
HOL	- .0051071	- .052756
HIL	.049222	1.1962
VAD	0.2594	0.7754
VOR	-0.2936	-1.7733
VAIN	0.1281	1.3457
$R^2$		0.0930956

Table 6.15  
 Production Function (Linear)  
 Dependent Variable = Physical Amount in Kilos  
 of Jute (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 85
Constant	230.63	1.4660
VAS	1.1381	0.9952
HOL	.024660	0.1898
HIL	0.2223	1.4803
VAD	.0013850	.0034622
VOR	-0.2282	-2.2292
VAIN	0.3125	0.9072
$R^2$		0.1641276

Table 6.16  
 Production Function (Cobb-Douglas Type)  
 Dependent Variable = Physical Amount in Kilos of  
 Jute (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 85
Constant	3.9866	1.9364
VAS	0.5579	1.3625
HOL	- .0044675	- .097049
HIL	.044101	2.0309
VAD	.020571	0.1248
VOR	-0.1837	-1.7299
VAIN	- .0073261	-0.3388
$R^2$		0.1156363

Table 6.17

Production Function (Linear)

Dependent Variable = Value of Output of Jute (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 85
Constant	2392.1	2.6318
VAS	4.1632	0.6318
HOL	-1.2702	-1.6545
HIL	- .020235	- .023418
VAD	-0.6159	-0.2684
VOR	-1.1032	-1.8778
VAIN	-.0080889	-.0042012
$R^2$		0.1476335

Table 6.18

Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Output of Jute  
(Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 85
Constant	6.0683	2.9234
VAS	0.5561	1.3475
HOL	- .060635	-1.3070
HIL	.038506	1.7606
VAD	- .023535	-0.1417
VOR	-0.1238	-1.1562
VAIN	- .057604	-2.6521
$R^2$		0.2040173

Table 6.19

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## Production Function (Linear)

Dependent Variable = Physical Amount in Kilos of  
Traditional Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F. = 3
Constant	414.91	2.1788
VAS	1.5785	0.8900
VAD	-0.4037	-0.5075
$R^2$		0.2632498

Table 6.20

## Production Function (Cobb-Douglas Type)

Dependent Variable = Physical Amount in Kilos of  
Traditional Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F. = 3
Constant	5.4604	3.4567
VAS	0.2589	0.8949
VAD	-.083279	-0.4427
$R^2$		0.2490560

Table 6.21  
 Production Function (Linear)  
 Dependent Variable = Value of Output of Traditional  
 Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F. = 3
Constant	680.82	1.3571
VAS	18.445	3.8899
VAD	-4.1482	-1.9502
$R^2$		0.8655225

Table 6.22  
 Production Function (Cobb-Douglas Type)  
 Dependent Variable = Value of Output of Traditional  
 Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F. = 3
Constant	4.8279	3.7853
VAS	0.9598	4.1094
VAD	-0.3412	-2.2461
$R^2$		0.8794674

Table 6.23

Production Function (Linear)

Dependent Variable = Physical Amount in Kilos  
of Traditional Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 1
Constant	836.27	2.9370
VAS	2.4918	3.0603
VAD	-3.8948	-1.9256
VOR	-1.2035	-1.7105
VAIN	0.5777	3.6126
$R^2$		0.9711095

Table 6.24

Production Function (Cobb-Douglas Type)

Dependent Variable = Physical Amount in Kilos of  
Traditional Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F. = 1
Constant	.048668	.021972
VAS	-0.4113	-1.1035
VAD	1.5384	2.1470
VOR	0.1570	2.3807
VAIN	.034929	2.8325
$R^2$		0.9466143

Table 6.25  
 Production Function (Linear)  
 Dependent Variable = Value of Output of Traditional  
 Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 1
Constant	-1894.8	-1.1765
VAS	13.573	2.9473
VAD	13.696	1.1972
VOR	6.3045	1.5842
VAIN	1.7904	1.9796
$R^2$		0.9764032

Table 6.26  
 Production Function (Cobb-Douglas Type)  
 Dependent Variable = Value of Output of Traditional  
 Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 1
Constant	8.0244	7.9139
VAS	1.6861	9.8825
VAD	-1.6315	-4.9740
VOR	-0.1138	-3.7711
VAIN	.029088	5.1529
$R^2$		0.9972457



Table 6.27  
 Production Function (Linear)  
 Dependent Variable = Value of Output of Traditional  
 Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 1
Constant	1300.8	3.1821
VAS	17.715	5.8065
HOL	-2.7701	-2.0843
HIL	-3.2286	-1.3888
VAD	-3.0540	-1.3138
$R^2$		0.9816385

Table 6.28  
 Production Function (Cobb-Douglas Type)  
 Dependent Variable = Value of Output of Traditional Paddy  
 (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 1
Constant	9.3088	20.457
VAS	0.5389	9.7534
HOL	-0.3112	-10.687
HIL	- .051397	-7.7377
VAD	-0.5237	-20.779
$R^2$		0.9992548

Table 6.29

## Production Function (Linear)

Dependent Variable = Value of Output of Traditional  
Paddy (Kharif)

Variables	Regression Co-efficients	T with D.F. = 91
Constant	1123.3	4.7695
VAS	12.613	5.5233
HOL	.089452	0.4647
HIL	2.1050	2.4779
VAD	-0.5052	-0.8146
VOR	-2.5642	-1.6310
VAIN	-1.0966	-0.6468
$R^2$		0.4118413

Table 6.30

## Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Traditional Paddy (Kharif)

Variables	Regression Co-efficients	T with D.F. = 91
Constant	5.2035	8.9275
VAS	0.6290	5.3687
HOL	- .0024734	- .078026
HIL	.038358	2.2058
VAD	- .069799	-0.7851
VOR	- .028282	-1.2119
VAIN	- .020794	-0.8821
$R^2$		0.3418912

Table 6.31

## Production Function (Linear)

Dependent Variable = Physical Amount in Kilos of Til  
(Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 22
Constant	204.50	1.4838
VAS	2.1476	1.3912
HOL	-0.4202	-1.1924
HIL	1.2694	3.0779
VAD	-1.2066	-1.0093
VOR	- .066040	-0.2162
VAIN	-0.3952	-1.0267
$R^2$		0.6275284

Table 6.32

## Production Function (Cobb-Douglas Type)

Dependent Variable = Physical Amount in Kilos of  
Til (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F. = 22
Constant	2.1112	0.6582
VAS	0.8817	2.3562
HOL	-0.1841	-2.2209
HIL	.077928	1.4929
VAD	.016682	.024775
VOR	.0080804	0.1253
VAIN	- .093527	-1.7144
$R^2$		0.6203421

Table 6.33

Production Function (Linear)

Dependent Variable = Value of Output of Til (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 22
Constant	1390.9	1.5791
VAS	15.840	1.5889
HOL	-2.9251	-1.2952
HIL	7.0609	2.6717
VAD	-9.2402	-1.2087
VOR	-0.6101	-0.3120
VAIN	-2.8181	-1.1467
$R^2$		0.6076092

Table 6.34

Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Output of Til  
(Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 22
Constant	4.4175	1.4360
VAS	0.9028	2.3628
HOL	-0.1828	-2.2368
HIL	.59191	1.1051
VAD	- .080129	-0.1244
VOR	- .0090514	-0.1444
VAIN	-0.1329	-2.4547
$R^2$		0.6478630

The want of users' real computer facilities in the end accounts for our inability to formulate a really very large number of functions on the basis of alternative groupings of farms. So the derived production functions here are not as much representative of reality as we desire.

In a very simple approach we might say that if one regression co-efficient is significant, the whole regression is significant. Even though the fitting is not sufficiently good in table 6.13, most regression co-efficients except for VAIN and VAS are positive.

The full expression for the mnemonic names are as under:

VAS = Value of seeds (Rs)

HOL = Value of home mandays (Rs)

HIL = Value of hired mandays (Rs)

VAD = Value of depreciation (Rs)

VOR = Value of organic manures (Rs)

VAIN = Value of inorganic fertilisers (Rs)

We have already hinted at that the widespread want of infrastructural facilities in the area. Seeds, implements, mandays (both home and hired), organic manures and inorganic fertilisers are used rather blindly. Farmers are unable to make conscious calculated use of these inputs.

Table 6.35

Marginal Productivity Corresponding to  
Table Number 6.13

Input	Marginal Productivity
VAS	- .069394
HOL	1.9354
HIL	4.1048
VAD	2.6559
VOR	.049325
VAIN	-0.9014

Table 6.36

Marginal Productivity Corresponding  
to Table Number 6.14

Input	Marginal Productivity
VAS	3.91
HOL	-0.04
HIL	1.61
VAD	4.03
VOR	-4.49
VAIN	3.55

Table 6.37

Marginal Productivity Corresponding  
to Table Number 6.15

Input	Marginal Productivity
VAS	1.1381
HOL	.024660
HIL	0.2223
VAD	.0013850
VOR	-0.2282
VAIN	0.3125

Table 6.38

Marginal Productivity Corresponding  
to Table Number 6.16

Input	Marginal Productivity
VAS	1.678
HOL	-0.004
HIL	0.167
VAD	0.048
VOR	-0.291
VAIN	-0.048

Table 6.39

Marginal Productivity Corresponding  
to Table Number 6.17

Input	Marginal Productivity
VAS	4.1632
HOL	-1.2702
HIL	- .020235
VAD	-0.6159
VOR	-1.1032
VAIN	- .0080889

Table 6.40

Marginal Productivity Corresponding  
to Table Number 6.18

Input	Marginal Productivity
VAS	9.502
HOL	-0.333
HIL	0.830
VAD	-0.313
VOR	-1.116
VAIN	-2.112



Table 6.41

Marginal Productivity Corresponding  
to Table Number 6.19

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Input	Marginal Productivity
VAS	1.5785
VAD	-0.4037

---

Table 6.42

Marginal Productivity Corresponding  
to Table Number 6.20

---

Input	Marginal Productivity
VAS	1.479
VAD	-0.317

---

Table 6.43

Marginal Productivity Corresponding  
to Table Number 6.21

---

Input	Marginal Productivity
VAS	18.445
VAD	-4.1482

---

Table 6.44

Marginal Productivity Corresponding  
to Table Number 6.22

---

Input	Marginal Productivity
VAS	19.196
VAD	-4.546

---

Table 6.45

Marginal Productivity Corresponding  
to Table Number 6.23

---

Input	Marginal Productivity
VAS	2.4918
VAD	-3.8948
VOR	-1.2035
VAIN	0.5777

---

Table 6.46

Marginal Productivity Corresponding  
to Table Number 6.24

---

Input	Marginal Productivity
VAS	-2.350
VAD	5.856
VOR	0.995
VAIN	0.193

---

Table 6.47

Marginal Productivity Corresponding  
to Table Number 6.25

Input	Marginal Productivity
VAS	13.573
VAD	13.696
VOR	6.3045
VAIN	1.7904

Table 6.48

Marginal Productivity Corresponding  
to Table Number 6.26

Input	Marginal Productivity
VAS	33.722
VAD	-21.739
VOR	-2.526
VAIN	0.564

Table 6.49

Marginal Productivity Corresponding  
to Table Number 6.27

---

Input	Marginal Productivity
VAS	17.715
HOL	-2.7701
HIL	-3.2286
VAD	-3.0540

---

Table 6.50

Marginal Productivity Corresponding  
to Table Number 6.28

---

Input	Marginal Productivity
VAS	10.778
HOL	-2.769
HIL	-1.873
VAD	-6.978

---

Table 6.51

Marginal Productivity Corresponding  
to Table Number 6.29

Input	Marginal Productivity
VAS	12.613
HOL	.089452
HIL	2.1050
VAD	-0.5052
VOR	-2.5642
VAIN	-1.0966

Table 6.52

Marginal Productivity Corresponding  
to Table Number 6.30

Input	Marginal Productivity
VAS	12.920
HOL	-0.020
HIL	2.259
VAD	-1.330
VOR	-4.893
VAIN	-0.524

Table 6.53

Marginal Productivity Corresponding  
to Table Number 6.31

---

Input	Marginal Productivity
VAS	2.1476
HOL	-0.4202
HIL	1.2694
VAD	-1.2066
VOR	- .066040
VAIN	-0.3952

---

Table 6.54

Marginal Productivity Corresponding  
to Table Number 6.32

---

Input	Marginal Productivity
VAS	2.823
HOL	-0.341
HIL	0.440
VAD	0.029
VOR	0.020
VAIN	-1.061

---

Table 6.55

Marginal Productivity Corresponding  
to Table Number 6.33

Input	Marginal Productivity
VAS	15.840
HOL	-2.9251
HIL	7.0609
VAD	-9.2402
VOR	-0.6101
VAIN	-2.8181

Table 6.56

Marginal Productivity Corresponding  
to Table Number 6.34

Input	Marginal Productivity
VAS	17.951
HOL	-2.108
HIL	2.101
VAD	-0.884
VOR	-0.143
VAIN	-9.564



Despite the difficulties in deriving the most satisfactory production functions we observe that all the inputs which is being used have indeed productive powers. This is noticed if we take into account all the functions produced here.

An agricultural cooperative credit society that seeks to cater to the needs not merely of infrastructural needs of the members' locality but also of the growing demand for credit on the basis of farmers' expanded demand for inputs must be founded and run on sound lines.

## Chapter VII

## A PRIVATE INITIATIVE COOPERATIVE CREDIT SOCIETY

## 7.1 INTRODUCTION

Private initiative cooperative credit societies were formed under Cooperative Societies Act of 1912. Between 1912 and 1940, it is known that, quite a few of such societies came into being. But as educated people interested in the development of such societies were wanting, none except the present one could flourish.

We call an agricultural cooperative credit society a private initiative cooperative credit society if all its share capital comes solely from members other than the Government. Another essential feature of a private initiative cooperative credit society is the liability of the members is unlimited. Clearly, the liability of the members is not limited to the amount of shares they hold. Usually the most important assets of the agricultural members of a cooperative society are their land holdings. When the members know that if the society is managed weakly and incurs losses then their land assets would have to be sold to compensate for the losses incurred. So there is a round the clock agility among members to assure that all businesses transacted by the society and do so on sound lines.

To ensure that all businesses are transacted on sound lines means that all advances are made against securities or surerities.

No tentativeness is allowed by members in respect of the administration of loans. So there is no problem of unrepaid loans. The existence of this problem is a feature of government initiative agricultural cooperative society.

Quite aside from these advantages, this type of societies can convert a huge amount of village hoardings into useable bank savings. Members' persuasion becomes instrumental in breaking back of shyness of farmers to deposit the whole of their excess of income over outlay in the cooperative credit society and earn interest income.

The members are always vigilant not only to make sure that the business are transacted in the soundest possible way but also they would like to see that their Directors are so elected that these businesses and their security are well protected. Appointments and officers of the society must be approved by the members in their general meeting. Members of the staff so elected make up also an important line of defence of the members of this type of cooperative society.

In the annual general meeting of this type of societies all members having any amount of land assets remain present from the beginning to the end of the meeting and check every detail of accounts, record books and bank accounts. Even though this type of society is free to take its loan capital from the Central Cooperative Bank of the district, members are masters of their

business. This type of cooperative credit society is a free cooperative society run democratically by the members and is in no way shadowed by the will of personnel of the Government.

## 7.2 THE BASIC CONSTITUTION

In reality the constitution of a private initiative cooperative credit society is virtually under the provisions of the Act of 1912. The legislation since 1973 prohibited the setting up of any new agricultural cooperative credit society with unlimited liability. In a society registered with unlimited liability it is difficult for the Government to dominate over the members, because in that case the security of the properties of the members will be at stake.

Despite this, the bylaws mention that the Registrar of Cooperative Societies may nominate not more than two members on the Board of Directors of this society. But this provision of the bylaws has never been used by the Government. The main reason is that a private initiative agricultural cooperative credit society is set up under the Act of 1912 as a society with unlimited liability. Under the provisions of this Act the State Government had no power to nominate any member to the management committee of a cooperative society. The provision of nomination was included in the Act of 1940. But the Act of 1940 provided for the co-existence of both unlimited liability as well as limited liability agricultural cooperative societies. As the latter type of cooperatives

were mainly dependent on government funds, the government had the especial need to appoint some of their own men who would act as watchers and guardians of their interests in the society. But in an unlimited liability cooperative society the Government has no right to represent any interest. Even though the vote oriented Government used from time to time their persuasion to convert this Society into a Society with limited liability, the stubbornness of the members got over such persuasion.

The bylaws, as amended in 1962, required that the permission from the Registrar of Cooperative Societies would be necessary if the society sought to increase the number of members from 1000.

The bylaws do not disallow labourers from being members. But they mention categorically that a person seeking membership of the society must apply in a prescribed form to the Board of Governance (or the Committee as it was called in the provisions of the Act of 1912). The Committee had the right either to accept or reject the application. If the application was rejected, the applicant has the right to see that application for membership is considered at the next general meeting of the Society. The real point, therefore, is that it is the members of the society who will decide upon the admission of new members.

Since in the beginning the Society was composed of land owning agriculturists. As the liability of the members is not limited to the shares of the members, it is in the interest of the members that they make sure that the number of non-asset

owning members is kept at minimum. A certain number of labourers are kept as members. But the proportion of their members is never allowed to be so big as to make them too influential in the formulation or execution of policies.

Originally the members of the Society were to be taken from four villages. Later, however, this area was reduced to the set of three villages, namely, Sridharpur, Sarra and Baksa (Tanti Baksa). In order to be a member of this society, it is essential that one is not a member of any other cooperative society with unlimited liability. A member must be at least 18 years old. But if an heir of a dead member of this society is less than 18, he is entitled to be member on application under a guardian.

A cooperative credit society with unlimited liability has, however, a great need of special safeguards. Thus it is imperative for every member of this society to submit returns every year, in terms of the Act and the Rules and under his own signature, the full details of his properties and loans standing in his name. Secondly, he must inform the society of any sale, transfer or mortgaging of any of his properties prior to such transactions. Thirdly, if he wants to apply to any authority other than this society, he must notify the society about the purpose and amount of such loan.

A member can leave the society by giving to the society one month's notice, if and only if he has cleared all his debts to the society and he no longer stands as a surety to any borrower

of the society. The membership terminates if the committee expects the member and a general meeting approves the expulsion. Emigration from the specified area of operation or debts, bankruptcy or nervous breakdown are also grounds for termination of membership.

The ultimate authority of this type of cooperative society rests with the General Meeting of the members of the Society. The General Meeting of the members elect six of their members to constitute a managing committee for the society. Immediately after this General Meeting, the former Secretary will convene a meeting of the managing committee. This meeting will elect a President, a Vice President and a Secretary. The managing committee is required to meet at least once in a month. There is, however, no ban on any number of meetings of this committee within one month. The presence of at least three members makes up the quorum. Minutes of the proceedings will be written in the Proceedings book and all members present will sign. In their transactions of business the managing committee will not merely follow the Act, Rules and Bylaws but also abide by all the decisions of the General Meeting of the members of the Society.

The general meeting of the members hold the responsibility as the watchdogs of the activities of the managing committee. The annual budget prepared by the managing committee is examined in detail by the General Meeting gives final shape to this budget before approving. The General Meeting will guide and direct the managing committee about what the latter are to do and in what way.

A general meeting must be held once in every year. The maximum allowable gap between two general meetings is 15 months. A General Meeting must also meet with three months of receipt of the audited accounts of the society. The managing committee would be free to convene a General Meeting any number of times in a year, if the committee so require. Proceedings of a General Meeting will be recorded in a Proceedings Book and the President will sign. One fifth of the members make up the quorum for a session of the General Meeting.

In terms of the bylaws of the society amended in 1962 the activities of the society were widened. Certainly for each widening a prior approval of the Registrar of Cooperative Societies of the state was essential. A long list of permissible activities is included in the bylaws as amended in 1962. Marketing of produces of agricultural and a variety of rural enterprises, purchasing of inputs, implements and domestic consumption goods, production of manures and fertilisers are regarded as business in which the society can be engaged. Besides, there is an important provision in bylaws which says that the society can do anything which is necessary or which can be done for the fulfilling the main objective of the society. Obviously, the main object of the society is to provide loans to the members for their agricultural, domestic and entrepreneurial needs.

Accordingly the Society is free to open branches of its Savings Banks outside the villages whose inhabitants above are eligible to be members of this society. The society can receive



deposits and offer interest against them anywhere outside the villages where its members live. But what it cannot do is that it cannot advance loans to any person who lives outside the three villages and, at the same time, who is not a member of the society.

### 7.3 HISTORY OF SRIDHARPUR COOPERATIVE BANK

Sridharpur Cooperative Bank, a Raiffeisen type primary agricultural cooperative credit society of unlimited liability at Sridharpur of Memari Block II in the Burdwan district, was registered under the Cooperative Societies Act No. II of 1912 on the 20th April, 1918. The credit for the establishment of this society solely goes to Mr. Hansaswar Banerjee, Bar-at-Law of Calcutta High Court, who had opportunity to gather knowledge regarding principles and practice of cooperation for setting up in the rural areas for the upliftment of farmers staying rather far from main line of communications who, for generations, had been in the clutches of village money-lenders. Mr. Hansaswar Banerjee, being highly skilled in persuasion, was able to convince the village people of the role of cooperation in the development of rural economy.

The other founder members who took great initiative for the establishment of the credit society were Abhinash Chandra Bhatterjee, Monomohan Mukhopadhyaya, Bimalapada Mukherjee, Sarat Chandra Chakraborty, Nagendranath Banerjee, Tituram Roy, Pramathanath Sarkar, Hrishikesh Ghosh and Narayan Chandra Banerjee. Thus the initial number of members of the society was ten.

The Society is empowered to enlist members only from three villages, namely, Sridharpur, Sarra and Tantibaksa under the Memari Police station of the Burdwan district of West Bengal. According to a survey conducted by the Society in 1985 the total population inhabiting these three villages is 3,500 and the total number of farm families is 711. Of these families, 640 families had members of this society in 1985. The area was at one time under single cropping system. Now the people raise five crops, namely, HYV paddy of pre-monsoon (pre-Kharif), HYV paddy of the monsoon season, HYV paddy of winter season, potatoes and mustards. The supply of cooperative credit from the society and consequent case of use of HYV seeds, fertilisers, pesticides and insecticides has immensely improved the productivity per acre.

The preceding section on the basic constitution is written on the basis of the bylaws adopted in 1962. Such elaborate bylaws were not set up at the time of foundation of the Sridharpur Cooperative Bank. The first bylaws of the society were very simple. In terms of these bylaws, members were not required to buy any share. All what they required to pay was an admission fee at the rate of half a rupee. These bylaws were signed by ten members. Thus the starting capital collected from admission fees amounted to Rs. 5/- only. The first bylaws fixed the number of members to be admitted as fifty. The members decided to borrow the required money from the Burdwan Central Cooperative Bank and divide the same among the intending members. On the 17th May, 1918 the Society borrowed for the first time from the Burdwan Central Cooperative Bank a sum of Rs. 1500

and lent the sum to members who needed loans.

On the 20th June, 1920 the Society adopted a bylaws saying that each member has to buy a share of the value of Rs. 30 only. The amount could, however, be paid in ten annual instalments. It was provided that no member could buy more than 10 shares.

About 1926 the members and the managing committee felt that it would be healthy for the Society if it could raise reasonable funds locally. The Secretary went from door to door to canvas for savings deposits with the Sridharpur Cooperative Bank (the present Society). Eighty Savings Boxes were distributed. Each box had a key. This key was kept by the Secretary. He opened them in presence of the depositors and gave them proper receipts. The efficiency of the early leaders did a great to build up a confidence base for this Society.

When deposits increased, the use of savings boxes were discontinued. With further increase of deposits, along with savings bank accounts, term deposits were introduced in 1928.

The great depression of the 30's increased the helplessness of the farmers by lowering the prices of agricultural commodities. Naturally loanee members were unable to repay loans. A great shock came to the society. But as a matter of correct action of the Society, a bad debt fund was created in 1935. From this fund the distressed loanee members were saved from debt. Thus the members and the society survived. Contribution towards the bad debt fund from net profit of the society continues to face any financial difficulties even now.

As a result of the endless efforts of the society, saving in the savings bank account of the society became a habit of the members and that of the local people, and within 1938 the loan capital position of the society improved substantially. The off-take of loans from the Burdwan Central Cooperative Bank depended on demand being greater than what the internal resources ~~could~~ satisfy.

The society celebrated its Silver Jubilee in the year 1943. In the same year the Famine of Bengal gave a great setback to the Bengal economy. The direct impact of the famine was to raise the prices of essential commodities and with this rose the miseries of the people. At that time the society was selected as a dealer for selling rice and flour at controlled price. After getting dealership the directors realised the necessity for setting up grocery in the society which, in turn, became a Consumers' Store supplying essential articles to the people at a reasonable price.

The history of Sridharpur Cooperative Bank after 1945 is the history of development, expansion and diversification. The development of the society can be assessed with the help of the statement of year-wise expansion of deposit as shown in table 7.1.

Table 7.1

Deposits kept at the Society by members  
and the public

Year	Amount of Deposit (Rs)
1926-27	200.00
1927-28	1,100.00
1937-38	2,300.00
1947-48	10,900.00
1957-58	45,500.00
1967-68	3,68,000.00
1977-78	17,71,000.00
1987-88	2,10,61,700.00
1990-91	3,21,61,700.00

The table shows that total amount of deposit was only Rs. 200.00 in the year 1926-27 and in the next year (1927-28) it rose to Rs. 1,100.00. After that there has been an upward direction of the volume of deposit accumulation of the society. This is phenomenal in the history of a primary agricultural cooperative credit society in a rural area of West Bengal.

Not only the increase in the volume of deposit but also there has been a steady growth in the volumes of share capital, reserve and other funds, owned capital and working capital of the society. The table (No. 7.2) below provides the data.

Table 7.2  
 Volumes of Share Capital, Reserve & Other  
 Funds, Owned Capital and Working Capital

(Rs. in 000)

Year	Share Capital	Reserve and other Funds	Owned capital	Working capital
1918-19	.050	NIL	.072	1.100
1927-28	1.300	0.700	2.400	6.200
1937-38	1.900	4.900	7.200	10.300
1947-48	2.600	7.700	11.400	20.200
1957-58	8.700	15.800	28.000	70.000
1967-68	25.200	65.200	101.900	516.200
1977-78	45.300	150.000	237.600	2950.100
1987-88	120.000	3972.100	4093.700	32430.600
1990-91	136.500	7765.700	7902.200	63630.700

The society was selected a dealer of selling controlled cloths under the Cloth Control Order in 1949. The section of selling cloths still remains today. An addition to the activities of the society was made when a grain "gola" (grain warehouse) had been started after amending the bylaws of the society in 1951. The bye-laws require members to purchase a share of the grain gola valuing three maunds (about 120 kg) of paddy. The grain gola gives paddy loan upto six maunds (240 kg nearly) per member in the off season. The grain gola helps the marginal and small farmers and landless labourers by providing paddy loans for consumption purposes at a reasonable rate of interest saving them from the

hands of private hoarders who had been charging a very high rate of interest ranging from 50 per cent upto a maximum of 100 per cent per annum.

Considering the necessity of fertilisers of the farmers the society began selling in 1954 oil cakes and chemical fertilisers of high qualities like uria, phosphate, potash and company mixtures like Sufala, DAP and IFFCO's NPK to the farmers. Also insecticides and pesticides are supplied at a rate lower than the existing market rate. The reason is that the society directly purchases fertilisers and pesticides and insecticides from the inputs-producing industries at whole sale rate.

For grain gola and stock of oil cakes and fertilisers urgency was felt to build a godown. Thus a godown of 5,000 quintals capacity was constructed in 1957 and the second one was built in 1962 with a capacity of 8,000 quintals at Sridharpur. A branch of the society was started at Radhakantapur in 1967 and a godown with a capacity of 16,000 quintals was constructed thereon for fertiliser section. The goodwill of the society crossed the local limit and cultivators from outside the jurisdiction of the society started purchasing fertilisers from this branch.

The activities of the society extended to marketing of paddy in 1959. Members receive the benefit of the prices that prevail on the day the society buys their produces. The society sells them when the price reaches the seasonal height. Members receive later the benefit of the difference of the prices minus

a reasonable interest on the payments the society made at the time of buying.

The area, very backward at the time of the foundation of the society, became an area for specialised potato cultivation. The society started in 1972 marketing of potato in order to protect the interest of the members. Initially the stock purchased was stored with a local cold store not belonging to the society. The capacity of the local cold store was so insufficient that the society was unable to store all the purchased stock from members in it. Thus members in a special general meeting decided to construct a cold store. The project of constructing a cold store at Sankarpur was started in 1977. Total cost of construction was Rs. 58 lakhs of which Rs. 50 lakhs was given by the Burdwan Central Cooperative Bank as loan. Total capacity of the store is 9,300 metric tons.

In the cold store preference is given to the members and thereafter to the farmers of the locality to stock their potato. This cold store enables farmers to wait for a better market of their products. Also cash loans are sanctioned to the member farmers against their stocks in the cold store. It is a great wonder that loans taken from the Burdwan Central Cooperative Bank for the construction of cold store was repaid within a period of five years (that is to say, within 1982).

The popularity and good will of the society have crossed the villages of members of the society. New branches of the Bank were opened in the areas where the cooperative movement was weak.



Now the branches of the society are : (1) Radhakantapur (1967), (2) Sankarpur (1977), (3) Bohar (1976), (4) Matiswar (1978), (5) Madhyamgram (1981), (6) Memari (1989). These branches are only for collection of deposits.

The society started pisciculture in a big tank of 14 acres purchased in 1971 at Rs. 33,000.00 for employment generation of the landless members. Also paddy, potato, grams, banana, coconut, chilly, cabbage and some other vegetables are cultivated on the bank of the tank. Water from this tank is supplied for cultivation of potato and HYV paddy to the farmers (both members and non-members) in the surrounding areas of the tank arranging a lift-irrigation system there.

The society gives loans to the people against their utensils pledged at a very low rate of interest (8%) thus saving them from the clutches of the private money lenders who had for a long time been charging an interest so higher that people could not repay loans and thus ultimately bound to sell their utensils to them (money-lenders) at a much lower price. This operation began in 1982.

The village from which the society enlists its members have 900 acres of cultivated lands. Before introducing deep tube wells for irrigation by the society 50 acres of land were irrigated by about sixty five tanks and 138 acres were irrigated by canal water. Thus total irrigated land was only 188 acres which was 20.88 per cent to the total. This is shown in table 7.3.

Table 7.3

Position of Irrigation Before Installation  
of Deep Tube-Wells

Total Cultivated land (Acres)	Sources of Irrigation	Irrigated Land (Acres)	Percentage to total
900.00	Tanks	50.00	5.55
	Canals	138.00	15.33
Total		188.00	20.88

Table 7.3 shows that out of 900 acres of cultivated land 5.55 per cent is irrigated by tanks and 15.33 per cent is irrigated by canals. Thus only 20.88 per cent of total land was irrigated before installation of deep tube-wells.

In 1988-89, twenty-one mini deep tube-wells were installed to provide better irrigation facilities to the farmer members. As a result, out of 900 acres of total cultivated land 700 acres come under one or the other kind of irrigation enabling members to produce HYV paddy especially during summer and winter and potato in the winter. As a result farm labourers are getting employment throughout the year. The table 7.4 shows sources of irrigation, their coverage of total cultivated land and their percentage to total .

Table 7.4

Position of Irrigation After Installation  
of Deep Tube-Wells

Total Cultivated Land (Acres)	Sources of Irrigation	Irrigated land (Acres)	Percentage of Irrigated land to total
900.00	Tanks	50.00	5.55
	Canals	138.00	15.33
	Deep Tube- Wells	512.00	56.88
Total 900.00		700.00	77.76

Originally though evolved as an economic organisation, social purpose and welfare of the weaker sections are closely associated in the cooperative philosophy. The bylaws clearly provide for such contributions. This is why the activities of the society are not confined to economic aspects alone. It is involved in social welfare activities. As regards to its role in relation to the social welfare activities the society has undertaken educational activities first. In the year 1948 the society has established a primary school in its locality. After its establishment the school was taken over by the District School Board. A pucca building was donated by this Society to the primary school in 1983. The local Higher Secondary School, founded by Mr. Abhinash Chandra Chatterjee, a founder member of the society is being periodically helped with money. Four other neighbouring schools were given a total of Rs. 23,500 as donation for construction of

buildings. A book bank for poor and meritorious students has been set up. Best students of the locality and that of the neighbouring areas are regularly awarded for higher education. The total costs to the society for this amount to Rs. 3600/- per annum. An amount of Rs. 50,000 was donated to Memari College for its building construction in 1988-89. Also the society has participated in the Mass Literacy programme in the locality and has donated Rs. 10,000 for teaching aids and used 30 members of its staff in its programme. For education purpose the society has up to the date spent roughly more than Rs. 2,00,000.

In the year 1945 a charitable fund was created for help to the people afflicted by flood, drought, crop failure or other natural calamities. Conventionally the honorary secretary of the society contributes his entire bonus to the charitable fund. Donations are also made to the Chief Minister's Relief Fund.

There was no pucca road from Sridharpur to the nearest high way at Radhakantapur. The society took initiative for developing a two miles' road and covered it with bricks and a link road has been constructed in full to connect Sridharpur with villages in the south-east. A charitable homoeopathic dispensary at Sridharpur has been opened. An arrangement is made with an MBBS doctor who attends the dispensary once in a week for medical check-up of children and members. Other medical facilities such as maternity welfare facilities for pregnant women, administering triple vaccine to the children and their parents are provided

free of charge. The doctor is given monthly remuneration of rupees one thousand from this society.

The society has set an example in the sphere of performing social welfare activities. The statutory bylaws providing for welfare and charitable activities are given successful shape of results as a result of harmonious relations among members, the Board of Directors and the members of the staff. All the welfare programmes are so identified, designed and implemented that nobody is a loser and that everybody living in the villages from which the members are admitted emerges a gainer. The society is able to create a benign atmosphere all around and members legitimately feel that it is their society upon which their development depends.

#### 7.4 EVOLUTION OF MEMBERSHIP

As we know, the present society, namely, Sridharpur Cooperative Bank came into being with only ten enlightened members led by the Barrister Mr Haneswar Banerjee. But in course of time due to untiring efforts and business brains of the founder members on the one hand, and their dynamic leadership on the other, helped the society to occupy a dominant position in the locality. Therefore, within 1927-28 total number of members of the society increased to 93.

The great efficiency with which the early leaders and their associates ran the society attracted more people of the three villages into the membership of the society. At the same time neighbouring villages became interested to transact with

this society. It was difficult for the society to admit members from rather far off villages. Because it was very difficult for them to attend long lasting General Meeting of the Society. The Society, therefore, combined the interests of the members with the general aspirations of the neighbouring villages. It opened branches of its bank in those villages and offered reasonable interest on deposits. Money which was otherwise hoarded earned interest for depositors of those villages and savings thus mobilised were used as loan capital for distribution among loan-seeking members of the society.

A clear picture of the evolution of membership of the society is drawn in table 7.5.

Table 7.5  
Evolution of Membership

Year	Membership
1918-19	10
1927-28	93
1937-38	96
1947-48	133
1957-58	225
1967-68	488
1977-78	535
1987-88	1021
1991-92	1158

Table 7.5 indicates that total number of members was 10 in 1918-19 which rose to 93 in the year 1927-28. Thus within 9 years the number of members of the society increased by more than 9 times i.e. the expansion of the society as regards to membership was very fast in the first 9 years of its establishment. In 1937-38 total membership was 96. This period shows rather a slow expansion of the society in terms of membership. Between the period 1937-38 and 1977-78 there was a gradual rising trend of membership of the society. In 1987-88 and 1991-92, total number of members increased to 1021 and 1158 respectively.

At present (1991-92) the total number of members of the society is 1158 of which scheduled castes (SC), scheduled tribes (ST), general caste (Hindus other than SC & ST) and minority group (Muslims) members are 132, 50, 666 and 310 respectively. In terms of membership coverage the society brings 90 per cent families of Sridharpur, Sarra and Tanti Baksa i.e. 640 out of 711 families under its umbrella. Table 7.6 indicates caste-wise break-up of membership and its percentage to total.

Table 7.6  
Caste-wise Break-up of Membership

Castes	Number of Members	Percentage to total
Scheduled Castes (SC)	132	11.39
Scheduled Tribes (ST)	50	4.31
General Castes (Hindus)	666	57.51
Minority Group (Muslims)	310	26.77
Total	1158	100

The table (7.6) shows that SC and ST together covers 15.70 per cent to total membership. Percentage coverage of general castes and minority group are 57.51 and 26.77 respectively.

On the basis of occupation total number of members in the landless agricultural labour class is 235 and that of the cultivated class it is 923. Occupation-wise division of members and their percentage to total is shown in table 7.7.

Table 7.7  
Occupation-wise Division of Members

Occupation	Membership	Percentage to total
Landless Agl. Labourers	235	20.29
Farmer class	923	79.70
Total	1158	100



923 members in the cultivated class can be further sub divided according to their major sources of earnings in table 7.8.

Table 7.8

Sub division of 923 Farmer Members According to Their Sources of Earnings.

Sources of Earnings	Membership	Percentage to total
Farming	378	40.95
Service	154	16.68
Allied Agl. Activities	357	38.67
Trade and Commerce	34	3.68
Total	923	100

Classification of members according to land holding pattern of the members of the society is made in table 7.9.

Table 7.9

Classification of Members According to Land-holding Pattern

Farm Group	Membership	Percentage to total
Landless	235	20.29
Marginal and Small (upto 5 acres)	900	77.72
Medium (Above 5 acres)	23	1.98
Total	1158	100

From table 7.9 it is evident that total number of members is maximum in the group of marginal and small farmers (900) which covers 77.72 per cent to total members. In the group of medium farmers percentage of members to the total is only 1.98; but their participation in the board of directors is the maximum (50 per cent). This is shown in table 7.10. In this table it is also seen that board members in the group of marginal and small farmers is 50 per cent; but there is no member in the board from landless group.

Table 7.10  
Participation of Members in the Board of Directors  
According to Farm Group.

Farm Group	Number of Board members	Percentage to total
Landless	NIL	0.0
Marginal and Small	3	50.00
Medium	3	50.00
Total	6	100

Caste-wise participation of members in the board of directors is shown in table 7.11.

Table 7.11

Caste-wise Participation of Members  
in the Board of Directors

Castes	No. of Board Members	Percentage to total
General Castes (Hindus other than SC & ST)	5	83.33
Scheduled Castes (SC)	0	0.0
Scheduled Tribes (ST)	0	0.0
Minority Group (Muslims)	1	16.66
Total	6	100

Table 7.11 states, more than 80% of the total members in the board are from general castes.

In a society with unlimited liability it is of first importance that directors are men of good assets and good education. So it is natural that they belong to economically, educationally and socially important group. Members belonging to scheduled castes and tribes are men who have no lands or assets. Asset owning members, therefore, are unwilling to bear the risk of electing them as members of the managing committee (Board of Directors). Muslims own good assets but educationally are not as advanced as the caste Hindus in these three villages. If the members increase the number of muslim representatives on the Board of Directors, they have to decrease the number of caste

Hindu representatives on the Board, as the number of Directors is fixed by bylaws to be six. So perfectly proportional communal representation is not possible.

#### 7.5 LOANABLE FUNDS RECEIVED-ANNUALLY

The main sources of funds of Sridharpur Cooperative Bank are : (1) share capital, (2) loans from financial agencies, (3) deposits both from members and non-members, (4) reserve and other funds. According to the bye-laws of the society, maximum amount of loans to be received from financing agencies would be fixed in the annual general meeting of the society and sanctioned by the Registrar of Cooperative Societies.

In table 7.12 the position of total amount of loan issued to members, amount borrowed from the Burdwan Central Cooperative Bank and their percentages to total is shown for a period of ten years starting from 1981-82 to 1990-91.

Table 7.12

Amount of Loan Issued to Members and  
the Amount Taken from Central Cooperative Bank

(Rs. in thousand)

Year	Total Loan Issued	Amount of Loan from Central Cooperative Bank	Percentage of loan from C.C.B. to total loan given to members
1981-82	4976.743	4945.000	99.36
1982-83	7649.659	2575.000	33.66
1983-84	4927.662	2030.000	41.19
1984-85	4861.049	978.000	20.11
1985-86	13750.891	3080.000	22.39
1986-87	9839.011	8481.000	86.17
1987-88	14306.908	5989.000	41.86
1988-89	38883.313	12157.000	31.26
1989-90	26458.753	15004.000	56.70
1990-91	39181.283	22500.000	57.42

For having a clear-cut idea on the position of loan issued to members for the purposes of short-term loan, medium term loan, manure loan, deposit loan, loan for purchasing agricultural implements, potato loan and paddy loan the respective table 7.13, 7.14, 7.15, 7.16, 7.17, 7.18, and 7.19 are shown below:

Table 7.13

Short-term Loan

(Rs in Thousand)

Year	Total Amount of Loan
1981-82	189.694
1982-83	180.500
1983-84	247.650
1984-85	248.800
1985-86	452.030
1986-87	424.664
1987-88	399.770
1988-89	425.500
1989-90	296.267
1990-91	546.850

Table 7.14  
Medium-term Loan

(Rs in thousand)	
Year	Total Amount of Loan
1981-82	228.660
1982-83	196.050
1983-84	355.898
1984-85	348.180
1985-86	410.160
1986-87	393.579
1987-88	379.983
1988-89	390.480
1989-90	281.968
1990-91	506.650

Table 7.15  
Manure Loan

(Rs in thousand)	
Year	Total Amount of Loan
1981-82	419.138
1982-83	506.966
1983-84	732.760
1984-85	684.859
1985-86	641.621
1986-87	751.491
1987-88	672.068
1988-89	668.205
1989-90	615.288
1990-91	574.478

Table 7.16  
Deposit Loan

(Rs in thousand)

Year	Total Amount of Loan
1981-82	NIL
1982-83	NIL
1983-84	206.288
1984-85	340.650
1985-86	771.367
1986-87	545.912
1987-88	732.749
1988-89	1294.648
1989-90	1219.404
1990-91	1707.128

Table 7.17  
Loan for Purchasing Implements

(Rs. in thousand)

Year	Total Amount of Loan
1981-82	154.522
1982-83	51.155
1983-84	206.242
1984-85	315.456
1985-86	830.404
1986-87	932.001
1987-88	631.305
1988-89	827.287
1989-90	110.145
1990-91	238.003

Table 7.18  
Potato Loan

(Rs. in thousand)	
Year	Total Amount of Loan
1981-82	3935.624
1982-83	6555.518
1983-84	3129.279
1984-85	2864.173
1985-86	10598.320
1986-87	6093.288
1987-88	9858.982
1988-89	35219.678
1989-90	23900.339
1990-91	35575.692

Table 7.19  
Paddy Loan

(Rs. in thousand)	
Year	Total Amount of Loan
1981-82	16.917
1982-83	13.104
1983-84	11.244
1984-85	12.624
1985-86	13.707
1986-87	.430
1987-88	10.276
1988-89	10.080
1989-90	6.959
1990-91	4.753



## 7.6 PROJECT TIED LOANS

Sridharpur Cooperative Bank provides loans to members under the heads like (1) short-term loan (2) medium-term loan, (3) manure loan, (4) deposit loan, (5) loan for purchasing agricultural implements, (6) potato loan, (7) paddy loans, etc. A scale of finance fixed by the board of directors of the society and approved by Central Cooperative Bank is followed in time of sanctioning loan to the members.

Short-term loan is provided in the forms of cash and kind. A member is eligible of taking loan in a season upto Rs. 2400.00 in cash and Rs. 10,000.00 in kind. The rate of interest fixed for short-term loan is 9 per cent and that of medium-term loan is at 12 per cent. Maximum-limit of paddy loan for each member who has a share of grain gola is in paddy and 300 kilos with 15 per cent rate of interest. Lending against utensils pledged is provided upto a maximum of 80 per cent of the value of utensils interest rate of which is only 8 per cent.

In addition to social welfare activities the society has been undertaking many projects for furthering its developmental activities. A major portion of total expenditure made on such projects is borne out by the society's own fund. Also, a Central Government-funded agencies help in the form of grants, loan with interest and loan without interest has been received. An account of project tied loans is given in table 7.20.

Table 7.20  
Project Tied loans

(In Rs)

Year	Name of Project	Financing Agency	Grants	Interest free Loans	Loans with Interest
1949-50	Controlled Cloth Section	NCDC	NIL	8,000	NIL
1957-58	Godown	NCDC	3,334	NIL	NIL
1977-78	Cold Store	Central Cooperative Bank	NIL	NIL	22,00,000 (14)
1979-80	Extension of Cold Store	Central Cooperative Bank	NIL	NIL	28,00,000 (14)
1984-85	Godown	NABARD VIA CIDB	NIL	9,00,000	2,06,000 (10.5)
1985-86	Pisciculture	NCDC	6,000	NIL	NIL
1988-89	Land Development (Deep Tube Wells)	NCDC	3,80,000	NIL	NIL

Figures in the brackets indicate rate of interest

## 7.7 RECOVERY OF LOANS

Loan for agricultural purposes is essential mainly for three reasons : Firstly, it helps the farmers to prepare the next crops. Secondly, it improves methods of cultivation and thirdly, it obviates distress sales. Agricultural Credit Cooperative societies at the grass-root level are one of the most important financing agencies for developing agricultural activities. Their functioning will not be interrupted only if the amount of loans disbursed to the members is repaid in time. But recovery position of Cooperative loans in the country as a whole, and particularly in the state of West Bengal, is very bad, which, in turn, is adversely affecting the marketing of agricultural produce, supply of inputs and distribution of consumers goods. The only exception so far is the Sridharpur Cooperative Bank where unrecovered amount of crop loan is almost nil mainly because of an atmosphere developed there due to efficiency of management and guidance of the leadership and awareness of the members regarding the usefulness of cooperatives in the rural economy.

During the period of economic depression of the thirties the recovery position of the society was very bad like that of other societies in the state. In this period prices of agricultural commodities fell sharply which resulted in the non-recovery of loan of the society. The deficit in the ~~loanable~~ funds was made up, as we write before, from the bad debt fund which at the same time relieved the members from the debt. Later, the famine of Bengal (1943) took away the capacity of the members to repay loan.

The directors and leaders of the society were able to overcome the problem by inducing repayment through the creation of a Rebate Fund. This was possible only because of the foresight of the leaders of the society. Since then the loan recovery position of the society is remarkable and is almost nil setting an example in the sphere of rural cooperatives in West Bengal.

Due to innate competence, quickness and firmness of the board of directors, leaders and supervisory staff of the society a congenial atmosphere has been created for voluntary repayment of cooperative loan. The other contributory factors for the success of the society are : (1) Secretary is unanimously selected from the energetic young people and Chairman is elected or selected from the older group who has profound knowledge regarding role and principles of cooperation. As a result of this combination the society has never faced any deficiency in the management. (2) The society fulfils the needs of the members by providing credit, fertilisers, seeds and other inputs, consumer goods and other services. (3) A strict watch is given on the utilisation of credit by the members for which it is granted. (4) The society is able to eliminate resource constraint and thus the amount of loan issued to members is determined following the scales of finance. (5) Yearly normal credit statement for all the members is prepared in advance which enables the society to sanction loan in time. (6) Meeting of the board of directors is held for every month and decision is taken by majority of voting. (7) Important decision is taken after seeking suggestions of the ex-board members. (8) In

the annual general meeting every member has right to make suggestions or condemn its activities. (9) The Society has been generating employment for the educated youths on the one hand and for the uneducated youths on the other on permanent as well as temporary basis.

#### 7.8 AN ESTIMATE OF ANNUAL PROFIT

Sridharpur Cooperative Bank, diversifying its multipurpose activities and making a huge profit, is maintaining its unique status as the only society of Raiffeisen type in west Bengal. So far our knowledge goes, we cannot cite an example of a rural cooperative credit society other than this one at Sridharpur, is making profit without any break since its inception. The success achieved by the society is phenomenal and largely due to the dedication of the early leaders and later members are Directors at various stages of its development activities.

The society's yearly turnover since inception is displayed in table 7.21.

Table 7.21  
Yearly Turnover

(Rs in thousand)

Year	Turnover
1918-19	Not Available
1927-28	Not Available
1937-38	Not Available
1947-48	Not Available
1957-58	219.000
1967-68	2997.700
1977-78	14072.500
1987-88	987027.600
1988-89	1147788.500
1989-90	1236373.400
1990-91	1559276.300

The society's position as regards owned capital, gross profit and net profit for a period of eleven years starting from 1979-80 to 1989-90 is depicted in table 7.22

Table 7.22  
Position of Owned Capital, Gross Profit &  
Net Profit

(Rs in thousand)			
Year	Owned Capital	Gross Profit	Net Profit
1979-80	288.500	602.000	31.000
1980-81	294.200	125.000	31.00
1981-82	383.200	424.000	62.000
1982-83	466.600	647.000	64.000
1983-84	539.700	424.000	427.00
1984-85	718.300	1570.000	378.000
1985-86	2161.300	2550.000	819.000
1986-87	2871.700	2705.000	1117.000
1987-88	4093.700	3287.000	1644.000
1988-89	5735.100	3260.000	937.000
1989-90	6666.000	3750.000	1212.000

Table 7.22 indicates a consistent growth in the volumes of owned capital, gross profit and the net profit of the society in eleven years.

A separate account of net profit of cold store, store section and grain gola (dharma gola) is shown in table 7.23, 7.24 and 7.25 respectively.

Table 7.23 shows that the society earns huge net profit from cold store section. Table 7.24 represents that store section supplying essential goods and agricultural inputs is running at a loss since 1981-82. Table 7.25 shows that the dharma gola section is making profit excepting in 1982-83, 1984-85 and 1988-89.

Table 7.23

Section : Cold Storage

Period : 1979-80 to 1990-91

Year	Net profit (Rs)/Net Loss (Rs)	
	(+)	(-)
1979-80	(+) 51,955.00	
1980-81	Not Available	
1981-82	(+) 1,13,648.00	
1982-83	(+) 8,25,168.00	
1983-84	(+) 6,06,862.00	
1984-85	(+) 5,04,113.00	
1985-86	(+) 12,17,526.00	
1986-87	(+) 9,26,184.00	
1987-88	(+) 11,14,386.00	
1988-89	(+) 4,10,000.00	
1989-90	(+) 11,40,544.00	
1990-91	(+) 4,49,296.00	



Table 7.24

Section : Store [Grocery, Clothing, Coal Dust,  
Fertiliser, Ration Shop, Insecticides  
and Pesticides]

Period : 1974-75 to 1990-91

Year	Net Profit (Rs)/Net Loss (Rs) (+) (-)
1974-75	(+) 16,743.14
1975-76	(+) 23,531.41
1976-77	(+) 25,043.10
1977-78	(+) 36,214.28
1978-79	(-) 13,666.14
1979-80	(+) 5,592.33
1980-81	Not Available
1981-82	(-) 18,647.85
1982-83	(-) 2,387.10
1983-84	(-) 58,069.00
1984-85	(-) 43,734.95
1985-86	(-) 87,716.27
1986-87	(-) 5,102.00
1987-88	(-) 49,237.67
1988-89	(-) 7,623.70
1989-90	(-) 1,30,480.52
1990-91	(-) 2,03,753.04

Table 7.25

Section : Dharma gola

Period : 1976-77 to 1990-91

Year	Net Profit (Rs)/Net Loss (Rs)	
	(+)	(-)
1976-77	(*)	2,604.49
1977-78	(+)	11,024.54
1978-79	(+)	7,953.60
1979-80	(+)	7,953.60
1980-81	Not Available	
1981-82	(+)	14,591.13
1982-83	(-)	103.38
1983-84	(+)	55,676.58
1984-85	(-)	4,942.77
1985-86	(+)	871.33
1986-87	(+)	32,589.34
1987-88	(+)	52,030.08
1988-89	(-)	17,379.32
1989-90	(+)	9,490.26
1990-91	(+)	9,490.26

It turns that losses incurred in selling of useful consumption and production articles are abundantly compensated for by other activities. This means the Society exhibits a strong determination to avoid making profits on sale of essential articles. Yet, the Society never compromises on its responsibility of fulfilling its dual objectives of earning overall profits and of expanding the amount of its owned capital.

## THE IMPACT OF THE SRIDHARPUR SOCIETY

## 8.1 INTRODUCTION

We explained in the first section of the sixth chapter the rationale of studying the impact of an agricultural credit society on the economy of villages from where the members are admitted. We have already seen in the last chapter that the Sridharpur society has made a remarkable stride in diversifying its activities in the service of its members and has already surged ahead for achieving a great deal of self-reliance. It will be in order if <sup>we</sup> present some picture of other aspects distinct from those described in the preceding chapter.

As in the case of the Balaram Bhandarigach Society, so in the case of the Sridharpur Society we study the impact on the functioning of the relevant rural economy principally under several heads, namely, manifestations in the present demand of agricultural and other rural producers for credit, use of inputs in agricultural production, production of total paddy per acre, and expectations in the rise of demand for credit.

We also make a comparative study of estimates of aggregate investments of the two societies.

## 8.2 PRESENT DEMAND FOR CREDIT

The finding from table 8.1 is that of the total borrowing of the members only 17.5 per cent are taken from the non-cooperative lending agencies. In all cases these agencies are either individual

Table 8.1  
Borrowing and Rate of Interest by Sources  
1990-1992

Source	Amount Borrowed (Rs. )	% of Total Borrowing	Rate of Interest (%)
Cooperative	7,53,439	82.5	11.5
Non-Cooperative	1,59,500	17.5	33.5
Total	9,12,939	100	22.6

money-lenders or shop-owners in market towns. We have seen that in Balaram-Bhandarigach area the Society there could supply only 51 per cent of the present demand for credit. Non-cooperative sources accounted for the supply of 49 per cent of the existing demand for credit.

The massive opportunities released by the Sridharpur Cooperative Bank are responsible for the sharp decline in the rate of interest charged by private money-lenders. While the rate of interest charged by private money-lenders of Balaram Bhandarigach area is about six times that charged by the Cooperative Society there, the rate of interest charged by the non-cooperative agencies on the members of the Sridharpur Society is only three times that

charged by the Society.

What is more, even the Sridharpur Society has been able to offer lower price of their loans to members. While the Balaram Bhandarigach Society charged 12.5 per cent as rate of interest on their cooperative loans, the Sridharpur Cooperative Society charged only 11.5 per cent. The resultant average rates of interest of Balaram-Bhandarigach Society and Sridharpur Cooperative Bank are in the ratio of 3:2. Data in tables 8.1 to 8.6 are obtained from a sample of 50 members.

Table 8.2

Annual Per Acre and Per Family  
Borrowing from two Sources

Source	Borrowing (Rs)	
	Per Acre	Per Family
Cooperative	1975.456	7534.39
Non-Cooperative	418.196	1595.00
Total	2393.652	9129.39

The table 8.2 shows clearly that the actual credit demand of a family on average is as high as 9,129 rupees. The corresponding figure for the Balaram-Bhandarigach Society is only Rupees 1340. In other words, the total actual demand, during the same agricultural year, of the members of the Sridharpur Cooperative Bank is nearly seven times that of the Balaram Bhandarigach Society. The actual demand for cooperative credit of the members of the

Sridharpur Cooperative Bank compares even more favourably with that of Balaram Bhandarigach Society. It is eleven times that of Balaram Bhandarigach.

It is only natural that when liberal supply of credit improves the income and output position of members, their credit-worthiness will improve and so their demand for non-cooperative loan will also increase. So we find that Sridharpur members' demand for non-cooperative credit is 2.44 times the demand for non-cooperative credit of the members of Balaram Bhandarigach Society.

The per acre total demand for credit of the members of Sridharpur Cooperative Bank is Rs. 2,393.65P. This is 6.46 times that of Balaram-Bhandarigach. The per acre demand for cooperative credit of the members of Sridharpur is Rs. 1975.46p. This is 10.42 times that of Balaram Bhandarigach.

Even though there is a world of difference in the demand for credit between the members of Sridharpur on the one hand and those of Balaram-Bhandarigach on the other, there is one common characteristic of the pattern of credit in both places. This characteristic is that the average receipt of loans or the per family loan varies directly with the farm size or amount of operational holdings. The relevant trend can be observed in tables 8.3 and 8.4. This trend does not apply to per acre loans in either of the cases. The per acre receipt of lowest size farms is the highest among all the three farm sizes. This fact, in reality, acknowledges that poorest farmers everywhere uses up a part of production loan for heightening their level of consumption. At

Table 8.3  
Borrowing from the Society in 1991-92  
by Farm Size

Farm Size (Acres)	Borrowing (Rs)		
	Total	Per Family	Per Acre
Upto 2	1,28,871	7159.500	3977.500
2-5	1,07,500	8269.230	1372.924
Above 5	1,37,500	15277.777	1718.750
Total	3,73,871	7477.42	1960.519

the same time, they depend more fully on loans for the whole of their productive activities. We see in table 8.5 that non-cooperative loans vary inversely with farm size. By comparing the

Table 8.4  
Borrowing from the Society in 1990-91  
by Farm Size

Farm Size (Acres)	Borrowing (Rs)		
	Total	Per Family	Per Acre
Upto 2	1,30,345	6860.263	4022.993
2-5	1,41,782	10906.307	3116.09
Above 5	1,40,719	15635.444	1758.987
Total	4,12,846	8,256.92	2614.60

corresponding tables in this chapter and chapter 6 we observe that the amount of non-cooperative loan is higher also in Sridharpur. With higher productivity status in Sridharpur the higher standards set by the poorer farmers induce them to borrow more.

Table 8.5

Borrowing in Years 1990-92 by Members  
from Non-Cooperative Sources

Farm Size (Acres)	Borrowing (Rs)		
	Total	Per Family	Per Acre
Upto 2	1,46,500	7918.918	4521.604
2-5	15,000	1153.846	191.570
Above 5	NIL	NIL	NIL
Total	1,61,500	3230.00	846.879

Table 8.6

Receipt of Cooperative Loans by Members  
1991-92

Farm Size (Acres)	No. of members inter- viewed	Number of Members who received	Amount of Loan Received (Rs.)	Loan per family	Loan Per Acre (Rs)
Upto 2	25	19	1,30,345	6860.26	4022.99
2-5	15	13	1,41,782	10906.30	1810.75
Above 5	10	9	1,40,719	15635.44	1758.98
Total	50	41	4,12,846	10069.41	2164.89

The picture painted above about the receipt of cooperative loans are a little refined in table 8.6. The averages here are determined by using figures for those who actually borrowed in the year in question rather by the figures of units of the sample. In Sridharpur there is no case of non-repayment. Medium term loans



are, however, repaid in a number of years.

What is written in the paragraph before last is sustained by the data of tables 8.7 and 8.8. Two points need special mention. Firstly, business loans are incurred relatively heavily, in both places, in the lowest farm size, namely, upto 2 acres. Secondly,

Table 8.7  
Per Family Components of Non-Cooperative  
Loans  
Sridharpur 1990-92

Farm Size (Acres)	Per Family Borrowing from Non-Cooperatives		
	Consumption Loan (Rs)	Business Loan (Rs)	Marriage Loan (Rs)
Upto 2	340	5600	NIL
2-5	666.66	NIL	333.33
Above 5	NIL	NIL	NIL
Total	370	2800	100

Table 8.8  
Per Family Components of Non-Cooperative Loans  
Balaram-Bhandarigach 1990-92

Farm Size (Acres)	Per Family Borrowing from Non-Cooperatives		
	Consumption Loan (Rs)	Business Lona (Rs)	Marriage Loan (Rs)
Upto 2	502.27	2800.00	90.90
2-5	250.00	1136.36	295.45
Above	NIL	NIL	222.22
Total	312.26	1633.96	198.11

the per family marriage loans incurred are rather relatively heavier in Balaram-Bhandarigach. We must, however, add what is in fact obvious. What is shown as per family or average family figure is the result of division of total loan in the farm size group by the number of families of the same group. The amount of consumption loan taken by a family is not very large. But the number of families taking such loans is rather large. These loans, as they are individually small, are repaid in instalment through supply in future of labour. But marriage loans contracted by a family is quite large. In Sridharpur only two families contracted such large marriage loans. But in Balaram-Bhandarigach four families contracted marriage loans. So the proportion of families accepting marriage loans is smaller in Sridharpur. This might indicate that some marriages in Sridharpur are financed through accumulated savings.

### 8.3 USE <sup>^OF</sup> INPUTS IN AGRICULTURAL PRODUCTION

The remarkable achievement of the Sridharpur Cooperative Bank is that almost the whole of the total of farm costs of farms operating not more than 2 acres of cultivable lands is financed by the loans from the Sridharpur Cooperative Bank. This finding is corroborated if we compare table 8.6 with table 8.9. Similarly, if we leave the cost of home mandays out of consideration we find that at least half of the farm costs of the members are financed by loans from the Sridharpur Cooperative Bank.

We use the same method as that we used in section 6.3 for the purpose of calculating the number of bovine animals used by farms whose data are the bases of table 8.9. We estimated that 98 farms had 54 bovine animals. That is to say, a farm had on average 0.55 bovine animals (cows or buffaloes). Similarly we estimate that 149 farms of members of Sridharpur Cooperative Bank own 230 bovine animals. This means that a farm had on average 1.54 bovine animals. The data we use are as follows. Firstly, on average a cow or a buffalo releases about 20 kilograms of dung everyday. Secondly, a farmer buys  $2\frac{1}{2}$  quintals of dung on Rs. 100/- only.

Although Sridharpur Cooperative Bank did not give special attention to the development of animal husbandry of members, what is very clear is that the improvement of farm outputs and farm income occasioned by the excellent performance of this Society with unlimited liability has indeed contributed to the development of the bovine resources of its members. The number of bovine animals of its members is about three times that of the members of the Balaram-Bhandarigarch Society.

Table 8.9  
USE OF INPUTS AND TOTAL OUTPUT (Rs)  
1990-1991

Size of Farms (In Acres)	No. of Farms	Area Given to (In Acres)	Value of Total Output of Crops (Rs)	PER		ACRE		
				Seeds (Rs)	Cost		Depreciation (Rs)	Tractor Cost (Rs)
					Home Mandays (Rs)	Hired Mandays (Rs)		
Upto 1	48	66.31	10268.46	1017.68	768.85	728.26	54.03	560.24
1-2	29	102.29	10593.24	1063.40	892.65	732.33	55.49	566.31
2-5	56	406.04	10097.24	955.86	727.34	956.95	47.96	482.64
5-8	11	106.16	9700.11	891.91	372.51	944.72	57.42	537.81
8-11	5	100.6	9900.79	716.36	86.48	1620.87	55.88	620.67
Total	149	781.4	10097.45	935.66	621.79	991.96	51.76	525.44

Table 8.9 (Contd..)

Organic Manures (Rs)	Inorganic Manures (Rs)	Irrigation (Rs)	Insecticides (Rs)	Per Acre Total Cost (Rs)
407.08	567.38	257.77	108.30	4469.64
520.97	568.55	228.23	140.69	4768.68
432.27	560.65	237.23	91.63	4492.57
360.34	442.42	165.78	88.07	3861.02
429.92	518.34	187.27	195.72	4431.55
431.67	540.75	221.66	112.38	4433.11

Table 8.10  
USE OF INPUTS AND OUTPUT OF HYV PADDY (PRE-KHARIF)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	Value of Total Output of Crop (Rs)	PER	ACRE			
				Seeds (Rs)	COST		Depreciation (Rs)	Tractor Use (Rs)
					Home Mandays (Rs)	Hired Mandays (Rs)		
Upto 1	41	20.86	5563.18	222.19	770.18	429.91	55.32	490.12
1-2	26	30.82	5926.37	228.26	751.13	454.57	51.46	505.71
2-5	50	130.94	5546.08	217.19	608.58	619.27	47.80	471.39
5-8	8	19.40	6132.98	231.95	323.71	668.04	43.19	494.84
8-11	5	26.60	6442.10	150.75	93.98	1306.76	51.20	493.98
Total	130	228.62	5752.96	212.66	558.49	663.92	48.98	482.34

Table 8.10 (Contd..)

Organic Manures (Rs)	Inorganic Manures (Rs)	Irrigation (Rs)	Insecticides (Rs)	Per Acre Total Cost (Rs)
188.44	198.13	200.00	39.26	2593.57
265.96	244.45	173.49	103.79	2778.84
106.52	191.93	149.83	11.83	2424.37
216.49	260.72	150.00	46.39	2435.35
375.93	195.48	196.99	234.96	3100.06
176.17	205.83	163.10	55.62	2567.15

Table 8.11  
USE OF INPUTS AND OUTPUT OF HYV PADDY (KHARIF)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	Value of Total Output of Crop (Rs)	PER	ACRE			
				Seeds (Rs)	COST			Tractor Use (Rs)
					Home Mandays (Rs)	Hired Mandays (Rs)	Depreciation (Rs)	
Upto 1	20	13.1	6895.87	185.95	325.19	743.81	49.11	463.51
1-2	19	27.97	7120.77	167.25	439.75	559.59	58.95	423.34
2-5	36	78.82	6622.50	198.95	494.54	704.54	51.57	486.42
5-8	11	55.56	7397.48	224.55	335.96	772.71	58.31	500.97
8-11	5	38.00	6564.73	147.89	78.94	1273.68	54.21	521.05
Total	91	213.45	6896.01	191.57	361.70	807.02	54.61	486.70



Table 8.11 (Contd..)

Organic Manures (Rs)	Inorganic Manures (Rs)	Irrigation (Rs)	Insecticides (Rs)	Per Acre Total Cost (Rs)
19.08	191.22	-	57.32	2035.26
207.82	168.46	-	32.17	2057.37
204.69	183.59	-	-	1907.93
344.38	214.18	36.71	-	2514.79
-	227.78	-	203.68	2507.26
193.63	197.91	9.55	43.99	2346.72

Table 8.12  
USE OF INPUTS AND OUTPUT OF HYV POTATO (WINTER)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	Value of Total Output of Crop (Rs)	PER	ACRE			
				COST				
				Seeds (Rs)	Home Mandays (Rs)	Hired Mandays (Rs)	Depreciation (Rs)	Tractor Use (Rs)
Upto 1	43	20.95	19184.86	2766.10	1110.59	1207.58	54.74	724.05
1-2	29	33.9	18836.60	2800.58	1492.92	1143.62	56.72	759.02
2-5	56	125.5	19032.58	2602.29	1107.76	1624.79	48.39	489.72
5-8	9	20.20	21574.25	3742.57	425.74	1861.38	70.19	720.79
8-11	5	25.00	20400.00	2440.00	120.00	2620.00	58.00	960.00
Total	142	225.55	19396.48	2731.44	995.34	1645.22	53.25	624.78

Table 8.12 (Contd..)

Organic Manures (Rs)	Inorganic Manures (Rs)	Irrigation (Rs)	Insecticides (Rs)	Per Acre Total Cost (Rs)
867.49	1326.20	373.65	217.85	8648.30
1035.42	1272.38	400.26	254.66	9215.62
934.02	1341.36	352.82	213.24	8714.42
540.59	1339.10	431.68	319.30	9451.38
1150.00	1410.00	340.00	340.00	9438.00
931.79	1336.99	367.53	328.37	8914.75

Table 8.13  
USE OF INPUTS AND OUTPUT OF HYV PADDY (WINTER)  
1990-1991

Size of Farm (In Acres)	No. of Farms	Area Given to (In Acres)	Value of Total Output of Crop (Rs)	PER		COST		ACRE	
				Seeds (Rs)	Home Mandays (Rs)	Hired Mandays (Rs)	Depreciation (Rs)	Tractor Use (Rs)	
Upto 1	26	10.52	6704.18	228.51	661.59	406.84	56.74	519.01	
1-2	10	9.3	6698.92	225.05	558.06	696.77	53.33	500.00	
2-5	43	68.58	6646.31	222.77	540.68	689.29	43.74	495.91	
5-8	5	9.00	6220.00	223.33	577.77	711.11	61.11	500.00	
8-11	2	8.00	6650.00	152.00	-	1600.00	70.00	500.00	
Total	86	105.4	6620.60	218.98	516.41	732.75	49.34	499.24	

Table 8.13 (Contd..)

Organic Manures (Rs)	Inorganic Manures (Rs)	Irrigation (Rs)	Insecticides (Rs)	Per Acre Total Cost (Rs)
426.23	300.19	471.48	99.19	3169.81
436.55	295.80	471.50	178.49	3415.58
397.17	285.59	467.45	128.90	3271.50
355.55	295.55	403.33	222.22	3349.99
500.00	275.00	575.00	75.00	3757.00
407.79	287.99	470.90	134.23	3317.66

Table 8.14  
USE OF INPUTS AND OUTPUT OF MUSTARDS SEEDS (RABI)  
1990-1991

Size of Farms (In Acres)	No. of Farms	Area Given to (In Acres)	Value of Total Output of Crop (Rs)	PER	ACRE			
				Seeds (Rs)	COST			Tractor Use (Rs)
					Home Mandays (Rs)	Hired Mandays (Rs)	Depreciation (Rs)	
Upto 1	4	.88	2348.86	65.90	488.63	-	46.59	255.68
1-2	3	.30	3000.00	100.00	200.00	-	76.66	400.00
2-5	4	2.20	3318.18	968.18	254.54	345.45	35.45	200.00
5-8	1	2.00	4000.00	50.00	400.00	200.00	25.00	300.00
8-11	3	3.00	4000.00	46.66	66.66	533.33	63.33	500.00
Total	15	8.38	3611.81	293.31	244.63	329.35	45.58	344.27

Table 8.14 (Contd..)

Organic Manures (Rs)	Inorganic Manures (Rs)	Irrigation (Rs)	Insecticides (Rs)	Per Acre Total Cost (Rs)
173.86	48.86	151.13	-	1230.67
400.00	90.00	150.00	-	1416.66
445.45	54.54	168.18	24.545	2496.35
400.00	150.00	150.00	-	1675.00
166.66	280.00	166.66	-	1823.33
304.65	158.71	160.85	6.443	1887.82

Regarding the most important input, namely, mandays of labour we find, on the basis of table 8.9 and the fact that the total of net cultivable lands of 149 members is 425.92 acres, that one acre of net cultivable land gives full employment to ten persons in a year. For this purpose we treat 300 days of employment of a person in a year as his full employment. Compared to this, an acre of net cultivable land of the members of the Balaram-Bhandarigach Society gives full employment to only 1.7 persons in a year. For this calculation we use table 6.12, the fact that the total of net cultivable lands of 98 members of Balaram-Bhandarigach Society amounts to 344.59 acres and the same definition of full employment. The conclusion here is that an acre of net cultivable land in Sridharpur gives full employment to a number of people which is at least 5 times of what the same amount of net cultivable land of members of Balaram-Bhandarigach Society offers.

#### 8.4 COMPARISON OF OUTPUT PER ACRE

Using the materials we used in the preceding paragraph we find that while the value of total output per acre of the members of the Balaram-Bhandarigach Society is Rs. 3,766.43P, that of the members of Sridharpur Cooperative Bank is Rs. 18,524.95p. If we are allowed to use an oversimplified method of deducing per acre paddy equivalent or paddy in kilograms we can divide the above figures by the average price per kilo of paddy. Thus we find that while an acre of net cultivable land of members of the Balaram-Bhandarigach Society produces 975.759 kilograms of paddy



(paddy equivalent), the same amount of land of the members of the Sridharpur Cooperative Bank produces 4,799.210 kilograms. That is to say, the members of the Sridharpur Cooperative Bank produce per acre of net cultivable land 4.92 times what their counterparts of Balaram-Bhandarigach produce per net cultivable acre.

Thus both in respect of output as well as employment, Sridharpur Cooperative Bank's achievement is nearly five times that of Balaram-Bhandarigach. This is indeed remarkable.

But we must mention here that Sridharpur Cooperative Bank is the only surviving agricultural cooperative credit society with unlimited liability. The post-forties legislations of West Bengal on Cooperative Societies have eventually banned the formation of such societies with unlimited liability. The political parties in power from time to time are prone, consciously or unconsciously to use the Cooperative Societies as instruments<sup>^ob</sup> capturing votes. We suspect influence of political parties on the unions of workers of this Cooperative Society. What would be more harmful if the political parties nominated candidates for the posts of members of the Board of Directors. We have not made a thorough investigation into the matter. But there are clear signs of dissension. What is certain is that the General Meetings of the members are not as crowded and as long-lasting as they were some years ago.

Our suspicion is, therefore, quite normal that but for outside interference the members of the society could have acted with still greater efficiency in the past few years.

## 8.5 EXPECTATIONS IN THE RISE OF DEMAND FOR CREDIT

We have derived some production functions on the basis of 149 farms of members of the Sridharpur Cooperative Bank. These functions are presented in tables 8.15 to 8.36. The meaning of the mnemonic names of the independent variables can be stated as follows:

VAS	= the value of seeds (in Rs.)
HOL	= the value of home mandays (in Rs.)
HIL	= the value of hired mandays (in Rs.)
VATS	= the value of tractor services (in Rs.)
VOR	= the value of organic manures (in Rs.)
VAIN	= the value of inorganic manures (in Rs.)
VINS	= the value of insecticides (in Rs.)
VIR	= the value of irrigation (in Rs.)
VAD	= the value of depreciation (in Rs.)

As in Chapter VI, so also here we use the simple approach taking the stand that if one regression co-efficient is significant, the whole regression is significant. So of all the functions we present our conclusions are deduced principally on table 8.15 and 8.16.

Table 8.15  
 Production Function (Linear)  
 Dependent variable = Value of Total Output

Variables	Regression Co-efficients	T with D.F = 139
Constant	5627.8	3.6691
VAS	1.5254	2.8768
HOL	0.2550	0.8041
HIL	0.2322	0.7874
VATS	3.1648	3.6980
VOR	1.6566	2.2914
VAIN	5.6559	5.4944
VINS	-0.1734	-0.1118
VIR	1.0721	0.7410
VAD	22.121	2.7410
$R^2$		0.7341521

Table 8.16  
 Production Function (Cobb-Douglas Type)  
 Dependent Variable = Value of Total Output

Variables	Regression Co-efficients	T with D.F = 139
Constant	5.2498	17.581
VAS	.091450	2.4720
HOL	.0046436	1.5569
HIL	.0053197	1.9909
VATS	0.2708	5.4007
VOR	.025686	1.3769
VAIN	0.2149	4.1518
VINS	.016796	1.7650
VIR	.038210	1.8596
VAD	.040180	3.1282
$R^2$		0.8520708

Table 8.17  
 Production Function (Linear)  
 Dependent Variable = Physical Amount in Kilos  
 of HYV Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 120
Constant	1480.5	6.7709
VAS	-0.1718	-1.7955
HOL	-.042302	-0.3572
HIL	.00034011	.0029179
VATS	-0.1079	-0.4464
VOR	0.1187	0.7424
VAIN	0.4064	0.9919
VINS	0.6858	2.2807
VIR	.0065464	.012020
VAD	-0.8618	-0.7094
$R^2$		0.1459122

Table 8.18  
 Production Function (Cobb-Douglas Type)  
 Dependent Variable = Physical Amount in Kilos of  
 HYV Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 120
Constant	7.4437	23.105
VAS	-.059583	-1.3001
HOL	-.0033836	-0.3805
HIL	-.00011362	-.014758
VATS	-.019945	-0.9198
VOR	.010317	1.4320
VAIN	.050099	1.9676
VINS	.013688	1.5552
VIR	-.0043850	-0.3175
VAD	-.0010042	-.043797
$R^2$		0.1595615

Table 8.19

## Production Function (Linear)

Dependent Variable = Value of Output of  
HYV Paddy (Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 120
Constant	2221.0	1.9080
VAS	5.1836	3.0053
HOL	-1.1180	-2.2775
HIL	-1.0462	-2.2480
VATS	4.7804	1.9945
VOR	0.5356	0.8893
VAIN	5.9239	2.9417
VINS	1.6389	1.4840
VIR	-0.2078	-0.1086
VAD	-2.5281	-1.5547
$R^2$		0.3886332

Table 8.20

## Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Output of HYV Paddy  
(Pre-Kharif)

Variables	Regression Co-efficients	T with D.F = 120
Constant	4.3024	2.6931
VAS	0.1230	1.0795
HOL	.0066371	0.5397
HIL	.0055251	0.5167
VATS	0.3108	1.1198
VOR	.0093801	0.8584
VAIN	0.3220	3.0798
VINS	-.0022358	-0.1759
VIR	-.0032919	-0.1848
VAD	-.010998	-0.3521
$R^2$		0.2425406

Table 8.21

Production Function (Linear)

Dependent Variable = Physical Amount in Kilos  
of HYV Paddy (Kharif)

Variables	Regression Co-efficients	T with D.F = 81
Constant	1442.8	6.7698
VAS	0.5717	1.2153
HOL	-.087953	-0.8849
HIL	-.027353	-0.2721
VATS	-0.2877	-1.0585
VOR	0.2252	2.0363
VAIN	-0.2067	-0.8536
VINS	0.3222	1.1798
VIR	-14.641	-1.3956
VAD	3.3709	3.3171
$R^2$		0.2210623

Table 8.22

Production Function (Cobb-Douglas Type)

Dependent Variable = Physical Amount in Kilos  
of HYV Paddy (Kharif)

Variables	Regression Co-efficients	T with D.F = 81
Constant	7.3803	17.245
VAS	.044744	0.7184
HOL	-.0014909	-0.2505
HIL	.0010419	0.1654
VATS	-.067360	-1.3772
VOR	.011358	2.0193
VAIN	-.010870	-1.0334
VINS	.0067531	0.9565
VIR	-.022282	-0.6611
VAD	.037439	1.9814
$R^2$		0.1495918

Table 8.23

Production Function (Linear)

Dependent Variable = Value of Output of  
HYV Paddy (Kharif)

Variables	Regression Co-efficients	T with D.F = 81
Constant	4174.9	5.3156
VAS	5.0204	2.9930
HOL	-0.7508	-2.0478
HIL	-1.0354	-2.7902
VATS	3.8954	3.0636
VOR	0.4766	1.2815
VAIN	2.4688	2.8107
VINS	1.4486	1.4236
VIR	-32.364	-0.8352
VAD	5.7785	1.3959
$R^2$		0.4393844

Table 8.24

Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Output of HYV Paddy  
(Kharif)

Variables	Regression Co-efficients	T with D.F = 81
Constant	5.4977	10.419
VAS	0.1769	3.9225
HOL	-.0066176	-1.4322
HIL	-.014107	-2.8793
VATS	0.3786	4.7812
VOR	.0092764	2.3897
VAIN	.025856	3.5087
VINS	-.000056513	-.010313
VIR	-.012928	-0.5076
VAD	.0034993	0.1800
$R^2$		0.5238776

Table 8.25

Production Function (Linear)

Dependent Variable = Physical Amount in Kilos  
of HYV Paddy (Rabi)

Variables	Regression Co-efficients	T with D.F = 76
Constant	3274.5	3.5112
VAS	-2.7827	-4.5539
HOL	0.2966	1.8423
HIL	0.2572	1.5907
VATS	-1.6460	-0.7871
VOR	0.1042	0.2795
VAIN	-1.3689	-2.2231
VINS	- .083639	-0.3012
VIR	-0.4045	-0.7079
VAD	3.1326	1.9068
$R^2$		0.4490421

Table 8.26

Production Function (Cobb-Douglas Type)

Dependent Variable = Physical Amount in Kilos  
of HYV Paddy (Rabi)

Variables	Regression Co-efficients	T with D.F = 76
Constant	12.748	4.7405
VAS	-0.1888	-2.4180
HOL	- .019933	-2.7390
HIL	- .018207	-2.9752
VATS	-0.5668	-1.0422
VOR	- .052027	-0.7657
VAIN	-0.1626	-1.7961
VINS	.010481	1.4514
VIR	.079885	0.5217
VAD	.034725	1.7503
$R^2$		0.5483538



Table 8.27

Production Function (Linear)

Dependent Variable = Value of Output of  
HYV Paddy (Rabi)

Variables	Regression Co-efficients	T with D.F = 76
Constant	2816.2	1.9812
VAS	-2.9623	-3.2497
HOL	0.3031	1.2338
HIL	0.2945	1.1930
VATS	8.7051	2.7399
VOR	1.0591	1.8432
VAIN	-0.7364	-0.7831
VINS	-0.4196	-0.9910
VIR	-1.1131	-1.2997
VAD	4.2473	1.6736
$R^2$		0.3114220

Table 8.28

Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Output of HYV Paddy (Rabi)

Variables	Regression Co-efficients	T with D.F = 76
Constant	5.4195	4.9288
VAS	-.055498	-1.7630
HOL	-.0069399	-2.3291
HIL	-.0064272	-2.5580
VATS	0.5835	2.6351
VOR	.048012	1.7111
VAIN	-.011399	-0.3069
VINS	-.00013978	-.047182
VIRS	-.029801	-0.4824
VAD	.023126	2.7365
$R^2$		0.4213906

Table 8.29

## Production Function (Linear)

Dependent Variable = Physical Amount in  
Kilos of Mustard Seeds (Rabi)

Variables	Regression Co-efficients	T with D.F = 5
Constant	-220.97	-0.6585
VAS	-1.4860	-0.9473
HOL	0.5640	1.2760
HIL	0.3846	0.9332
VATS	-0.1200	-0.1867
VOR	0.4561	1.7646
VAIN	0.6829	1.0486
VINS	-.0052991	-.0077222
VIR	0.3061	0.2061
VAD	4.2689	1.9239
$R^2$		0.8033246

Table 8.30

## Production Function (Cobb-Douglas Type)

Dependent Variable = Physical Amount in Kilos of  
Mustard Seeds (Rabi)

Variables	Regression Co-efficients	T with D.F = 5
Constant	3.6229	2.8976
VAS	0.6045	3.2488
HOL	0.1762	7.2404
HIL	.093279	5.2597
VATS	-0.4317	-3.3541
VOR	-0.2596	-5.5322
VAIN	.082756	5.0317
VINS	-.029263	-1.7497
VIR	0.3397	1.6253
VAD	.099000	0.9988
$R^2$		0.9797073

Table 8.31

## Production Function (Linear)

Dependent Variable = Value of Output of Mustard Seeds (Rabi)

Variables	Regression Co-efficients	T with D.F = 5
Constant	135.93	.058984
VAS	5.4679	0.5535
HOL	4.3800	1.5933
HIL	3.3618	1.3654
VATS	-2.2956	-0.5125
VOR	4.6789	3.1309
VAIN	10.168	2.3895
VINS	13.333	0.2776
VIR	-13.301	-1.5338
VAD	20.798	1.5296
$R^2$		0.9054429

Table 8.32

## Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Output of Mustard Seeds (Rabi)

Variables	Regression Co-efficients	T with D.F = 5
Constant	11.472	3.3938
VAS	0.8534	1.9498
HOL	0.1174	2.1888
HIL	0.1018	2.5714
VATS	-0.6422	-1.8858
VOR	-0.2241	-2.1122
VAIN	0.1564	3.5800
VINS	-.064331	-0.9470
VIR	-0.7281	-1.3543
VAD	.024115	.094019
$R^2$		0.8803852

Table 8.33

## Production Function (Linear)

Dependent Variable = Physical Amount in Kilos of HYV Potato (Rabi

Variables	Rregression Co-efficients	T with D.F = 132
Constant	7653.6	8.9591
VAS	-.029966	-0.2989
HOL	-0.1958	-1.6611
HIL	-0.1107	-0.9297
VATS	-0.2858	-1.3216
VOR	0.7134	2.5609
VAIN	0.3567	1.1012
VINS	0.9019	2.6635
VIR	0.2408	0.2042
VAD	-0.5236	-0.2977
$R^2$		0.1461163

Table 8.34

## Production Function (Cobb-Douglas Type )

Dependent Variable = Physical Amount in Kilos of  
HYV Potato (Rabi)

Variables	Regression Co-efficients	T with D.F = 132
Constant	9.1708	17.440
VAS	-.039214	-0.9077
HOL	-.0051633	-1.5875
HIL	.00093524	0.3636
VATS	-.0033919	-0.6469
VOR	.0086526	0.5771
VAIN	.0012839	.028376
VINS	.042192	3.6659
VIR	-.0046297	-0.1283
VAD	-.013535	-0.6133
$R^2$		0.1402674

Table 8.35

## Production Function (Linear)

Dependent Variable = Value of Output of HYV Potato (Rabi)

Variables	Regression Co-efficients	T with D.F = 132
Constant	15870	9.8203
VAS	.029034	0.3848
HOL	-0.4023	-2.3380
HIL	-.081138	-0.8450
VATS	-.054685	-0.1299
VOR	0.2086	0.3579
VAIN	1.5121	2.1786
VINS	1.9772	1.5984
VIR	4.0585	1.5999
VAD	-1.8311	-0.7635
$R^2$		0.1324312

Table 8.36

## Production Function (Cobb-Douglas Type)

Dependent Variable = Value of Output of HYV Potato (Rabi)

Variables	Regression Co-efficients	T with D.F = 132
Constant	8.8191	20.818
VAS	.041399	1.8489
HOL	-.0016620	-0.5265
HIL	.0034073	1.3546
VATS	.0032940	0.6550
VOR	-.010814	-0.8146
VAIN	.062600	1.4544
VINS	.022212	1.9609
VIR	.052161	1.5171
VAD	-.028332	-1.4826
$R^2$		0.1348657

Table 8.37

Marginal Productivity Corresponding  
to Table Number 8.15

Input	Marginal Productivity
VAS	1.5254
HOL	0.2550
HIL	0.2322
VATS	3.1648
VOR	1.6566
VAIN	5.6559
VINS	-0.1734
VIR	1.0721
VAD	22.121

Table 8.38

Marginal Productivity Corresponding  
to Table Number 8.16

Input	Marginal Productivity
VAS	0.973
HOL	0.068
HIL	0.064
VATS	4.818
VOR	0.611
VAIN	3.961
VINS	1.468
VIR	1.588
VAD	12.922

Table 8.39  
Marginal Productivity Corresponding  
to Table Number 8.17

Input	Marginal Productivity
VAS	-0.1718
HOL	- .042302
HIL	.00034011
VATS	-0.1079
VOR	0.1187
VAIN	0.4064
VINS	0.6858
VIR	.0065464
VAD	-0.8618

Table 8.40  
Marginal Productivity Corresponding  
to Table Number 8.18

Input	Marginal Productivity
VAS	-0.260
HOL	-0.008
HIL	-0.0002
VATS	-0.061
VOR	0.075
VAIN	0.367
VINS	0.289
VIR	-0.045
VAD	-0.025

Table 8.41  
Marginal Productivity Corresponding  
to Table Number 8.19

Input	Marginal Productivity
VAS	5.1836
HOL	-1.1180
HIL	-1.0462
VATS	4.7804
VOR	0.5356
VAIN	5.9239
VINS	1.6389
VIR	-0.2078
VAD	-2.5281

Table 8.42  
Marginal Productivity Corresponding  
to Table Number 8.20

Input	Marginal Productivity
VAS	3.277
HOL	0.065
HIL	0.050
VATS	3.599
VOR	0.314
VAIN	8.742
VINS	-0.205
VIR	-0.125
VAD	-1.161



Table 8.43  
Marginal Productivity Corresponding  
to Table Number 8.21

Input	Marginal Productivity
VAS	0.5717
HOL	-.087953
HIL	-.027353
VATS	-0.2877
VOR	0.2252
VAIN	-0.2067
VINS	0.3222
VIR	-14.641
VAD	3.3709

Table 8.44  
Marginal Productivity Corresponding  
to Table Number 8.22

Input	Marginal Productivity
VAS	0.348
HOL	-0.005
HIL	0.002
VATS	-0.211
VOR	0.169
VAIN	-0.086
VINS	0.283
VIR	-25.626
VAD	1.130

Table 8.45  
Marginal Productivity Corresponding  
to Table Number 8.23

Input	Marginal Productivity
VAS	5.0204
HOL	-0.7508
HIL	-1.0354
VATS	3.8954
VOR	0.4766
VAIN	2.4688
VINS	1.4486
VIR	-32.364
VAD	5.7785

Table 8.46  
Marginal Productivity Corresponding  
to Table Number 8.24

Input	Marginal Productivity
VAS	6.225
HOL	-0.114
HIL	-0.128
VATS	5.313
VOR	0.446
VAIN	0.924
VINS	-0.010
VIR	-67.213
VAD	0.471

Table 8.47  
Marginal Productivity Corresponding  
to Table Number 8.25

Input	Marginal Productivity
VAS	-2.7827
HOL	0.2966
HIL	0.2572
VATS	-1.6460
VOR	0.1042
VAIN	-1.3689
VINS	-.083639
VIR	-0.4045
VAD	3.1326

Table 8.48  
Marginal Productivity Corresponding  
to Table Number 8.26

Input	Marginal Productivity
VAS	-1.50
HOL	-0.057
HIL	-0.057
VATS	-2.037
VOR	-0.229
VAIN	-1.019
VINS	0.137
VIR	0.302
VAD	1.673

Table 8.49  
Marginal Productivity Corresponding  
to Table Number 8.27

Input	Marginal Productivity
VAS	-2.9623
HOL	0.3031
HIL	0.2945
VATS	8.7051
VOR	1.0591
VAIN	-0.7364
VINS	-0.4196
VIR	-1.1131
VAD	4.2473

Table 8.50  
Marginal Productivity Corresponding  
to Table Number 8.28

Input	Marginal Productivity
VAS	-1.720
HOL	-0.075
HIL	-0.075
VATS	7.867
VOR	0.795
VAIN	-0.268
VINS	-0.006
VIR	-0.422
VAD	3.179

Table 8.51  
Marginal Productivity Corresponding  
to Table Number 8.29

Input	Marginal Productivity
VAS	-1.4860
HOL	0.5640
HIL	0.3846
VATS	-0.1200
VOR	0.4561
VAIN	0.6829
VINS	-.0052991
VIR	0.3061
VAD	4.2689

Table 8.52  
Marginal Productivity Corresponding  
to Table Number 8.30

Input	Marginal Productivity
VAS	3.481
HOL	0.225
HIL	0.127
VATS	-0.515
VOR	-0.335
VAIN	0.240
VINS	-0.924
VIR	0.778
VAD	0.815

Table 8.53

Marginal Productivity Corresponding  
to Table Number 8.31

Input	Marginal Productivity
VAS	5.4679
HOL	4.3800
HIL	3.3618
VATS	-2.2956
VOR	4.6789
VAIN	10.168
VINS	13.333
VIR	-13.301
VAD	20.798

Table 8.54

Marginal Productivity Corresponding  
to Table Number 8.32

Input	Marginal Productivity
VAS	45.215
HOL	1.380
HIL	1.285
VATS	-7.063
VOR	-2.666
VAIN	4.180
VINS	-93.004
VIR	-15.350
VAD	1.826

Table 8.55  
Marginal Productivity Corresponding  
to Table Number 8.33

Input	Marginal Productivity
VAS	-.029966
HOL	-0.1958
HIL	-0.1107
VATS	-0.2858
VOR	0.7134
VAIN	0.3567
VINS	0.9019
VIR	0.2408
VAD	-0.5236

Table 8.56  
Marginal Productivity Corresponding  
to Table Number 8.34

Input	Marginal Productivity
VAS	-0.092
HOL	-0.030
HIL	5.723
VATS	-0.036
VOR	0.080
VAIN	8.690
VINS	0.878
VIR	-0.112
VAD	-1.242

Table 8.57  
Marginal Productivity Corresponding  
to Table Number 8.35

Input	Marginal Productivity
VAS	.029034
HOL	-0.4023
HIL	-.081138
VATS	-.054685
VOR	0.2086
VAIN	1.5121
VINS	1.9772
VIR	4.0585
VAD	-1.8311

Table 8.58  
Marginal Productivity Corresponding  
to Table Number 8.36

Input	Marginal Productivity
VAS	0.151
HOL	-0.022
HIL	0.044
VATS	0.081
VOR	-0.234
VAIN	0.979
VINS	1.107
VIR	2.930
VAD	-5.873



Despite difficulties of finding true input responses, we can say that the society, in general, enhanced the productivity of farms of their members through better seeds, tractor services, implements, irrigation, inorganic manures and organic manures.

There are still great scope for increased use of all these inputs. Demand for credit on the basis of expanded demand for these inputs is expected to increase many times. There is unlimited scope of diversifying the activities of members' enterprises. This is especially because there is great unused land reserve because intensity of use of lands is not very high when we compare the amounts net cultivable lands and gross cultivated lands. Unused land reserve shall remain till the ratio of gross cultivated to net cultivable land is 3:5.

Animal husbandry, pisciculture and farm forestry for organic manures and fuel wood are important activities which Sridharpur Cooperative Bank must finance with expert advice from an agricultural development planner.

## A MOCKERY OF COOPERATIVE MARKETING

## 9.1 INTRODUCTION

The need of a multi-dimensional network for marketing of agricultural and rural produces can hardly be over-emphasized. Most modern model builders for agricultural development have, directly or indirectly, stressed the role of the guaranting of marketing of produces as a big agency for inducing the farmers and rural operators to usher in dynamism in the growth of their enterprises.

It has, however, been a world-wide experience that a plurality rather than singularity, a multiplicity rather than uniqueness, of marketing institutions protect better the interest of rural producers to guarantee the smooth setting of their produces as well as to narrow down the gap between the price they receive and the price the user, final or intermediate, pays. For a less developed country where infrastructure of private enterprises is less developed, the public sector marketing corporations, private marketing companies, family enterprises in marketing and co-operative marketing institutions are possible candidates for co-existence. One must add that each of these marketing institutions need correct and appropriate legislation and right form of institutional framework to umpire the lawful working of the legal restraints.

This study concerns the experience and experiments of cooperative societies of the state of West Bengal. In the state of West Bengal, one of the states of the Union of India, the types of marketing institutions, as described in the preceding paragraph,

are, by and large, undeveloped or do not function normally. Therefore, in rural areas, especially in remote rural areas, the importance of a right type of cooperative marketing society is immense especially from the point of view of speeding up the development process. Unfortunately, as we shall see in the following chapter, political pragmatism of law making authorities on cooperative societies make them more interested in catching votes rather than in installing independent sources of growth in the country side.

## 9.2 THE BARNISH SOCIETY

In West Bengal, the "Barnish Samabaya Krishi Bipanan Samity Ltd" of Mainaguri in the district of Jalpaiguri is a representative specimen of cooperative marketing societies that develop, rise and then decay for want of perennial sources of vitality. This society was set up and registered in 1957 during the second five year plan when "the real planning began" in India. The society reached its peak in the eighties during the sixth five year plan and then gradually declined and its operations remained suspended during 1991-92. This cryptic life story suggests that the rise was occasioned by the receipt of funds from the Government. The fall came about as a result of mismanagement by officers appointed by the Government. Eventually in 1991-92 the Government refused to provide further funds and at least temporarily the society was kept in suspended animation.

In its peak period of activities the society had 718 members. Of these 37 members were from 37 "Samabaya Krishi Unnayan Samities". In other words, each of them had only one representative in this

"Samabaya Krishi Bipanan Samity". Farmers and Farm Workers together made up 680 members and the Government of West Bengal was represented by only one member.

The objects of the Society were, at the time of its foundation, ninefold. Firstly, the Society would make arrangements for the purchase and sale of agricultural produces produced by the members and others. Secondly, the society would advance loan to members on the security of their produce, raw or processed. Thirdly, the society would hire or build warehouses and processing yards to facilitate storage, processing and sale of goods. Fourthly, the Society would process raw materials belonging to members or purchased by it. Fifthly, the Society would make arrangements for packing and grading of the produces produced by its members. Sixthly, the Society would supply to members, through their local society or otherwise, manure, seeds, implements or other inputs required for their farm business and essential domestic consumption. Seventhly, the Society undertakes to encourage thrift, self-help and cooperation among its members. Eighthly, the Society would act as agent of primary credit societies for recovery of production and consumption loans given by them to their members. Finally, the Society would undertake all other activities calculated to further all the above noted objects.

Despite this avowed many-dimension aim, the society could not, in its heyday, perform more than the following functions:

(a) to purchase agricultural goods especially raw jute from members;

(b) to sell inorganic fertilizers such as sufala, urea, S.S.P., M.O.P. and D.A.P. ;

(c) to sell HYV jute, wheat (Sonalika) and paddy (Jaya, IR-8) seeds;

(d) to sell pesticides and insecticides;

(e) to sell under modified rationing scheme Kerosene, sugar, rapeseed, rice, flour and allied commodities;

(f) to sell cloths such as saris, dhotis, and shirt and trouser cloths.

Most of these activities except buying and selling of raw jute stopped before 1989. Buying and selling of jute continued upto 1990-91. This stopped entirely in 1991-92.

In terms of the audited accounts of the Society in 1987 each member had to pay an entrance fee of Re 1/- only. As members each of the primary agricultural credit societies (Samabaya Krishi Unnayan Samities) bought a share of Rs. 144, whereas each of the individual members had to buy a share of Rs. 30/- only. The government bought a share of Rs. 212,260 = 00 P only.

The total funds position in 1987, as disclosed by officials, were as under:

Government Share	: Rs. 212,260=00 P
Members' share	: (a) Cooperative Societies Rs. 5,390 = 00
	(b) Individuals Rs. 21080 = 0
Loans from BENFED	: Rs. 100,00,000 = 00 P
Loans from Central Co-operative Bank of Mainaguri	: Huge but not disclosed.

An officer of the Cooperative Department of the State Government was employed as Executive Officer of this Society. Under him worked a Manager, an Accountant, eight assistants and four peons and guards. Accounts kept in the eighties showed that the society continued to maintain reasonable profits in respect of jute, ration shop as well as consumers' shop. An example of profits shown in the accounts by the management during a part of the eighties is given below.

Table 9.1

## Profit from Ration Shop

Year	Profit (Rs)
1982-83	10,500.00
1983-84	21,000.00
1984-85	12,000.00

Table 9.2

## Profit from Consumers' Shop

Year	Profit (Rs)
1982-83	21,000.00
1983-84	11,200.00
1984-85	10,000.00

Table 9.3  
Profit from Jute

Year	Profit (Rs)
1982-83	72,000.00
1983-84	90,000.00
1984-85	90,000.00

The question generally arises : What is the reason for the temporary closure in 1991-92 despite the reasonable profits the society earned in the early eighties? The majority of directors of the Board of Directors of this society is decided upon by the State Registrar of Cooperative Societies. The initiative of the Directors almost always passes to the management especially the Executive Officer. It is suspected there has been major flows in some aspect of administration with the result the accounts sent by the Society to the BENFED has not been acknowledged by the latter. So cessation of flow of funds from the BENFED is at the root of present suspension of activities. The interest income of the Society earned from deposits in the Central Cooperative Bank is used to pay the salaries of the members of the staff of the Society.

During the late eighties especially during the session 1987-88, as a result of large-scale inflow of smuggled Bangladeshi jute the prices of local jute fell and producers of jute were forced to grow less jute. This was the point made by the then Executive Officer of the Society. But, as it will appear in a later section, the

management bought jute mostly from outside the members and its suppliers were farias and wholesalers. The complaints gathered strength that jute producing members were bypassed in the effort of the Society to purchase from the least-price-sellers.

The Society held its main office in Mainaguri and subsidiary office in Barnish a village ten kilometres away from Mainaguri. The Battala weekly jute market in the village of Husludanga, eight kilometres away in the east of Mainaguri has always provided opportunities of purchasing jute in plenty to this society.

It is a pity that the management did not devise any method to induce members to produce sufficient amount of jute through a system of registration of specific farm area and of pre-determined fair price. Instead, they fell victim to the temptation of doing brisk profits by buying on lowest price. In other words, they flouted all ethical norms of true cooperation.

### 9.3 A PLAUSIBLE HYPOTHESIS

We are not aware of any private initiative cooperative society now in existence in West Bengal for marketing or for purchase. Sridharpur Cooperative Bank certainly extended its activities also to purchase as well as to marketing. The cooperative societies which cater only to the needs of marketing of members' produces are all government initiative cooperative societies. A point of these cooperative societies is that they also cater to the needs of purchases of members. Such cooperative societies are without



exception, dual purpose cooperative societies.

But strangely these societies are not motivated by the interests of members proper. As in the case of government initiative cooperative credit societies, in the case of these cooperative marketing and purchase societies the government is a big partner. But in the case of the government initiative marketing and purchase cooperative societies, or the "Samabaya Krishi Bipanan Samities", as they are called, the government hold over them and decision-making authority therein are still vaster. It appears that the government is haunted by its two-fold responsibility of purchasing from the farmers within the jurisdiction of the society some commodity or commodities used outside the area of their production as well as recovering production and consumption loans granted through the government initiative cooperative credit societies, which are also officially nicknamed primary agricultural credit societies or PACs.

In order to fulfil these objectives of the government, it opened the membership of these government initiative cooperative marketing (also purchasing) to three categories of members. They are : (a) "Samabaya Krishi Unnayan Samity" or whom we regard as government initiative cooperative credit society; (b) agricultural farmers and workers; and (c) Government.

Even though the number of individual members may far outweigh the number of those representing the PACs and the Government, the Board of Directors is dominated by the PACs representatives and those of the Government. Apart from this, landless farm workers who are also eligible to be members but are unable to buy a share are

often buying shares at full government cost. There is, it is true, no provision in the Act whereby the government may spend money to enable landless farm workers to buy the minimum share. But we have plenty of examples where interested groups of persons or parties spent money to enable a large number of people to become members with the sole purpose of capturing seats in the Board or Council. So complaints have surfaced to our view that the Government has enabled landless farm workers to own shares by providing the cost to them.

This type of members give the Government three fold advantages in controlling the "Samabaya Krishi Bipanan Samities" through the representatives of individual members on the Board. In the first place, it is open for the Government to install a majority of this type of members among the representatives of individual members on the Board. At the same time when the Government goes to wield so much of power, honest members of the cooperative may feel hesitant to fight government nominees for a seat on the Board. Because they might fear that more government members may come in to reduce them into a minority. In the second place, section 26 of the 1983 Act of West Bengal Co-operative societies provides for the holding of a special general meeting on the requisition of just one-third of the members of the Cooperative Society. So if one third of the members of a cooperative "Bipanan" society are such members whose shares are bought on government funds, the necessary requisition for a special general meeting is never difficult to achieve. In the third place, even when no financial agency requires or the state government has given no financial assistance directly to the

cooperative society, the government looks for a resolution of the Board or the general body of its members for the purpose of deputing a government officer to manage the affairs of a cooperative society. Section 28 of the 1983 Act of West Bengal Cooperative Societies is the legal provision of the case in point. In the case of a government initiative marketing society the inclusion of a rather large number of government funded individual members renders the task of having a resolution of the Board or the general body of its members seem easy.

The upshot of all these arguments is that the so-called "Samabaya Krishi Bipanan Samity" is anything but a true Cooperative Society. The test of a true cooperative society is whether or not the society is a society of the members, for the members and by the members. In the following sections we look for data support for this hypothesis built in this section on the basis of legal provisions.

#### 9.4 A TESTING OF THE HYPOTHESIS

That a cooperative society should be a society of members, for the members and by the members does not mean that members cannot appoint professional managers. In fact, the entire management may be left to professionals. But the Board of Directors and General Meeting of the members are the bodies to which the professional authorities are accountable. Members not only design, and seek to implement, policies for the advantages of members but also check every detail of accounts submitted by managers.

But the point we seek to make about this society, in the preceding section, is that this Society has been nothing but an instrument of government business and government duties. The interest of the members has never been uppermost to the operators of this society. According to the official purchaser of this cooperative, about 95 per cent of the jute purchases of this society are purchased from non-members. So only 5% of the purchases are coming to this society from its members. Of this 95 per cent part of the purchases of the society, 65 per cent come from farias and 30 per cent come from non-member growers.

During 1991-92 the society sold most of its purchases to Calcutta mills. But a good part went to Bihar and south India. The society did nothing to set up decentralised local industries to enhance local supply of jute goods and expand general income and employment. The Society bought and sold 6.7 metric tonnes of jute during 1990-91. The Society never purchased at a fixed price. It waited for the price to fall down. Naturally the Society has not been interested to maintain fair price to its members. Obviously, the data collected pointed to the clear-cut misuse of the name of cooperation by the Government in what can be termed its own business.

Again, the returns obtained from fifty member growers reveal that member growers had to sell about 86 per cent of raw jute they produced to the farias or the middlemen. They sold  $7\frac{1}{2}$  per cent straight to the stockists and an equal percentage of their jute output to this cooperative society. In the preceding paragraph we have found that the Society bought about 95 per cent from non-member growers. Here we find that the member growers are unable to

sell to the Society at least 93 per cent of their output. Various reasons account for this situation. In the first place, the society does not like to purchase in small quantities. In the second place the skill and expertise of the official purchaser of the society compare very unfavourably with those of a faria. A faria is a skilled person and can quickly recognise and grade jute. He is also prompt in making the exact payment with notes and coins. On the contrary, the purchasers of government cooperative marketing societies have all the lethargy of a public sector official and lacks serious eagerness to develop his expertise. In the third place, often he does not keep small notes and coins. This makes exact payment being made to poor farmers difficult. These farmers are naturally deterred from coming again to him. Finally, the purchaser of a government cooperative marketing society is not even willing to pay the price the farias will gladly pay. The evidence again points to the misuse of name of cooperation by the government marketing cooperative societies.

The cultivable lands in the villages served by this cooperative marketing society are monotonous plain lands. Unlike in some other areas of West Bengal, cultivable lands here are not divided into higher and lower lands creating some natural advantages for jute in the higher lands. Again, jute is raised in pre-Kharif season. One rival crop of jute in this season here is traditional pre-kharif paddy. Except during the concluding stages of the season this traditional paddy is at least partially drought resistant. But a advantage is that this paddy crop soon becomes infested with rice--hoppers. When these rice--hoppers are plentiful the crop is lost, unless

appropriate insecticides are used. Farmers have, in many cases, therefore, have a natural inclination to raise jute rather than paddy in this season. This is especially because by raising jute they avoid the trouble of bringing and spraying right sort of insecticides.

Despite this natural preference for jute the farmers could not use more than 35 per cent of their pre-kharif cultivable area for jute. This amply demonstrates that this government cooperative marketing society could not boost the production of raw jute to any remarkable extent. Compared to this reaction of member growers, computation of returns made from an equal number of respondents, namely fifty, the non-member growers used at least 37 per cent of their pre-kharif cultivable area to raise jute. Again the non-member growers sold 81 per cent of their jute output to farias, 11 per cent to stockists and 8 per cent to this cooperative society. Decidedly, the member farmers got no relative advantage from what was supposed to be their own cooperative society.

We had obtained returns from a sample of 25 farias or middlemen. It transpired that they sold 69 per cent of their purchases to the stockists in the market and 31 per cent to the cooperative marketing society. We have seen in a preceding paragraph that individual members sold only  $7\frac{1}{2}$  per cent of their raw jute crop to this cooperative marketing society. Thus it is clear that the society is disposed to buy more from the farias rather than from its own members. This raises the suspicion that the Society banks on skill and expertise of the farias they use to fill their store of raw jute. In other words, the society may not have enough skilled persons

to grade the raw jute. So they depend on, and value, the skill of the farias and are disposed to buy more from them. This predicament arises from two sources. Firstly members, it appears, do not enjoy any great right to dispose of their produce to the cooperative society and receive price in proportion to the quality of produce. The data, therefore, tend to support the hypothesis that this cooperative marketing society is not a cooperative of members, for the members and by the members.

Secondly, the farias make the bulk of their purchases from farms of size 2-5 acres. Perhaps still bigger farms sell part of their output to stockists in the market. The farias buy from the month of June to February. Obviously, some of the farmers are in a position to put off their sales to January or February. During 1991-92, these farias testify, there has been decisive rise in the production of raw jute. But we have already seen that this rise in raw jute production was brought out more by farmers who are not members of the society rather than by farmers who are members of the society. The credit for the expansion of this raw jute output goes in a substantial way to the farias. On average they travel to various weekly markets covering more than five mauzas (sets of villages). On the other hand, the cooperative society rarely goes to weekly markets or outside their own location. Thus apart from supporting the hypothesis formulated in the preceding section, namely that it is not members' cooperative society, the society has not at any time emerged as big agency of marketing of raw jute.

## 9.5 CONCLUSION

The discussion in this chapter on the sole variety of existing cooperative marketing society releases certain fundamental questions of first importance to the successful running of true cooperative marketing societies. We have seen that domination of agricultural cooperative credit societies with limited liability have not only stifled individual and collective initiative in the society but in effect prevented the growth of savings in the rural sector for productive use in the same sector. Moreover, the working capital of this type of cooperative societies needs replenishments not merely for coping with new demand for loanable funds but also to compensate for loss caused by non-repayments and often by remission as a matter of official policy, of such non-repaid debts. We have also explained the details of the process saving losing as a result of not resorting to free cooperative credit societies.

The problem of a large residual non-repaid working capital has induced the government to set up a built in device as a way out of this problem in the present type of government cooperative marketing society. A West Bengal marketing cooperative society has thus a big aim to recover the loans not repaid by the members of primary agricultural credit societies. This thus compels the government to make these primary agricultural credit societies important members of the present type of cooperative marketing societies. So they dominate in the Board of Directors and with their help an executive officer is appointed by the government. So it becomes a full government show.



The members of primary agricultural credit societies who did not repay loans have indeed little to lose if they are not members. We have already seen that farias in the locality are better marketers than the Barnish Society. So in respect of marketing of their raw jute the defaulters have lost nothing by not being members of this marketing cooperative society.

We have amply demonstrated that the members of this cooperative marketing society have gained little by being members of this marketing society. At best, the presence of an additional marketing institution has enlarged the choice of marketing agents to the jute growers. Yet this institution did nothing to promote the growth of jute or to ensure fair price to the growers. It has also not succeeded to induce the members to form new producer society to produce jute goods with mini plants.

The trouble at the root is that government has usurped, through legislation as well as through implementation, what should have been the prerogative of the farmers. The government's responsibility is to aid, advise in respect of procuring technology and systems of motivation.

The government may help through advice or through legislation that cooperative societies may allot a percentage or whole of the cultivable areas of a farmer as the registered areas for not only for jute but also for all agricultural crops. The cooperative marketing society may then purchase all produces from such registered areas pre-fixed fair prices and sell through pre-fixed marketing channels.

The government may, similarly, keep open to the members of the marketing society a market of technology for processing and manufacturing locally on the basis of agricultural produces. Like a market of technology, a market of management experts at reasonable prices may also be brought to the view of free cooperative societies.

## Chapter X

### RECOMMENDATIONS AND WARNINGS

#### 10.1 SHORT SUMMARY

We have seen that the evolution of cooperative legislation is indeed the story of ensnarement of free agricultural cooperative societies. The free agricultural cooperative societies implanted by the Englishman had to yield, gradually, to the Government dominated agricultural cooperative societies. The only <sup>VP</sup> surviving free agricultural cooperative society has been so enormously successful that it can easily claim to be a model form of agricultural cooperative society not only for West Bengal but also for the whole of South Asia. Under the leadership of the main spirit of its early years the late Haneswar Banerjee, the barrister, it benefited from the sprightly and agile members of the Society. It was result of the whole-hearted effort of the members that in crisis after crisis they reached consensus to innovate to save the society from possible liquidation. Members have still now resisted all attempts by the Government to convert it into a limited cooperative society which in effect means a Government initiative agricultural cooperative society.

Through its ever-awake activities it has not only financed a remarkable portion of the costs of agricultural production of its members but also has succeeded rather very impressively to reduce the interest rate charged by non-cooperative agents. The infrastructural facilities created by the society in respect of buying production and consumption goods, of selling or marketing

agricultural crops and in providing irrigation water through the operation of owned mini deep tube wells have never been attempted by any of the Government initiative agricultural cooperative societies of Bengal. Of the charitable work done by this society, the most important is the special health care services maintained regularly by the society. There is little doubt that the society has made some contribution towards the heightening of the mean expectation of life in the area from which its members are selected. Although we have not measured it through the construction of life tables both in its beat and outside, we have known from interrogation that infant mortality in the beat is much lower than that outside. The contribution of the society towards education has been so much that it could have built up a small school of agriculture if the money so far spent on education of people by it were spent solely for this purpose.

Compared to this success of the society with unlimited liability, the impact of both government initiative experiments is rather dismal. The government initiative agricultural cooperative society has failed to accumulate any working capital of its own. And while the value of aggregate fixed capital of this society, namely, Balaram-Bhandarigach Krishi Unnayan Samiti Limited is only a few thousand rupees, the value of the same of the Sridharpur Cooperative Bank is more than 30 million rupees. The experiment of the agricultural marketing society with limited liability of Barnish also failed equally.

## 10.2 RECOMMENDATIONS

In the light of our findings summarised in the preceding section we have little hesitation to say that the last English rulers offered to India the best Europe ever innovated for rural cooperation. For remote rural areas which still suffer from many difficulties of various sorts of communication with the regional centres the Raiffeisen model of agricultural cooperative credit society is ideal.

There is hardly any denying that there is substantial difference between the set of social and economic differences of the farms of European countries towards the end of nineteenth century and that of the farms of the present day Indian States like West Bengal. But the Raiffeisen type of agricultural cooperation is constitutionally an educative institution. In this type of cooperative society the general members hold the ultimate authority and if they are well educated through open discussions their responsibilities then they can develop rather quickly the faculties they need to develop to give right directions to their society. At least what everybody can do is to choose the best course of action out of a wide choice opened to them by the true elite within them. Discussions, debates and reading at the general meetings of the cooperative society will continue to what the appetite of the general members to acquire substantial literacy in many respects. Whenever successful, these cooperative societies can spend for fruitful literacy campaign for the rural masses. Raiffeisen type of agricultural cooperative credit societies would be a platform

where progress in productive activities and in education of rural minds can be merged because heightening of the one heightens the other.

### 10.3 WARNINGS

Even though we plead for restructuring of the agricultural cooperative societies which now exist in West Bengal we must warn all concerned that the country must side by side provide for sound competition among various forms of enterprises. Thus agricultural cooperative marketing societies should compete with family enterprises, company and public enterprises in marketing. We recommend similar competition in other spheres like credit, processing and infrastructural facilities. Because if alternatives are non-existent even cooperative societies can turn into despots and are liable to be polluted. Therefore, the country must now be well-equipped with requisite sorts of legislation for all forms of enterprises. These would make up a set of essential infrastructures for redesigning the growth process of the country enabling the whole people to move with power into the high road of progress in the 21st century.

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(As per West Bengal Cooperative Societies Act, 1983)

Bye-Laws of Samabaya Krishi Unnayan Samity (SKUS) Ltd.

(As per West Bengal Cooperative Societies Act, 1983)

Bye-Laws of Sridharpur Cooperative Bank.

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