Trends in development of co-operatives in the context of the Integrated Rural Credit Scheme An assessment based on the Rural Credit Follow-up Surveys

The Division of Rural Economics has completed so far four annual Rural Credit Follow-up Surveys. The first survey related to the year 1956-57, the second to 1957-58, the third to 1958-59 and the fourth to 1959-60. In all, the surveys covered 37 districts distributed over twelve States excluding Assam, Orissa, Jammu and Kashmir and Union territories. Of these 37 districts twenty-seven were also covered by the All India Rural Credit Survey 1951-52.

Table 1 - Names of districts investigated in the Follow-up Surveys

States	First Follow-up Survey 1956-57	Second Follow-up Survey 1957-58	Third Follow-up Survey 1958-59	Fourth Follow-up Survey 1959-60
Andhra Pradesh	West Godavari	Nizamabad	Cuddapah	Krishna
Bihar	Gaya	Monghyr		Bhagalpur
Gujarat	Broach	Sorath	Ahmedabad	
Madras	Coimbatore	Chingleput		Tanjore
Madhya Pradesh	Mandsaur	Sagar		Bilaspur
Maharashtra	East Khandesh	Akola		
Mysore	Dharwar	Bangalore		Bijapur
Punjab	Ferozepur	Jullundur	Hissar	Mohindergarh
Rajasthan	Bikaner	Jaipur		Barmer
Uttar Pradesh	Etawah	Deoria	Mirzapur	Kanpur
West Bengal	Nadia	Burdwan	Jalpaiguri	Midnapore
Kerala		Quilon		

Assessment of the progress of the Integrated Rural Credit Scheme was one of the major objectives of the Follow-up Surveys. The findings of the surveys were published in the General Review Reports as well as a District Report on each of the districts surveyed. The object of this note is to examine on the basis of these reports, the trend in development of co-operatives in different States in the context of the Integrated Rural Credit Scheme and ascertain the factors that may have been responsible for the inter-State variations in the development.

<u>Limitations of data</u>

The first limitation of the note is that the findings of the Surveys relate to the different reference years and not for a uniform year for all districts. Secondly, it is likely that some changes might have taken place after the completion of these surveys, though, to the extent possible the information has been attempted to be brought upto date on the basis of inspection reports and other available sources. Thirdly, the conclusions drawn in the Follow-up Survey Reports are based on the sample data in respect of the selected districts only. Thus, when a reference is made in the note to a State it really means the conditions prevailing in the districts selected from the State during the respective reference years.

ASSESSMENT OF LEVEL OF DEVELOPMENT IN DIFFERENT STATES

The important indicators of the level of development of co-operatives are the proportion of cultivating population covered by societies, the proportion of families borrowing from co-operatives, the proportion of amount borrowed from co-operatives to the total borrowings, the percentage increases in these indicators* over a period, etc. These data are set out in respect of all the selected districts covered by the four Follow-up Surveys in Appendix Table I The data brings out the following salient points.

1) The proportion of dormant societies was very high in the States of Bihar and West Bengal (ranging between 35 to 80 per cent), whereas in most districts from other States it was below 10 per cent, barring exceptions.

2) The proportion of rural population covered by co-operatives was also, among the States, very low in Bihar, West Bengal and Rajasthan. And if the membership of dormant societies is excluded,

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* Of the 37 districts surveyed in the four Follow-up Surveys, 3 out of 11 districts selected for the first (with 1956-57 as a period of reference), 12 of the second (with 1957-58 as a period of reference), 5 of the third (with 1958-59 as a period of reference) and 7 out of 9 districts of the fourth Follow-up Survey were among the 75 districts selected for the All-India Rural Credit Survey, 1951-52. Hence the data on the variations are available in respect of 27 districts out of the 37 districts.

the proportion of which is sizeable, the rural population served by co-operatives in these States would be much smaller than indicated by the figures.

3) The resources position, the level of advances both in absolute terms and in relation to cultivating families, also indicate the same pattern.

4) The proportion of cultivating families borrowing from co-operatives was relatively high (generally 20 per cent or more) in most of the districts belonging to Maharashtra, Gujarat (i.e. pre-reorganised Bombay State) while in most of the remaining districts except West Godavari in Andhra Pradesh and Jullundur in the Punjab, a far lower proportion of the cultivating families borrowed from co-operatives.

5) The proportion of borrowings from co-operatives to total borrowings was also relatively high in the districts from Maharashtra and Gujarat (generally exceeding 20 per cent), followed by Madras and Andhra Pradesh (ranging from 3 per cent to 22 per cent), Punjab (2 per cent to 27 per cent) and Madhya Pradesh and Uttar Pradesh (6 per cent to 11 per cent) except Bilaspur (where it was 62 per cent) while it was very low in Bihar (nil to 5 per cent), West Bengal (1 per cent to 11 per cent) and less than 8 per cent in Rajasthan. The All-India Rural Credit Survey data on the share of co-operatives in total borrowings set out in Appendix Table II also corroborate these inter-State variations in the level of development of co-operatives.

6) While the advances were low, the proportion of overdues was very high in the districts from Bihar and West Bengal (between 30 to 70 per cent) as compared to the other States.

It would appear from the foregoing that co-operatives were relatively well-developed in the districts from Maharashtra and Gujarat (pre-reorganised Bombay State) followed by those from Madras and Andhra Pradesh; while in the States of Bihar, West Bengal and Rajasthan the level of co-operative development was very low; the remaining States of Punjab, Madhya Pradesh and Uttar Pradesh occupied the mid-position in co-operative development.

The considerable disparity in the growth of co-operatives in the different States noticed in the preceding section is ascribable to a number of factors. These relate among others to shifts in policy at the national level, defective planning at the district level, weaknesses in the structure and organisation of institutions, and defects in operational policies and procedures.

VACILLATION AND SUDDEN SHIFTS IN POLICY

The Second Five Year Plan provided for co-operative development on the lines of the Integrated Scheme of Rural Credit. Accordingly in 1956-57, the first year of the Plan which was also the period of reference for the Rural Credit Follow-up Survey, 1956-57, the emphasis was on the development of large size societies. But during the second year of the Plan, 1957-58, there was a slight shift in the emphasis towards the organisation of small size societies, pari passu with the organisation of large size societies. At the same time, the policy regarding the organisation of large size societies, which, together with State partnership at different levels, formed the main component of the Integrated Scheme of Rural Credit, came to be reviewed by the Planning Commission. In November 1958, the National Development Council resolved that, for the development of co-operation as a people's movement, it was essential to organise co-operatives the basis of the village community as a primary unit and that the responsibility and initiative for social and economic development at the village level should be placed fully on the village panchayat and the village co-operatives. Thus, in the third year of the plan, the policy regarding the organisation of service co-operatives was formulated and the fourth year, 1959-60, witnessed the organisation of service co-operatives. In the result, the policy of organising large size societies drawn up in 1955-56 and enthusiastically pursued in the subsequent two years was altered in favour of organising either single village societies or societies covering two or more villages without jeopardising the principle of mutual contact and social cohesion. The emphasis was shifted on the development of service co-operatives whose primary functions were provision of short and medium-term credit, supply of agricultural and other production requisites and the marketing of agricultural produce.

It was observed in the Follow-up Surveys that the sudden shifts in policy discussed above, resulted in considerable amount of confusion in the minds of the district co-operative officials and as a direct consequence even the district co-operative development plans were not properly formulated and implemented.

DEFECTIVE FORMULATION OF DISTRICT CO-OPERATIVE DEVELOPMENT PLANS

As stated earlier, the proposals of the Committee of Direction of the Rural Credit Survey formed, at the national level, the general basis on which programmes for development of the cooperative movement were drawn up in the Second Five Year Plan. A study of the district co-operative development plans in the selected districts, however, showed that the plans were not worked out carefully and comprehensively to embody all the features of the Integrated Scheme of Rural Credit.

Relatively speaking, the district co-operative development plans were comprehensive and carefully worked out in the selected districts from the erstwhile Bombay State namely Broach, Ahmedabad, (Gujarat) East Khandesh (Maharashtra) and Dharwar (Mysore). In these districts the plans laid down the targets in greater detail with regard to the proportion of population and villages to be covered by the co-operatives, the number of large size societies and marketing societies to be organised, the proportion of agricultural produce to be marketed by co-operatives, short, medium and long term credit to be advanced, etc. But even in these districts, certain deficiencies in the existing credit structure were not taken note of while formulating the plans. For instance, in Broach and Dharwar, the issues connected with the undertaking of marketing of produce by credit co-operatives and of credit activities by the marketing co-operatives were not given due consideration in the initial stages.

In some of the selected districts from Andhra Pradesh and Madras, adequate provision for development of primary cooperatives was not made. The State Governments did not give clear policy directives to central financing agencies regarding orientation of loan policy. In Chingleput, a concerted effort was not made to merge the small societies located in the expanded jurisdiction of new societies. In Cuddapah, the targets were not fixed for organisation of marketing societies. The broad frame work of the plan in Krishna indicated the proposed outlay and the physical targets for the five year period but no specific yearwise financial provision was made.

The district co-operative development plans of the selected districts from Uttar Pradesh were generally restrictive in nature covering only some aspects of the co-operative development. Though targets were laid down for proportion of villages to be covered by the co-operatives, membership of agricultural credit societies and for short, medium and long term loans, the plans for Etawah and Deoria did not provide for organisation of large size societies, State participation, financial assistance by way of godown loans and subsidies and management subsidy to large size societies and marketing societies. The plans did not provide for reorienting the structure before expanding the movement. In Mirzapur, large size societies were formed by amalgamation during 1956-57, but not enough consideration was given to make their area of operation compact and manageable, inasmuch as some societies covered 40 or more villages each and had a radius of 6 to 9 miles. The co-operative plans in Kanpur were formulated in greater detail for various aspects of the co-operative movement as in this district, a co-operative development (pilot) project was initiated in Nauranga with the idea of introducing the important features of the Integrated Scheme of Rural Credit.

In Akola (erstwhile Madhya Pradesh), Mandsaur and Sagar, targets fixed in the plans were generally comprehensive. The district co-operative development plan in Bilaspur, however, did not lay down any targets for proportion of villages to be covered by co-operatives or the volume of advances to be given by the primary agricultural credit societies.

In Bihar, West Bengal and Rajasthan though the co-operative structure was very weak in the selected districts and the movement more or less stagnant, there was no systematic programme for liquidation of hopelessly bad societies, for realization of loans overdue to societies, or to correct other weaknesses in the structure. The co-operative development plans did not lay down any physical target even for coverage of villages or for increase in membership and volume of advances. The plan in Jalpaiguri made no provision either for long-term finance or for revitalizing the land mortgage bank which was dormant since its establishment in 1953. The advancing of consumption or kind loans through co-operatives with reasonable limits was an important need of the cultivating families in Jalpaiguri where grain loans played an important role in the credit transactions of the cultivators but this did not receive due consideration in the district development plan.

In the absence of properly planned programme, the organisation of co-operatives gave rise to such defects as overlapping of jurisdiction, dual membership and even overlapping of functions as for instance in Nadia and Jalpaiguri. Adequate attention was not paid to the compactness of the area of operation in organising societies; as a result, many of the large size societies in Burdwan and Jalpaiguri were burdened with an unwieldy area of operation. No efforts were made at organising credit unions despite the weak co-operative structure in these districts.

As stated earlier, during 1959 the emphasis shifted from large size societies to service co-operatives. A study of the procedures adopted in organising service co-operatives generally conveys the impression that by and large, the organisation of service co-operatives was not preceded by well planned promotional efforts or proper understanding of the type of functions which the service co-operatives were to undertake. Consequently, small size credit societies and, in some cases, as in Mohindergarh, even large size societies, were converted into service co-operatives without in some cases even modifying the by-laws of the societies concerned. The target mindedness of the district co-operative officials is illustrated by the fact that within a period of less than 4 to 5 months as many as 177 service co-operatives were organised in Bijapur, 168 in Kanpur, 133 in Midnapore, 117 in Barmer and 106 in Mohindergarh.

The foregoing discussion brings out that the planning of co-operative development at the district level suffered from a number of defects which included i) lack of systematic and coherent approach at strengthening the organisational set-up of the primary credit structure, ii) sporadic efforts at organisation of large size societies and service co-operatives, iii) inadequate attention given by the Cooperation Department in selection of societies for conversion into large size ones or for sanctioning loans and subsidies for construction of godowns or appointment of managerial staff, iv) lack of efforts at planned development of marketing co-operatives, and v) inadequate emphasis on the development of processing co-operatives. The review also brings out the point that the planning in the selected districts from Maharashtra and Gujarat, the co-operatively well-developed States, was relatively more comprehensive than in the districts from West Bengal, Bihar and Rajasthan where no sizeable efforts, either in the plan or in the process of implementation, were made to reorganise the credit structure on the lines recommended by the All-India Rural Credit Survey Committee. The planning in the districts from other States generally covered various aspects of co-operative movement but did not aim at introducing all the features of the Integrated Scheme of Rural Credit.

UNSATISFACTORY PERFORMANCE OF CENTRAL CO-OPERATIVE BANKS

The Integrated Rural Credit Scheme assigned a pivotal role to the central co-operative banks in the development of co-operatives. To what extent efforts were made to attain this role has been appraised in this section.

Structural weakness

Of the 37 districts, 3 were served by the branches of the State co-operative bank of the respective States and of the remaining 34 districts, 20 districts had one central bank each, 8 had 2 banks each and 6 had more than 2 banks each. The districts which had two or more banks were mainly those from Bihar, West Bengal and Punjab and in some of these there appeared to be technically some overlapping. Efforts at amalgamation of the banks in districts which had more than one bank have not generally been successful. Among the main reasons against amalgamation, the more important ones appeared to be the possibility of a change in the composition of board of directors of the banks as a result of the merger, a change in the location of the newly organized banks, communal considerations, petty factions, etc.

Jurisdiction and size

Despite the considerably long period of existence, a large majority of banks were still financially not sound and their operations left much to be desired. For instance, although the Standing Advisory Committee of the Reserve Bank of India suggested as far back as 1952 that, as a general rule, there should be only one central bank covering an entire district, and that a bank should normally have owned funds of Rs.3 lakhs and aim at having a minimum working capital of Rs.20-25 lakhs within a reasonable time of its organisation, of the 61 central banks in the 34 selected districts, 23 did not satisfy the prescribed standard for owned funds and 26, the standard for working capital. A large number of these banks was from Bihar and West Bengal where a district invariably had more than one bank.

Financial resources

The financial position of a central bank can better be judged by relating it to the number of rural cultivating families in the district. In the 61 central banks in the 34 districts, a distinct pattern was observed in respect of their financial position. The districts from the pre-reorganised Bombay State followed by Andhra Pradesh and Madras in the first group, had a comparatively stronger financial structure. The working capital and its components, viz., owned funds, deposits and other borrowings per 100 cultivating families were comparatively higher in the selected districts from these States than in others. Even within these districts certain distinct features could be observed. For instance, Ahmedabad and

Broach, now in Gujarat, showed the same characteristics in financial resources as East Khandesh in Maharashtra and Dharwar in Mysore. A comparison of East Khandesh with Akola transferred to Maharashtra from Madhya Pradesh and of Dharwar and Bijapur, transferred to Mysore from Bombay after reorganization, with Bangalore which was already in the Mysore State, would show more distinctly the better development of co-operatives in the pre-reorganised Bombay State as compared to Mysore or Madhya Pradesh. This was mainly due to the benefits these banks derived from the efforts at reorienting the credit structure made as early as in 1949-50 in the pre-reorganised State of Bombay. Among the components of working capital, deposits per 100 cultivating families were much higher in these districts as compared to those in Andhra Pradesh and Madras. In Andhra Pradesh and Madras the major proportion of the working capital was accounted for generally by borrowings, and deposits were comparatively low.

The financial position of the second group, which included the districts selected from Punjab, U.P. and M.P., though not as strong as those in the first group, was better than those in the third group, viz., the districts from Bihar, West Bengal, and Rajasthan. Even in Punjab a distinction could be observed in the pattern of development between the banks organized in erstwhile Punjab which were financially more sound than those which came in after the merger of the princely States.

Banks in Rajasthan were of more recent origin and their development could not be compared with that of central co-operative banks in the more advanced States. In Bihar and West Bengal the existence of more than one bank in the same district appeared to have adversely affected their efficient functioning as strong and viable units. In some of the banks in these States, the business turnover was not even as large as in some large size societies from certain districts in the South. Only in a few banks was there sizeable State contribution to share capital. Efforts at mobilization of deposits were relatively meagre. On account of their financial weakness these banks were dependent mainly on funds received from the Reserve Bank of India for their operations and worked in practice merely as a distributing agency almost acting as an intermediary between the apex bank at the State level and relatively weak primaries at the village level. Although there was some improvement in the financial position of these banks of late, the relative weaknesses in these banks acted as a check to the progress of the Movement itself in these States.

The Integrated Rural Credit Scheme envisaged a re-orientation of the loan policy and procedure of the central banks on the lines of the Crop Loan System. The basic features of this system, which is production-oriented and market-realised, are fixation of scales of finance on the basis of cash outlay per unit area of crop, evolution of these scales of finance through a democratic process of field workers' (officials and non-officials) conference, disbursement of loans in instalments and to the extent possible in kind, linking of repayments with the harvesting season, recovering dues through marketing societies out of the sale proceeds of the crop financed, etc. The system also envisaged a methodical procedure for assessment of credit requirement of members.

<u>Extent of adoption of Crop Loan System</u>

As regards a methodical assessment of the credit requirement of members, an examination of the application forms prescribed by the central banks and the proformae prescribed for supplying the information regarding individual members by primary credit societies to the central banks reveals that the proformae in most of the cases did not provide for collection of information required for proper implementation of the Crop Loan System. Even in those pockets where the Crop Loan System had been introduced, the primary credit societies were not required to prepare the normal credit statements on the lines envisaged. The surveys revealed that there were in the main four types of loan procedures in vogue : (i) the central banks had effective power to scrutinise the loan applications as in Madras, Andhra Pradesh and Mysore, (ii) the peculiar type of loan procedure had resulted in by-passing the managing committees of the societies which had no de facto managerial responsibilities as in Madhya Pradesh, (iii) the central

<u>Loan procedure</u>

bank had little effective power to scrutinize the loan applications as in the case of Punjab, Rajasthan, Bihar, Uttar Pradesh and West Bengal, and (iv) the central banks played a significant role in spite of the fact that the loan applications had to be routed through the Assistant Registrars of Co-operative Societies and the power of supervision vested in the taluka supervising unions which were federal bodies of primary societies, as in Gujarat and Maharashtra.

An analysis of the loan procedures in vogue during the Survey years indicated that the ideals and practices recommended by the Committee of Direction of the All-India Rural Credit Survey were not built into the structure, organization and working of the societies. The outmoded and orthodox procedures in vogue since the beginning had been followed without making any efforts to effect flexibility at any stage, though in a few districts from Maharashtra, Andhra Pradesh, Madras, Madhya Pradesh and Mysore, action in this regard, in varying degrees, had been initiated.

Provision of adequate finance was not in operation in any States except perhaps in the areas of the erstwhile Bombay State and also the areas covered by the Full Finance Scheme in States like Madras and Uttar Pradesh. In these States, the quantum of loan was initially linked to the crop acreage. However, the actual policy followed was far short of the ideal policy as the quantum of loan though related to the cash outlay on crops, was linked to the total owned assets of the borrower and the overall limit fixed in the bye-laws. In Broach district of Gujarat, the quantum of loan to a member was linked to the acreage of land irrespective of the crops grown and to the value of produce sold by a member through co-operatives. In this case, no consideration was given to the cost of cultivation of different crops. In Madras and Andhra Pradesh, though some efforts were made to reorientate the policy in the 'pilot project' areas and areas covered by the 'Full Finance Scheme' there was no appreciable change in the loan policy prescribed by the central banks. Even in part of Mysore which was an integral part of the pre-reorganized Bombay State where certain

<u>Quantum of loans in relation to cost of cultivation</u>

features of the Crop Loan System were in vogue, the tenant cultivators were given lower credit limits. In Madhya Pradesh, though loans were fixed on the basis of acreage of land, in actual practice, loans were given at a very much lower limit. In the Kanpur district of Uttar Pradesh and Bangalore district of Mysore, though the quantum was fixed in relation to crop acreage on the basis of the estimated cultivation expenses, in practice, loans were given in relation to the assets recorded in the haisiyat. In Madhya Pradesh, loans were given only to those who had transferable rights in land. In the Jaipur district of Rajasthan, the scales of finance were related either to the value of anticipated crops or to the average annual value of crops. Thus, it would be noticed that there was no system of estimating credit demand of members based on anticipated production.

Disbursement of loans in kind and instalments

In order to ensure proper utilization of loans it was suggested that a part of the crop loan should be issued in kind and that the cash part should be disbursed in instalments according to the progress of the agricultural season. The Follow-up Surveys revealed that the practice of advancing a part of crop loan in kind was followed in the pre-reorganized Bombay State, and in some cases in Madras and Madhya Pradesh. In Bihar, the fertilizer loans were issued in kind. In Rajasthan, some societies undertook distribution of improved seeds and fertilizers as agents of the Agricultural Department of the State Government. In rest of the districts loans were advanced in cash.

The practice of giving loans in instalments was also observed in the pre-reorganized Bombay State. According to the practice followed, disbursements were made in two to four instalments taking into account the agricultural seasons for different crops. In other States, loans were advanced in one lump sum and in cash at the beginning of the agricultural season.

Recovery of loans appeared more satisfactory when repayments were related to the period of harvest of crops financed. It was found that no uniform procedure was followed in this respect in the different States. While in some, specific dates or periods were indicated as in the areas covered by the pre-reorganized Bombay State, in districts of Madras and Andhra Pradesh, disbursements and recoveries were spread over all through the year. The due date of repayment was generally 12 months from the date of issue of loans and did not often synchronise with the harvesting season. In Rajasthan and Punjab, disbursements were spread throughout the year but here the recovery was the responsibility of the Co-operation Department unlike Madras and Andhra Pradesh where the supervising unions were entrusted with this work. In West Bengal recovery was generally linked with harvesting season but in Bihar it was not.

Syncronisation of recoveries with harvesting season

According to the Rural Credit Survey Committee, supervision should be the legitimate function of apex banks and co-operative central banks. A study of the pattern of arrangements regarding supervision indicated that, even in the fourth year of the Second Plan, hardly any efforts at its reorientation were made in many States. In Madhya Pradesh, although strictly speaking, the power of supervision vested with the central banks, the existing arrangements were hardly in consonance with the pattern envisaged in the Integrated Scheme of Rural Credit as, because of the domination of the society supervisors and group officers, the managing committee of primary credit society had no *de facto* managerial responsibility. In Madras and Andhra Pradesh, supervision was supposed to have been exercised through the supervising unions, many of which were actually defunct and in effect, the central banks had to attend to it. In Kerala, the central banks were in direct charge of supervision of societies affiliated to the local supervising unions. In Uttar Pradesh, supervision was vested with the Provincial Co-operative Union. The supervisors appointed by the Union were attached to the Assistant Registrar or the District Co-operative Officer. Since the credit limits were to be scrutinized by the Co-operation Department officials, the power of supervision vested with the Government. In West Bengal, supervision was technically the responsibility of the central banks, but since the staff maintained by the banks was inadequate, the duties regarding scrutiny of credit limits and recovery of loans were practically undertaken by the Co-operation Department.

Supervision by central bank

officials. The position was not much different in Bihar where the credit limits were scrutinized by the Departmental officials and the supervisors were on deputation from the Government. Thus in effect, the work of supervision was largely controlled by the Co-operation Department. In Punjab and Rajasthan, supervision was vested with Government itself and duties relating to scrutiny of credit limits and recovery of loans were undertaken by the Department. In Mysore, while the central banks were responsible for supervision of societies in the old Mysore area, the Department was in-charge of supervision in the erstwhile Hyderabad area. In the Bombay-Karnatak area, the work was done by the central banks as also by the Department.[1] In the pre-reorganized Bombay State, the supervision was exercised by the Taluka/District Supervision Committee. Supervisors were Government employees. Thus, the pattern of arrangements regarding supervision and inspection varied from one State to another and did not correspond with that envisaged in the Integrated Scheme of Rural Credit. The objective of making the central bank an autonomous co-operative institution was far from being fulfilled particularly, because, in many districts the officials of the Revenue Department still continued to be ex-officio chairmen of the central banks.

WEAKNESSES OF THE PRIMARY CREDIT STRUCTURE:

In the case of primary credit societies in a number of districts surveyed, the structural weakness acted as a serious shortcoming. While in some districts dormancy of societies was a severe impediment in most others the small uneconomic size limited their rate of development.

Dormancy and efforts at revitalisation

Dormancy of primary credit societies posed a serious problem particularly in West Bengal and Bihar, where the proportion of dormant societies in the selected districts ranged between 28-81 per cent, while in other States it was generally less than 10 per cent. The main causes for dormancy appeared to be bad management and misappropriation, hesitancy and half-hearted approach to recoveries, domination by vested interests, very small area of operation,

1 Though supervision was technically the responsibility of the Government, scrutiny of credit limits and recovery of loans was attended to by the respective staff of central banks

overlapping of functions between primary credit societies and other types of societies, etc. Other factors like weakness of the central banks, pre-occupation of the central banks with trading activities, defective loan policy and procedure, unsatisfactory arrangement regarding audit, inspection and supervision also had a direct bearing on the unsatisfactory performance of these societies.

To counter the problem of dormancy a programme for revitalisation of primary agricultural credit societies was taken up since 1957 with a view to enabling them to function more effectively. This programme was intended to be carried forward and completed during the Third Plan period. Most of the States laid down some criteria for societies to be taken up for revitalisation. But in many cases, revitalisation of societies was interpreted to amount to a little more than the appointment of a clerk in each society with the help of the subsidy provided by the Government. There was no systematic programme for liquidation of hopelessly bad societies, to realise all loans overdue, to bring as many rural families as possible into the co-operative fold, to get the required finance from the central bank, etc. So revitalisation schemes, in effect, were little more than provision of managerial subsidy, though there were marked variations in the method of selection of societies and quantum of management subsidy. Thus, except perhaps in a few districts, neither was the scheme of revitalisation of small size societies properly formulated nor was the programme satisfactorily implemented.

The small or uneconomic size of societies and inadequate efforts at reorganisation towards attaining viability was another important weakness of the primary credit structure. During the period covered by the four follow-up surveys there were three distinct types of primary credit societies operating in the selected districts; large size societies, small size societies and service co-operatives. As regards membership of primary credit societies, it was found to be generally rising in all the districts.

<u>Uneconomic size and resources</u>

In large size societies the average membership ranged from 169 in Bilaspur to 1229 in Kanpur and in small size societies from 27 in Mirzapur to 207 in Quilon. Generally the increase in membership was more marked in large societies than in small size societies. As regards the composition of membership, it was noticed that a sizeable proportion of membership consisted of big and large cultivators in the majority of the districts. The participation of small cultivators in co-operatives was markedly low in certain districts as Mirzapur and Cuddapah.

The data on financial resources per 100 rural cultivating families of the districts showed that in respect of share capital those districts where a higher proportion of large size societies was operating were comparatively better than others where large size societies were fewer in number. For example, the paid-up share capital for 100 cultivating families was as high as Rs.4,713 in Broach, followed by East Khandesh (Rs.4,114) and Dharwar (Rs.3,021) as against a mere Rs.85 in Gaya and Rs.93 in Jalpaiguri. It is evident, therefore, that the financial position of primary societies was comparatively better in those districts where the reorganisation of primary credit structure was carried out on a significant scale. The societies with a poor financial position were mostly one-village societies which were badly managed by honorary secretaries or were dominated by vested interests like landlords, moneylenders, etc. or were operating in backward or scarcity affected areas.

The surveys revealed that the primary credit structure in a majority of districts selected from West Bengal, Bihar and Rajasthan was characterised besides dormancy, by a large number of single-village unlimited liability type of societies, which were uneconomic in size, while in districts, mostly from Andhra Pradesh, Madras, Mysore, Kerala and erstwhile Hyderabad State, there was a predominance of multi-purpose, multi-village societies and lesser number of dormant societies. In the third group, consisting mostly of districts from the pre-reorganised Bombay State, the structure of primary credit societies was stronger and there was a predominance of large size societies.

The surveys also indicated that in relation to the problem the efforts at reorganisation of the primary credit structure to attain viability were not sizeable. The progress was also hindered as stated earlier by hesitancy and shifts in policy.

The other weaknesses in the primary credit structure relate to the operational policies and procedures adopted by societies concerning loan policy, types of credit given, terms on which given, etc. A study of the loan policy pursued by the primary credit societies in different districts indicated that some

Loan policy

of the features of the Integrated Scheme of Rural Credit were found to have been adopted in Broach, Sorath, East Khandesh, Dharwar and Bijapur - all belonging to the pre-reorganised State of Bombay. In these districts the grant of loans by primary credit societies was governed by the rules framed under the Crop Loan System initiated as early as in 1949.

Attempts were made in certain other districts by the Co-operation Departments of the respective State Governments to liberalise the grant of credit by primary credit societies. For instance, the Full Finance Scheme in Coimbatore and the Crop Loan System in Etawah and Kanpur aimed at providing the entire credit requirements of the rural families. Though the principle of granting loans in relation to estimated outlay on crops seemed to have been accepted by central banks, no efforts were made to implement it. Thus, none of the fundamental objectives of the Integrated Scheme of Rural Credit was in effect enforced, except in the districts from the pre-reorganised Bombay State. Consequently, co-operative credit available to agriculturists in relation to the requirements was generally small, particularly in the districts from West Bengal, Bihar and Rajasthan where it was less than 10 per cent as against the districts from Maharashtra, Gujarat, etc. where the proportion was above 40 per cent.

Besides the imbalance in the quantum of credit given, the types of loans given also varied significantly from one district to another. There was a greater emphasis on short-term loans in Broach, East Khandesh, Dharwar, Ahmedabad, Cuddapah, West Godavari

Ferozepur, Etawah and Nadia. Short-term pledge loans were sizeable in Chingleput, West Godavari and Broach. In West Godavari many primary societies gave pledge loans to members who, however, sold their produce directly to traders. In Broach, however, many primary societies were marketing the produce of members and were giving pledge loans to them. Short-term loans for consumption purposes were important in Jullundur and Hissar. The distinction between short and medium-term loans lost much of its significance in certain districts such as Ferozepur, where even though all loans were reported to have been given for short-term duration, most of them were in practice medium-term loans due to the <u>kist bandi</u> system of estimating the demand for recovery of loans. In Gaya, short-term loans were granted in the form of fertiliser loans and most of the cash loans were given for medium-term purposes. In Sagar more than half the amount of loans advanced were adjustment loans, i.e., instalments due and not repaid in respect of loans which were advanced for two years and repayable in two annual instalments to be treated as fresh advances during the year by book adjustment. In Bilaspur too the loans were generally advanced for a period of two years and the system of advancing loans through book entries continued to be an important factor influencing the nature of advances granted by primary credit societies. Thus, the medium-term loans granted in Sagar, Bilaspur and Mandsaur did not represent the type of medium-term credit envisaged by the All-India Rural Credit Survey Committee.

<u>Security</u>

The different types of security against which loans were granted by primary credit societies may be broadly classified into four groups: Loans granted against a first charge on land or crop, either under Section 24AA of the Bombay Co-operative Societies Act, 1925 or under Section 30(1) of the Madhya Bharat Co-operative Societies Act, 1955, as was followed in Sorath, Akola, Sagar, Ahmedabad, Broach, East Khandesh and Mandsaur. This procedure was in conformity with the Integrated Scheme of Rural Credit as it ensured that co-operative loans were availed of only by owner-cultivators or tenants who had cultivation rights.

Loans were granted against personal security or third party guarantee in Hissar, Ferozepur, Jullundur, Etawah, Deoria, Monghyr, Gaya and Jaipur. Short-term loans upto Rs.500 were granted in Coimbatore and West Godavari against personal security or third party guarantee. In practice, it was noticed that when personal security alone formed the basis for co-operative credit there was a greater risk of such loans being availed of by non-cultivators, non-cultivating landlords and agricultural labourers. In a third group of districts, Cuddapah, Quilon, Nizamabad, Bangalore, Jalpaiguri, Nadia and Burdwan short-term co-operative credit was granted on the security of immoveable property. The quantum of loan in most of these districts was linked to the land revenue paid by the borrowers. This policy enabled the owners of land to avail of credit even though they were not cultivators themselves. All tenants and small cultivators were thus denied credit facilities.

Short-term loans against pledge of produce were also reported in Broach, West Godavari and Chingleput, and to a lesser extent in Bijapur, Tanjore and Krishna. Care was not taken, always, to ensure that the pledge loans were not availed of by non-cultivators and petty traders. In West Godavari it was noticed that, in the absence of adequate godown facilities, the produce was sometimes stored in improvised godowns or in store-rooms in the residence of the member himself. In most of these districts there was no provision to ensure that the produce against which the loan was given was actually grown on his own farm. In Coimbatore and Tanjore, loans were secured by pledge of jewels also.

The pattern of development of primary credit societies in the selected districts emerging from the above analysis of their operations indicated three distinct stages of growth. The primary credit structure in a majority of districts selected from Punjab, Uttar Pradesh, Madhya Pradesh, Bihar, West Bengal and Rajasthan was characterised by a large number of single-village unlimited liability societies, a large proportion of dormant and stagnant societies, low credit limits generally linked with assessments, absence of inter-linking arrangements, weak central banking structure, low turn-over, a higher proportion of medium-term loans, high rates of interest, misutilisation of loans and management by untrained, honorary secretaries or overworked part-time secretaries. An enlightened co-operative leadership was conspicuous by its absence.

In another group of districts, mostly from Andhra Pradesh, Madras, Mysore, Kerala and erstwhile Hyderabad State there was a predominance of multi-purpose, multi-village societies, lesser dormant societies, a higher level of loan operations and predominance of short-term loans. In some of these districts the attempts to reform the primary credit structure resulted more in increasing the quantum of loans advanced than in reorienting the loan policy or making the membership broad-based. The loan policy continued to be determined, by and large, by the departmental officials and credit limits were fixed in relation to the value of the security offered. The growth of primary credit societies in these districts may be attributed more to increased official initiative, control and supervision than to the response from the people themselves.

In the third group of districts mostly belonging to the pre-reorganised Bombay State, the structure of primary credit societies was stronger, and there was a predominance of large size societies. The working capital of primaries was adequate, and there was greater emphasis on short-term loans. The rates of interest were lower. Above all, the loan policy was generally reoriented on the lines of the Integrated Scheme of Rural Credit, which ensured adequacy of loans as well as its proper utilisation. The co-operative leadership was dynamic and responsible to the demands of a developing rural economy.

This regional disparity in the growth of primary credit societies may be entirely attributed to the extent of efforts made by State Governments to implement the recommendations of the All-India Rural Credit Survey Committee, particularly those relating to the Integrated Scheme of Rural Credit.

In their efforts to reorient the co-operative credit policy, some State Governments do not appear to have taken cognisance of the principles laid down by the All-India Rural Credit Survey Committee in formulating the Integrated Scheme of Rural Credit. In those States which had taken initiative in reorienting their credit structure as early as in 1949-50 as in the pre-reorganised State of Bombay, the development of co-operatives was particularly remarkable.

The management of societies left a great deal to be desired. The various defects such as improper maintenance of records, increased official control and slackness in the recovery of loans - all indicated the failure of honorary administration.

WEAKNESSES IN MARKETING CO-OPERATIVES

The progress made in co-operative marketing has also not been impressive except in a few districts. Of the 75 districts selected for the All-India Rural Credit Survey 1951-52, 27 were covered by the Follow-up Surveys conducted so far. Out of these, only in 8 districts the selected cultivators reported sale of produce through co-operatives (Table 2). However, only in 2 districts did co-operative marketing of agricultural produce register substantial progress. The relatively better performance in some districts and the major conducive factors that aided the progress may be referred to briefly.

TABLE 2 - SALE OF PRODUCE THROUGH CO-OPERATIVES BY SELECTED CULTIVATORS

Districts	PROPORTION OF PRODUCE SOLD THROUGH CO-OPERATIVES (%)	
	1951-2	Follow-up Surveys
Broach	17	39
Deoria	30	75
Jullundur	-	8
Ahmedabad	-	NEG
Hissar	-	4
Mirzapur	-	1
Bijapur	1	8
Bilaspur	NEG	-
Kanpur	-	1

The success achieved in Deoria (U.P.) is attributable largely to the legal protection enjoyed by the cultivators in respect of the disposal of their sugarcane through sugarcane unions to privately owned sugar factories - a factor extraneous to the co-operative movement. On the other hand, the success achieved in co-operative marketing of cotton in Broach, which accounted for about 39 per cent of the cotton produced in the district, was to a large extent due to the implementation of the Integrated Scheme of Rural Credit in the district and the development of co-operative processing. In fact, all the constituent parts of the co-operative marketing structure, viz., co-operative marketing union at the district level, which acted as a federal agency for dealing with private buyers from Bombay and Ahmedabad, the primary marketing societies which were assembling, pooling and processing the produce for sale and the primary credit societies, which had direct connection with members, worked in full co-ordination with each other - a feature as yet seldom noticed in other districts. In addition, a part of the financial aid received in the form of State contribution to share capital was utilised by some of the societies for construction or acquisition of cotton ginning and pressing plants. Furthermore, legislative enactments for ensuring the purity of cotton and supervision of its cultivation provided certain built-in-procedural checks which enabled the marketing co-operatives to disburse pledge finance only to actual growers and to prevent marketing finance from flowing to cultivator-cum-petty traders and others. These arrangements were in marked contrast to those prevailing in the other important cotton growing districts such as Akola, Sorath, Dharwar, Coimbatore and Ferozepur where the co-operatives generally arranged for sale of raw cotton, after grading, either in periodic public auctions or by private negotiations, which incidentally gave rise to the practice of extending trade credits to buyers much to the detriment of the co-operatives and members themselves.

The performance in regard to pledge advances was also uneven, the achievements in this regard being unsatisfactory in West Bengal, Uttar Pradesh, Madhya Pradesh and Bihar. Advances against pledge of produce were relatively more significant in the Southern States, viz., Madras and Andhra Pradesh.

Pledge advances

In fact, in these districts the marketing societies' main function centred round granting of pledge advances. In Chingleput and West Godavari, where the absence of co-operatively owned processing facilities and absence of regulated market for the raw produce (e.g., paddy in West Godavari) tended to limit the scope for undertaking marketing activities, the marketing societies undertook to the granting of pledge finance as the main function with a view to providing holding power to the cultivators.

Although inadequacy of pledge finance was not quite uncommon, a major disquieting feature of pledge finance observed in the different districts where it was prevalent was that quite often the pledge finance facilities benefited the cultivator-cum-traders and commission agents rather than the small and medium cultivators. Similarly, in some cases, the discretion given to the managers of marketing societies regarding the margin requirements to be maintained was not properly exercised. These malpractices were due mainly to the absence of procedural checks and the domination of powerful vested interests in the management of marketing societies. Quite often cultivator-cum-traders and commission agents bought the produce from small cultivators and pledged them with the societies and availed the pledge finance facilities by excluding the small cultivators. Except in Broach, where, as mentioned earlier, certain built-in procedural checks came into being by virtue of the legislative enactments for ensuring the purity of cotton and supervision of its cultivation, there was hardly any rigid procedure followed or adopted in the other districts to verify whether the produce brought for pledging was grown on the borrowers' own holdings. In other words, no attempt was made to relate the produce pledged with the size of the cultivated holding of the borrower.

Affiliation of credit societies with marketing societies and effective arrangements for linking credit with marketing for enabling recovery of loans advanced by primary credit societies as envisaged under the Integrated Scheme were conspicuous by their absence practically in all the districts, including those districts where co-operative marketing had recorded some progress. Only in Mirzapur was some attention given to this aspect of co-operative marketing. Comparatively satisfactory arrangements in this regard were also observed in the Kanpur Nauranga Project area. Even in Dharwar and Ahmedabad, where co-operative marketing was relatively better developed, there were no regular arrangements linking credit with marketing. Recovery of production loans of primaries made by some societies in these districts was mostly on an informal basis.

<u>Interlinking of credit and marketing</u>

On the whole, the progress in respect of affiliation was very limited as also achievements in regard to interlinking were negligible. In fact, primaries in some cases were anxious to get affiliated only to secure supplies of agricultural requisites and not with a view to facilitating the recovery of loans. While the weak credit structure and the organisation of new societies did to some extent affect working out interlinking arrangements the main factors that led to the unsatisfactory position in this regard were: (1) the marketing societies had not undertaken ~~to~~ marketing work, (2) absence of the provision to bind the cultivator, who borrows from the credit society, to sell his produce through the marketing society, (3) absence of any follow-up in the form of effective participation in the management of credit and also marketing societies through State nominees after State participation in share capital, (4) inadequate representation to credit societies on the managing committees of marketing societies, (5) defective by-laws which did not effectively prevent cultivator-cum-traders from being on the managing committees, and (6) absence of specific provision in the by-laws as in Burdwan. All these resulted in the marketing societies being dominated by urban-oriented interests and traders which rendered ineffective efforts aimed at promoting co-operative marketing and effecting interlinking.

From the foregoing account, it will be observed that marketing and linking made little or no progress at all. The chief factors hindering the development of co-operative marketing could be broadly classified under 6 different heads, viz., (1) weak credit structure, (2) overlapping of functions and jurisdiction, (3) lack of representation to credit societies on marketing societies, (4) lack of proper planning, (5) absence or inadequacy of co-operatively owned processing facilities and (6) lack of strong apex organisation.

Development of co-operative credit and marketing being complementary to each other, the strength or weakness of one affects the other. Where the co-operative structure is weak and co-operative loans inadequate, the cultivators depend on private credit even for production purposes as a result of which they are forced to sell their produce through traders, thereby rendering ineffective the entire arrangement for developing co-operative marketing. Thus, from the point of view of the cultivator, he can be induced to sell through the marketing society only if his dependence on the trader is systematically reduced. This is the main, perhaps, the sole reason why a large number of cultivators reported sales through traders even where marketing societies had undertaken marketing.

<u>Weak credit structure</u>

In as many as 21 districts covered by the Follow-up Surveys, the co-operative credit structure was weak; these districts were mainly from Bihar, West Bengal, Rajasthan, Madhya Pradesh and Uttar Pradesh. It is not surprising, therefore, that the performance of co-operative marketing, let alone its development, was not at all significant in the majority of the districts. This, however, is not to imply that where the co-operative credit structure is strong the development of co-operative marketing is assured automatically. For instance, in West Godavari, Coimbatore, Chingleput, Tanjore and Krishna districts (from Madras and Andhra Pradesh) where the co-operative credit structure was strong there were hardly any sales through co-operatives. But this again was due to the limitations in other directions such as absence of co-operatively owned processing facilities, domination of powerful vested interests, improper location of marketing societies, etc. Nevertheless, the importance of a sufficiently strong co-operative credit structure as an essential basic pre-requisite for the devclopment of co-operative marketing can hardly be minimised.

In 14 districts out of 37 covered by the Follow-up Surveys, some or all (selected) marketing societies were found to be undertaking credit activities legitimately entrusted to credit co-operatives and vice-versa. This was particularly conspicuous in Gujarat, Maharashtra, Mysore, Uttar Pradesh and West Bengal. The double disadvantage of this practice was that the marketing societies tended to evince less keenness to undertake their other

<u>Overlapping of functions and jurisdiction</u>

more pressing functions such as assembling, grading, processing, etc., and more importantly they were not eager to render recovery service to the credit societies by forging inter-linking. Similarly, in the absence of clear cut allocation of functions between primary marketing societies and district/ regional marketing societies, there were instances of the latter type of institutions undertaking marketing activities in areas where primaries existed and operated. In some cases, even the by-laws provided for such activities. Broach, Sorath, Ahmedabad, Dharwar, Hissar to mention a few, were among the districts where such overlapping of functions and jurisdiction was noticed. However, from the point of view of marketing, overlapping of jurisdiction, and hence functions between the marketing co-operatives themselves, has greater adverse impact than overlapping of functions and jurisdiction between them and credit co-operatives.

Though circumstances leading to overlapping of jurisdiction and functions have no doubt varied widely, in most cases it owed its origin to the haphazard manner in which the societies were organised either de novo or by conversion. Departmental anxiety to achieve the physical targets laid down, as also, in some cases, the inefficiency of departmental action in subduing the recalcitrant societies to accept the concept of open membership were the major factors that led to the indiscriminate organisation of societies without due attention being paid to delimiting jurisdiction and functions.

More often than not the credit societies located in the area of operation of marketing societies had little voice in the management of marketing societies. The latter, in most cases, were dominated by individuals who were mainly traders or bigger cultivator-cum-traders who availed of the facilities offered by marketing societies for their private interest. They even discouraged marketing societies from undertaking marketing activities. All these had their impact on the marketing, recovery and pledge finance operations of the marketing co-operatives and set at nought the efforts directed towards establishing an organic link between

<u>Lack of representation of credit societies on marketing societies</u>

credit and marketing for the benefit of both. Here again, defective by-laws which in some cases did not prevent the enrolment of traders and other individuals and in others did not incorporate provision for representation, as also indiscriminate organisation of societies were the main contributory factors. Moreover where societies were formed by conversion of erstwhile consumer stores or sales unions which already had predominant membership of individuals the membership pattern continued and group interest prevailed. One of the important consequences of this situation was that some of the credit societies did not have confidence in the sale societies and naturally they did not put in concrete efforts to persuade or bind their borrowing members to sell their produce through the sale societies.

<u>Lack of proper planning</u>

Perhaps in no other field of co-operation was the lack of systematic and proper planning more pronounced than in the development of co-operative marketing. The Follow-up Surveys show that in most cases, the organisation of societies was not preceded by a careful study of normal marketing channels and trade practices. Moreover the offices of societies, as for instance in Dharwar, Ahmedabad and Etawah, were located at urban or semi-urban areas and hence there was no contact with the rural hinterland. Even the existence of regulated markets did not encourage sales through co-operatives because, apart from the inadequate flow of produce to these places, the marketing co-operatives on their part did little to develop them by building up a good net work of marketing organisation for pooling, transporting and grading before sale and by introducing an element of collective bargaining at the time of auction, with the result that the marketing societies were nothing more than commission agent shops which gave rise to unhealthy trade practices such as granting of trade credit, etc. Many of them had not adjusted or reoriented their operation practices to meet the requirements of trade in general and those of particular commodities traded locally to perform the role of an efficient market functionary. Moreover, a weak co-operative marketing structure coupled with a weak credit structure only strengthened the hands of the traders at the time of auctions of the produce.

The need for co-operative processing facilities depends on the nature of the commodity traded. Whereas co-operative marketing of produce such as wheat and maize can perhaps be developed irrespective of the existence of processing plants in the co-operative sector, processing of paddy, cotton, groundnut and sugarcane forms an integral part of the marketing process itself. Unless, therefore, both the facilities of processing and marketing are simultaneously available with one and the same agency, the cultivators would prefer to sell their produce to other processing agencies or sell it to traders or commission agents or wholesalers so as to avoid altogether the problem of processing. Thus, it would appear that in the absence of processing facilities co-operatives would be handicapped in developing their marketing business.

<u>Absence or inadequacy of co-operatively owned processing facilities</u>

In fact, this was so in many of the districts. For instance, dependence on privately owned cotton gins and presses which resulted in adulteration of cotton enhanced the difficulties of marketing cotton in Dharwar. Similarly the experience of sugarcane co-operatives in Monghyr and Deoria in dealing with privately owned sugar factories was also not quite satisfactory despite the legal protection they enjoyed in the matter of disposing sugarcane. All these tend to highlight the importance of co-operatively owned processing facilities for assisting the development of co-operative marketing.

Out of 37 districts covered by the surveys, processing facilities were available in the co-operative sector only in a few districts, viz., Broach, Sorath, Quilon, Jullundur and Ahmedabad. Apart from the fact that attempts at systematic development of co-operative processing were initiated only recently, the very slow progress made so far is attributable to a variety of factors among which the more significant are (1) competition from private units, (2) apprehensions regarding adequate flow of supplies of raw produce,

(3) difficulties in mobilising long-term finance required for setting up processing plant, particularly absence of interim arrangement for acquiring plant and machinery until such time as long-term finance could be had from agencies like Finance Corporations and (4) conflicting measures of legislations, such as the regulation of establishment of new rice mills in order to encourage hand pounding as a village industry.

However, even where processing facilities were somewhat better developed in the co-operative sector, co-operative marketing was not free from problems. For instance in Ahmedabad, as mentioned earlier, the development of co-operative processing in that district at a more rapid pace than marketing resulted in a surplus processing capacity as compared to the supplies available through the marketing societies so much so that the marketing societies undertaking processing had to depend largely on the traders to keep the plants running even at the cost of extending to them the same credit facilities as to the cultivators. Though this and allied problems may be unavoidable during the initial stage, it is always better if, while developing processing facilities an attempt is made to strike a balance between the pace of development of processing and marketing so that over or under-development of one does not prove to be a handicap to the other. Similarly in Broach while want of long-term finance and improper location of the units impeded the progress there was also the problem of deciding whether the co-operatives should be encouraged to set up new units when the existing capacity available in the district was adequate or steps should be taken to acquire the existing privately owned processing plants.

<u>Lack of strong apex organisation</u>

According to the recommendations of the conferences on Marketing and Co-operation held at Hyderabad and Jaipur, the co-operative marketing structure was normally to consist of two tiers, viz., the primary marketing society at the taluk level and an apex body at the State level. In special circumstances, intermediate (regional) federations of primary marketing societies were to be organised. During the period covered by the four Follow-up Surveys, apex bodies were in existence in all the States at one time or another. However, in 5 States they came into being only in or after 1957-58, and in 3 States they were organised in 1958-59 or later. But these bodies hardly undertook the sale of produce to buyers in the consuming centres on behalf of affiliated marketing societies. An efficient higher type of marketing co-operative, even at the regional level, which arranged for the sale of members' produce was noticed only in Broach and Ahmedabad. In the former district, the Daxin Gujarat Co-operative Cotton Marketing Union Ltd. and the Broach Cotton Area and Co-operative Cotton Sale Organisations' Union Ltd., arranged for the sale of members' produce which assisted considerably the co-operative marketing of cotton in the district. In Ahmedabad, the Uttar Gujarat Sahakari Ru Vechan Sangh Ltd., whose jurisdiction extended also to 4 neighbouring districts included in its membership 12 marketing societies including the taluk purchase and sale unions in the district. But member societies did not always dispose of their produce through this organisation.

In the absence of higher types of marketing co-operatives either at the regional or State levels, the primary marketing societies had to depend for the disposal of the produce on private traders and commission agents who not only underbid at the auctions but also demanded trade credit and other facilities because of their strong bargaining position. All these affected adversely the development of co-operative marketing.

WEAKNESSES IN THE LONG-TERM CREDIT STRUCTURE

The main recommendations of the All-India Rural Credit Survey Committee in regard to land mortgage banks, inter alia, included: 1) establishment of a central land mortgage bank in each State, which would finance the cultivators preferably through primary land mortgage banks or, if that is not feasible, through the central financing agencies on an agency basis pending opening of its own branches or institution of primary land mortgage banks; 2) the organisation of primary land mortgage banks which should be preceded by an enquiry into the conditions of each area, particularly the demand for long-term loans; 3) granting of long-term loans for a period exceeding 5 years for production-oriented purposes, such as improvement on land, on the basis of value of land after the improvement was effected, but linking the period of the repayment of loans to the purpose of loans, thus prescribing different periods for different categories of purposes; 4) review of the tenure and tenancy laws by the State Governments so as to eliminate such features which are hinderances to the development of a simple and effective system of land mortgage banking; 5) disbursement of loans in instalments according to a phased programme of the execution of the project; 6) employment of adequate and trained supervisory staff to ensure co-ordination of credit with planned agricultural development, assessment of technical soundness of the project in respect of which credit has been asked for and verification of the actual utilization of credit and 7) provision of guarantee by State Governments for a specified period for the difference between the value of land before and after the improvement.

By the end of June 1960, central land mortgage banks had been established in all the States except Madhya Pradesh (since established during 1961-62). Central Land Mortgage Banks in the States of Andhra Pradesh, Madras, Maharashtra, Mysore and West Bengal were established on a federal basis and functioned through the primary land mortgage banks. The jurisdiction of a primary land mortgage bank ranged from a district in Gujarat[1], Maharashtra and West Bengal to one or two talukas in Andhra Pradesh, Madras and Mysore. These were also the States where the land mortgage banking was comparatively well-developed. In other States, the development of land mortgage banks could be said to be still in its infancy, as for example, in Madhya Pradesh where loans were advanced by the land mortgage banking section of the central co-operative banks which functioned as agents of the land mortgage department of the Madhya Pradesh State Co-operative Bank. Further, in Punjab, though the primary land mortgage banks had been established in some districts, they did not function at all. In Kerala, the central land mortgage bank financed directly and had no branches of its own upto 1957-58.

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[1] In so far as Saurashtra is concerned the central land mortgage bank functioned through its branches.

In other States such as Bihar, Rajasthan and Uttar Pradesh, the central land mortgage banks had not commenced operations during the survey years but proposed to grant loans through the agency of central co-operative banks. By the end of June 1962, however, primary land mortgage banks had been established in all the States, except Bihar, and were reported to be advancing loans.

The Follow-up Survey data revealed that in none of the States the organisation of a land mortgage bank was preceded by an enquiry into the demand for long-term credit,consequently most of the primary banks became financially weak and non-viable units, which could not employ adequately trained staff.

Though according to the recommendations of the Rural Credit Survey Committee, the land mortgage banks were required to discourage the grant of non-productive loans and adopt a more positive policy of granting loans for land improvement, it was noticed that during survey years in some States like Kerala, Madhya Pradesh, Madras and Maharashtra[1] loans were being mainly advanced for repayment of old debts. Only in Andhra Pradesh, Gujarat, Mysore and West Bengal bulk of the loans were advanced for productive purposes such as improvement on land. Subsequently, however, the emphasis shifted to loans for improvement on land from loans for debt redemption in Madras and Maharashtra, but still in Madras, loans for repayment of old debts were quite substantial. In Gujarat (Sorath), the mode of valuation took into consideration the anticipated increase in the value of land as a result of the proposed improvement. Loans in instalments phased according to the stages of improvement effected were granted in Gujarat, Maharashtra, Madras and Mysore. Further, except in Gujarat, the loan policy and operations of the majority of land mortgage banks were completely unrelated to the agricultural production programmes of the State Governments. Duration of loans was also not linked with the purpose of loans in many States. Generally loans were advanced for a period exceeding 10 years and extending upto 20 years. Some of

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1 Primary land mortgage banks in East Khandesh (1956-57) and Akola (1957-58) advanced loans mainly for repayment of old debts.

the States where some efforts had been made in this direction were Andhra Pradesh, Gujarat and Madras. In all States, loan procedure was long drawn out involving various stages of appraisal and scrutiny, with the result that the time-lag involved between application and disbursement continued to be over a year in many States. Measures to simplify the procedure and shorten the delay involved were considered only in Andhra Pradesh, West Bengal and Gujarat. There was also overlapping of functions performed by the Revenue Department and the land mortgage banks and attempts to channel taccavi loans through the land mortgage banks were made only in Gujarat.

In practically all States, even after the recent land reforms, the land mortgage banks continued to experience some difficulties in expanding their business, although the reforms had resulted in abolition of intermediary interests, e.g., in Punjab and West Bengal owner-cum-tenant cultivators had no transferable rights in land. In Andhra Pradesh and Mysore, protected tenants, though eligible for membership, were not advanced any loans. In Madras, the lands in Zamindari areas were not accepted as security. In Maharashtra and Gujarat, however, the difficulties were minimised by the State Governments by agreeing to make good the loss upto 2 per cent of the loans advanced, or the actual loss, whichever was less, arising out of a fall in land values resulting from land reforms.

Arrangements in regard to supervision over utilization of loans were generally satisfactory in Andhra Pradesh, Madras and Mysore while in Gujarat these were not quite satisfactory, since all the rules regarding utilization of loans were not strictly enforced. Supervision was inadequate in West Bengal where mis-utilization of loans was reported on large scale.

To sum up, the land mortgage banks may be grouped into three categories on the basis of the level of development and type of loan policy: 1) States where efforts were made to reorient the policy to increased production; 2) States where such efforts were not made; and 3) States where land mortgage banks have only begun their operations. In the first category may be included States of

Andhra Pradesh and Gujarat where some aspects of the loan policy were revised and reoriented to increased agricultural production. In Gujarat, tenant cultivators were admitted as members and granted loans. But much was still to be done as, for instance, in Gujarat the loans were restricted to purchase of occupancy rights and provision of well finance scheme only. In the second category, West Bengal, Madhya Pradesh and Kerala may be included since the loan policy adopted in these States was not concerned with the end-use of loans. In the last category come the States of Bihar, Punjab, Rajasthan and Uttar Pradesh where institutions were relatively nascent and a great deal remained to be done to strengthen the organization, streamline their operations and reorient their loan policy.

CONCLUDING REMARKS

To sum up, the most important conclusion thrown up by the foregoing discussion is that the progress of co-operative development, as observed in the districts covered in the Follow-up Surveys, indicate three distinct stages of levels and patternsof growth. In the first category may be included the States of Maharashtra and Gujarat, where not only the co-operatives had developed to a greater extent than in other States but the progress recorded in the two States over the last few years was also at a faster rate inasmuch as the share of co-operatives in the borrowings of cultivators had shown a substantial increase since 1951-2 in the districts from these two States. Even, according to the AIRDI Survey, the co-operatives financed as much as 50 per cent of the cultivators requirement of credit in Maharashtra and 17 per cent in Gujarat. In these States, the planning of co-operatives was relatively comprehensive, and covered a good many features of the Integrated Rural Credit Scheme. The institutional structure was also strong, with predominance of large-size or viable societies at the base managed generally efficiently by trained secretaries and, at the district level, with strong central banks, economic in size and operations. And more importantly the banks had also adopted the principles of the crop loan system, the core of the credit administration policy embodied in the Integrated Rural Credit Scheme. The marketing structure and land mortgage banks in these States were also being organized on the lines consistent with the Integrated Scheme. Thus the remarkable progress in these States is largely ascribable to the efforts made to introduce the Integrated Rural Credit Scheme. It should be noted, however, that the process of reorganising the credit structure and reorienting the credit system on the very principles embodied in the Integrated Scheme has been in practice in these States since 1949-50. Thus, the level of development attained is the result noticeable after adoption of the principles of the scheme for a reasonably long period.

The districts from Andhra Pradesh and Madras followed those from Maharashtra and Gujarat but at some distance. In these States planning was fairly satisfactory, the structure was strong but the operational policies and procedures were not reoriented on the lines of the crop loan system.

As against this group of four States where the co-operative development had attained a distinct standard the States of West Bengal, Bihar and Rajasthan were at the lowest ladder of development. In these States the planning of co-operatives at the district level was very inadequate; the co-operative organization was characterised by a large proportion of dormant and stagnant societies and the small proportion of societies that was working were structurally weak unviable units and functionally inefficient being managed generally by untrained honorary or part-time secretaries; the central banking structure, which has been assigned a pivotal role of a 'social banker' in the Integrated Rural Credit Scheme, was the weakest link in the system, with uneconomic size and standards of operations and orthodox methods of credit dispensation and administration. In other words, these were the States in which the efforts at reorganising the co-operative structure towards viability and reorienting the policies and procedures of credit institutions on the lines of the Integrated Scheme of Rural Credit were the least attempted, though in point of fact, due to certain features of historical development of co-operatives, more vigorous and radical measures than in other States were actually called for in these States. The other States occupied the mid-position.

APPENDIX TABLE I

IMPORTANT INDICATORS OF CO-OPERATIVE DEVELOPMENT

State	District	Proportion of cultivating families borrowing from co-operatives (Per cent) A.I.R.C.S. 1951-2	Follow-up Surveys	Average borrowings from co-operatives per cultivating family (Rs) A.I.R.C.S. 1951-2	Follow-up Surveys	Proportion of borrowings from co-operatives to total borrowings (Per cent) A.I.R.C.S. 1951-2	Follow-up Surveys	Proportion of dormant societies[1]
		1	2	3	4	5	6	7
Maharashtra	East Khandesh	..	34	..	114	..	48	-
	Akola	8	17	10	51	7	31	-
Gujarat	Broach	21	25	96	152	32	33	-
	Sorath	-	30	-	216	-	38	6
	Ahmedabad	4	31	72	188	6	42	9
Mysore	Dharwar	..	11	..	46	..	21	6
	Bijapur	5	19	11	58	6	19	12
	Bangalore	-	3	-	11	-	4	64
Madras	Coimbatore	5	6	18	15	4	7	4
	Chingleput	1	7	2	49	1	19	6
	Tanjore	..	17	..	19	..	8	7
Andhra-Pradesh	West Godavari	10	23	18	99	3	22	6
	Nizamabad	6	2	5	6	3	3	17
	Cuddapah	4	3	7	12	2	3	37
	Krishna	..	13	..	54	..	11	8
Kerala	Quilon	3	1	13	1	5	1	57
Punjab	Ferozepur	..	9	..	28	..	5	5
	Jullunder	10	23	23	96	9	27	5
	Hissar	0.1	13	-	75	0.3	14	14
	Mohindergarh	-	7	-	9	-	2	14
Uttar-Pradesh	Etawah	..	14	..	17	..	11	12
	Deoria	18	19	15	9	5	6	3
	Mirzapur	4	11	4	9	3	7	2
	Kanpur	0.1	16	-	21	0.1	11	6
Madhya-Pradesh	Mandsaur	..	10	..	23	..	8	9
	Sagar	4	7	7	19	1	7	3
	Bilaspur	2	16	7	27	9	62	-
West Bengal	Nadia	..	1	..	2	..	1	81
	Burdwan	1	1	2	4	2	2	42
	Jalpaiguri	0.2	1	-	1	0.3	1	63
	Midnapore	2	9	2	16	2	11	35
Bihar	Gaya	..	-	..	-	..	-	66
	Monghyr	0.1	4	-	3	0.1	2	52
	Bhagalpur	1	7	1	3	0.2	5	28
Rajasthan	Bikaner[2]	..	-	..	-	..	-	-
	Jaipur	-	12	-	21	-	7	17
	Barmer	-	3	-	15	-	8	7

1. Refers to proportion of small size dormant societies in cash of districts selected for Fourth Follow-up Survey. 2. No primary agricultural credit societies in Bikaner.

Note: The districts not included in the 1951-2 Survey are indicated by(..).
A.I.R.C.S. - All-India Rural Credit Survey.

State	District	Membership per 100 rural cultivating families [1]	ALL PRIMARY CREDIT SOCIETIES IN THE DISTRICT: Paid-up share capital per 100 cultivating families (Rs)	Deposits per 100 cultivating families (Rs)	Working capital per 100 cultivating families (Rs)	Advances per 100 cultivating families (Rs)	Overdues as percentage of advances
		8	9	10	11	12	13
Maharashtra	East Khandesh	62	4114	560	19095	14336	22
	Akola	58	1440	2270	16193	9382	35
Gujarat	Broach	39	4713	2149	20881	19710	5
	Sorath	50	3616	466	15428	14853	7
	Ahmedabad	48	7402	1112	2036	17706	3
Mysore	Dharwar	66	3021	936	17590	9838	48
	Bijapur	31	1723	164	7402	3361	67
	Bangalore	28	443	43	3575	1737	4
Madras	Coimbatore	36	1182	351	6689	4456	11
	Chingleput	46	565	369	4946	4104	6
	Tanjore	31	750	370	5147	4322	13
Andhra Pradesh	West Godavari	114 [2]	2160	1410	15436	15796	7
	Nizamabad	109	1328	16	5832	2197	42
	Cuddapah	86	726	55	3037	1101	56
	Krishna	40	1791	328	13723	10890	11
Kerala	Quilon	55	945	207	2303	903	37
Punjab	Ferozepur	32	1216	594	5588	4216	41
	Jullunder	132 [2]	5966	9130	28945	15224	32
	Hissar	40	1246	407	6788	4189	42
	Mohindergarh	22	846	242	3726	1936	26
Uttar Pradesh	Etawah	27	683	89	1842	1313	39
	Deoria	22	651	80	1814	1288	30
	Mirzapur	24	712	28	2020	1359	14
	Kanpur	25	796	69	2442	2677	10
Madhya-Pradesh	Mandsaur	20	764	84	4617	2749	14
	Sagar	11	322	57	2949	2962	5
	Bilaspur	17	353	298	3198	2606	2
West Bengal	Nadia	24	258	90	1719	466	73
	Burdwan	22	337	53	1809	1389	33
	Jalpaiguri	70	93	17	434	106	60
	Midnapore	16	279	120	1815	1088	27
Bihar	Gaya	12	85	23	375	130	67
	Monghyr	14	197	23	590	280	34
	Bhagalpur	9	182	46	604	227	63
Rajasthan	Bikaner ≠	-	-	-	-	-	-
	Jaipur	18	494	48	1842	1799	9
	Barmer	12	224	11	1361	1009	9

(Source : The General Review Reports on the Rural Credit Follow-up Survey, 1956-57, 1957-58, 1958-59 and 1959-60).

1. Refers to membership per 100 rural families only in case of districts selected for Fourth Follow-up Survey.
2. Exceeds 100 because of the exclusion of cultivating labourers residing in the rural areas and agriculturists residing in urban areas from the estimates of rural cultivating families.

≠ No primary agricultural credit societies in Bikaner.

APPENDIX TABLE 2

SHARE OF CO-OPERATIVES IN THE TOTAL BORROWINGS OF CULTIVATING AND RURAL FAMILIES

State	Total borrowings during the year 1961-62) (Crores of rupees) Cultivating families	Rural families	Loans advanced by primary agricultural credit societies during the year 1961-62 (crores of rupees)		Column 3 as % of Column 1	Column 3 as % of column 2
	1	2	3		4	5
Maharashtra	82.5	91.6	42.2	52	51.2	46.1
Gujarat	70.9	86.2	~~11.8~~ 25.9	46	~~16.6~~ 36.5	~~13.7~~ 30.0
Mysore	80.2	92.5	13.8	55	17.2	14.9
Madras	100.9	125.2	28.9	98	28.6	23.1
Andhra Pradesh	110.0	127.6	21.4	38	19.5	16.8
Kerala	41.1	44.3	6.5	48	15.8	14.7
Punjab	59.4	85.0	15.0	98	25.3	17.6
Uttar Pradesh	162.4	188.7	38.0	41	23.3	20.1
Madhya Pradesh	73.9	83.3	18.4	23	24.8	22.1
Jammu & Kashmir	7.5	7.9	1.3	51	17.3	16.5
Assam	5.5	6.7	0.3	18	5.5	4.5
Bihar	60.9	71.0	2.5	18	4.1	4.1
Orissa	13.1	15.7	3.3	19	25.2	21.0
West Bengal	48.1	66.0	4.6	19	9.6	7.0
Rajasthan	105.4	122.2	5.4	28	5.1	4.4
All-India	1034.3	1237.4	228.3		22.1	18.4

(Source : Provisional estimates, All-India Debt and Investment Survey, 1961-62 for Columns 1 and 2 and the Statistical Statements relating to the Co-operative Movement in India, 1961-62 for column 3).

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Trends in development of co-operatives in the context of the Integrated Rural Credit Scheme: An assessment based on the Rural Credit Follow-up Surveys

The Division of Rural Economics has completed so far four annual Rural Credit Follow-up Surveys. The first survey related to the year 1956-57, the second to 1957-58, the third to 1958-59 and the fourth to 1959-60. In all, the surveys covered 37 districts distributed over twelve States excluding Assam, Orissa, Jammu and Kashmir and Union territories. Of these 37 districts twenty-seven were also covered by the All India Rural Credit Survey 1951-52.

Table 1 -- Names of districts investigated in the Follow-up Surveys

States	First Follow-up Survey 1956-57	Second Follow-up Survey 1957-58	Third Follow-up Survey 1958-59	Fourth Follow-up Survey 1959-60
Andhra Pradesh	West Godavari	Nizamabad	Cuddapah	Krishna
Bihar	Gaya	Monghyr		Bhagalpur
Gujarat	Broach	Sorath	Ahmedabad	
Madras	Coimbatore	Chingleput		Tanjore
Madhya Pradesh	Mandsaur	Sagar		Bilaspur
Maharashtra	East Khandesh	Akola		
Mysore	Dharwar	Bangalore		Bijapur
Punjab	Ferozepur	Jullundur	Hissar	Mohindergarh
Rajasthan	Bikaner	Jaipur		Barmer
Uttar Pradesh	Etawah	Deoria	Mirzapur	Kanpur
West Bengal	Nadia	Burdwan	Jalpaiguri	Midnapore
Kerala		Quilon		

Assessment of the progress of the Integrated Rural Credit Scheme was one of the major objectives of the Follow-up Surveys. The findings of the surveys were published in the General Review Reports as well as a District Report on each of the districts surveyed. The object of this note is to examine on the basis of these reports, the trend in development of co-operatives in different States in the context of the Integrated Rural Credit Scheme and ascertain the factors that may have been responsible for the inter-State variations in the development.

The first limitation of the note is that the findings of the Surveys relate to the different reference years and not for a uniform year for all districts. Secondly, it is likely that some changes might have taken place after the completion of these surveys, though, to the extent possible the information has been attempted to be brought upto date on the basis of inspection reports and other available sources. Thirdly, the conclusions drawn in the Follow-up Survey Reports are based on the sample data in respect of the selected districts only. Thus, when a reference is made in the note to a State it really means the conditions prevailing in the districts selected from the State during the respective reference years.

Limitations of data

ASSESSMENT OF LEVEL OF DEVELOPMENT IN DIFFERENT STATES

The important indicators of the level of development of co-operatives are the proportion of cultivating population covered by societies, the proportion of families borrowing from co-operatives, the proportion of amount borrowed from co-operatives to the total borrowings, the percentage increases in these indicators* over a period, etc. These data are set out in respect of all the selected districts covered by the four Follow-up Surveys in Appendix Table : The data brings out the following salient points.

1) The proportion of dormant societies was very high in the States of Bihar and West Bengal (ranging between 35 to 80 per cent), whereas in most districts from other States it was below 10 per cent, barring exceptions.

2) The proportion of rural population covered by co-operatives was also, among the States, very low in Bihar, West Bengal and Rajasthan. And if the membership of dormant societies is excluded,

* Of the 37 districts surveyed in the four Follow-up Surveys, 3 out of 11 districts selected for the first (with 1956-57 as a period of reference), 12 of the second (with 1957-58 as a period of reference), 5 of the third (with 1958-59 as a period of reference) and 7 out of 9 districts of the fourth Follow-up Survey were among the 75 districts selected for the All-India Rural Credit Survey, 1951-52. Hence the data on the variations are available in respect of 27 districts out of the 37 districts.

the proportion of which is sizeable, the rural population served by co-operatives in these States would be much smaller than indicated by the figures.

3) The resources position, the level of advances both in absolute terms and in relation to cultivating families, also indicate the same pattern.

4) The proportion of cultivating families borrowing from co-operatives was relatively high (generally 20 per cent or more) in most of the districts belonging to Maharashtra, Gujarat (i.e. pre-reorganised Bombay State) while in most of the remaining districts except West Godavari in Andhra Pradesh and Jullundur in the Punjab, a far lower proportion of the cultivating families borrowed from co-operatives.

5) The proportion of borrowings from co-operatives to total borrowings was also relatively high in the districts from Maharashtra and Gujarat (generally exceeding 20 per cent), followed by Madras and Andhra Pradesh (ranging from 3 per cent to 22 per cent), Punjab (2 per cent to 27 per cent) and Madhya Pradesh and Uttar Pradesh (6 per cent to 11 per cent) except Bilaspur (where it was 62 per cent) while it was very low in Bihar (nil to 5 per cent), West Bengal (1 per cent to 11 per cent) and less than 8 per cent in Rajasthan. The All-India Rural Credit Survey data on the share of co-operatives in total borrowings set out in Appendix Table II also corroborate these inter-State variations in the level of development of co-operatives.

6) While the advances were low, the proportion of overdues was very high in the districts from Bihar and West Bengal (between 30 to 70 per cent) as compared to the other States.

It would appear from the foregoing that co-operatives were relatively well-developed in the districts from Maharashtra and Gujarat (pre-reorganised Bombay State) followed by those from Madras and Andhra Pradesh; while in the States of Bihar, West Bengal and Rajasthan the level of co-operative development was very low; the remaining States of Punjab, Madhya Pradesh and Uttar Pradesh.

occupied the mid-position in co-operative development.

The considerable disparity in the growth of co-operatives in the different States noticed in the preceding section is ascribable to a number of factors. These relate among others to shifts in policy at the national level, defective planning at the district level, weaknesses in the structure and organisation of institutions, and defects in operational policies and procedures.

VACILLATION AND SUDDEN SHIFTS IN POLICY

The Second Five Year Plan provided for co-operative development on the lines of the Integrated Scheme of Rural Credit. Accordingly in 1956-57, the first year of the Plan which was also the period of reference for the Rural Credit Follow-up Survey, 1956-57, the emphasis was on the development of large size societies. But during the second year of the Plan, 1957-58, there was a slight shift in the emphasis towards the organisation of small size societies, pari passu with the organisation of large size societies. At the same time, the policy regarding the organisation of large size societies, which, together with State partnership at different levels, formed the main component of the Integrated Scheme of Rural Credit, came to be reviewed by the Planning Commission. In November 1958, the National Development Council resolved that, for the development of co-operation as a people's movement, it was essential to organise co-operatives on the basis of the village community as a primary unit and that the responsibility and initiative for social and economic development at the village level should be placed fully on the village panchayat and the village co-operatives. Thus, in the third year of the plan, the policy regarding the organisation of service co-operatives was formulated and the fourth year, 1959-60, witnessed the organisation of service co-operatives. In the result, the policy of organising large size societies drawn up in 1955-56 and enthusiastically pursued in the subsequent two years was altered in favour of organising either single village societies or societies covering two or more villages without jeopardising the principle of mutual contact and social cohesion. The emphasis was shifted on the development of service co-operatives whose primary functions were provision of short and medium-term credit, supply of agricultural and other production requisites and the marketing of agricultural produce.

It was observed in the Follow-up Surveys that the sudden shifts in policy discussed above, resulted in considerable amount of confusion in the minds of the district co-operative officials and as a direct consequence even the district co-operative development plans were not properly formulated and implemented.

DEFECTIVE FORMULATION OF DISTRICT
CO-OPERATIVE DEVELOPMENT PLANS

As stated earlier, the proposals of the Committee of Direction of the Rural Credit Survey formed, at the national level, the general basis on which programmes for development of the cooperative movement were drawn up in the Second Five Year Plan. A study of the district co-operative development plans in the selected districts, however, showed that the plans were not worked out carefully and comprehensively to embody all the features of the Integrated Scheme of Rural Credit.

Relatively speaking, the district co-operative development plans were comprehensive and carefully worked out in the selected districts from the erstwhile Bombay State namely Broach, Ahmedabad, (Gujarat) East Khandesh (Maharashtra) and Dharwar (Mysore). In these districts the plans laid down the targets in greater detail with regard to the proportion of population and villages to be covered by the co-operatives, the number of large size societies and marketing societies to be organised, the proportion of agricultural produce to be marketed by co-operatives, short, medium and long term credit to be advanced, etc. But even in these districts, certain deficiencies in the existing credit structure were not taken note of while formulating the plans. For instance, in Broach and Dharwar, the issues connected with the undertaking of marketing of produce by credit co-operatives and of credit activities by the marketing co-operatives were not given due consideration in the initial stages.

In some of the selected districts from Andhra Pradesh and Madras, adequate provision for development of primary cooperatives was not made. The State Governments did not give clear policy directives to central financing agencies regarding orientation of loan policy. In Chingleput, a concerted effort was not made to merge the small societies located in the expanded jurisdiction of new societies. In Cuddapah, the targets were not fixed for organisation of marketing societies. The broad frame work of the plan in Krishna indicated the proposed outlay and the physical targets for the five year period but no specific yearwise financial provision was made.

The district co-operative development plans of the selected districts from Uttar Pradesh were generally restrictive in nature covering only some aspects of the co-operative development. Though targets were laid down for proportion of villages to be covered by the co-operatives, membership of agricultural credit societies and for short, medium and long term loans, the plans for Etawah and Deoria did not provide for organisation of large size societies, State participation, financial assistance by way of godown loans and subsidies and management subsidy to large size societies and marketing societies. The plans did not provide for reorienting the structure before expanding the movement. In Mirzapur, large size societies were formed by amalgamation during 1956-57, but not enough consideration was given to make their area of operation compact and manageable, inasmuch as some societies covered 40 or more villages each and had a radius of 6 to 9 miles. The co-operative plans in Kanpur were formulated in greater detail for various aspects of the co-operative movement as in this district, a co-operative development (pilot) project was initiated in Nauranga with the idea of introducing the important features of the Integrated Scheme of Rural Credit.

In Akola (erstwhile Madhya Pradesh), Mandsaur and Sagar, targets fixed in the plans were generally comprehensive. The district co-operative development plan in Bilaspur, however, did not lay down any targets for proportion of villages to be covered by co-operatives or the volume of advances to be given by the primary agricultural credit societies.

In Bihar, West Bengal and Rajasthan though the co-operative structure was very weak in the selected districts and the movement more or less stagnant, there was no systematic programme for liquidation of hopelessly bad societies, for realization of loans overdue to societies, or to correct other weaknesses in the structure. The co-operative development plans did not lay down any physical target even for coverage of villages or for increase in membership and volume of advances. The plan in Jalpaiguri made no provision either for long-term finance or for revitalizing the land mortgage bank which was dormant since its establishment in 1953. The advancing of consumption or kind loans through co-operatives with reasonable limits was an important need of the cultivating families in Jalpaiguri where grain loans played an important role in the credit transactions of the cultivators but this did not receive due consideration in the district development plan.

In the absence of properly planned programme, the organisation of co-operatives gave rise to such defects as overlapping of jurisdiction, dual membership and even overlapping of functions as for instance in Nadia and Jalpaiguri. Adequate attention was not paid to the compactness of the area of operation in organising societies; as a result, many of the large size societies in Burdwan and Jalpaiguri were burdened with an unwieldy area of operation. No efforts were made at organising credit unions despite the weak co-operative structure in these districts.

As stated earlier, during 1959 the emphasis shifted from large size societies to service co-operatives. A study of the procedures adopted in organising service co-operatives generally conveys the impression that by and large, the organisation of service co-operatives was not preceded by well planned promotional efforts or proper understanding of the type of functions which the service co-operatives were to undertake. Consequently, small size credit societies and, in some cases, as in Mohindergarh, even large size societies, were converted into service co-operatives without in some cases even modifying the by-laws of the societies concerned. The target mindedness of the district co-operative officials is illustrated by the fact that within a period of less than 4 to 5 months as many as 177 service co-operatives were organised in Bijapur, 168 in Kanpur, 133 in Midnapore, 117 in Barmer and 106 in Mohindergarh.

The foregoing discussion brings out that the planning of co-operative development at the district level suffered from a number of defects which included i) lack of systematic and coherent approach at strengthening the organisational set-up of the primary credit structure, ii) sporadic efforts at organisation of large size societies and service co-operatives, iii) inadequate attention given by the Cooperation Department in selection of societies for conversion into large size ones or for sanctioning loans and subsidies for construction of godowns or appointment of managerial staff, iv) lack of efforts at planned development of marketing co-operatives, and v) inadequate emphasis on the development of processing co-operatives. The review also brings out the point that the planning in the selected districts from Maharashtra and Gujarat, the co-operatively well-developed States, was relatively more comprehensive than in the districts from West Bengal, Bihar and Rajasthan where no sizeable efforts, either in the plan or in the process of implementation, were made to reorganise the credit structure on the lines recommended by the All-India Rural Credit Survey Committee. The planning in the districts from other States generally covered various aspects of co-operative movement but did not aim at introducing all the features of the Integrated Scheme of Rural Credit.

UNSATISFACTORY PERFORMANCE OF CENTRAL CO-OPERATIVE BANKS

The Integrated Rural Credit Scheme assigned a pivotal role to the central co-operative banks in the development of co-operatives. To what extent efforts were made to attain this role has been appraised in this section.

Structural weakness

Of the 37 districts, 3 were served by the branches of the State co-operative bank of the respective States and of the remaining 34 districts, 20 districts had one central bank each, 8 had 2 banks each and 6 had more than 2 banks each. The districts which had two or more banks were mainly those from Bihar, West Bengal and Punjab and in some of these there appeared to be technically some overlapping. Efforts at amalgamation of the banks in districts which had more than one bank have not generally been successful. Among the main reasons against amalgamation, the more important ones appeared to be the possibility of a change in the composition of board of directors of the banks as a result of the merger, a change in the location of the newly organized banks, communal considerations, petty factions, etc.

<u>Jurisdiction and size</u>

Despite the considerably long period of existence, a large majority of banks were still financially not sound and their operations left much to be desired. For instance, although the Standing Advisory Committee of the Reserve Bank of India suggested as far back as 1952 that, as a general rule, there should be only one central bank covering an entire district, and that a bank should normally have owned funds of Rs.3 lakhs and aim at having a minimum working capital of Rs.20-25 lakhs within a reasonable time of its organisation, of the 61 central banks in the 34 selected districts, 23 did not satisfy the prescribed standard for owned funds and 26, the standard for working capital. A large number of these banks was from Bihar and West Bengal where a district invariably had more than one bank.

<u>Financial resources</u>

The financial position of a central bank can better be judged by relating it to the number of rural cultivating families in the district. In the 61 central banks in the 34 districts, a distinct pattern was observed in respect of their financial position. The districts from the pre-reorganised Bombay State followed by Andhra Pradesh and Madras in the first group, had a comparatively stronger financial structure. The working capital and its components, viz., owned funds, deposits and other borrowings per 100 cultivating families were comparatively higher in the selected districts from these States than in others. Even within these districts certain distinct features could be observed. For instance, Ahmedabad and

Broach, now in Gujarat, showed the same characteristics in financial resources as East Khandesh in Maharashtra and Dharwar in Mysore. A comparison of East Khandesh with Akola transferred to Maharashtra from Madhya Pradesh and of Dharwar and Bijapur, transferred to Mysore from Bombay after reorganization, with Bangalore which was already in the Mysore State, would show more distinctly the better development of co-operatives in the pre-reorganised Bombay State as compared to Mysore or Madhya Pradesh. This was mainly due to the benefits these banks derived from the efforts at reorienting the credit structure made as early as in 1949-50 in the pre-reorganised State of Bombay. Among the components of working capital, deposits per 100 cultivating families were much higher in these districts as compared to those in Andhra Pradesh and Madras. In Andhra Pradesh and Madras the major proportion of the working capital was accounted for generally by borrowings, and deposits were comparatively low.

The financial position of the second group, which included the districts selected from Punjab, U.P. and M.P., though not as strong as those in the first group, was better than those in the third group, viz., the districts from Bihar, West Bengal, and Rajasthan. Even in Punjab a distinction could be observed in the pattern of development between the banks organized in erstwhile Punjab which were financially more sound than those which came in after the merger of the princely States.

Banks in Rajasthan were of more recent origin and their development could not be compared with that of central co-operative banks in the more advanced States. In Bihar and West Bengal the existence of more than one bank in the same district appeared to have adversely affected their efficient functioning as strong and viable units. In some of the banks in these States, the business turnover was not even as large as in some large size societies from certain districts in the South. Only in a few banks was there sizeable State contribution to share capital. Efforts at mobilization of deposits were relatively meagre. On account of their financial weakness these banks were dependent mainly on funds received from the Reserve Bank of India for their operations and worked in practice merely as a distributing agency almost acting as an intermediary between the apex bank at the State level and relatively weak primaries at the village level. Although there was some improvement in the financial position of these banks of late, the relative weaknesses in these banks acted as a check to the progress of the Movement itself in these States.

Extent of adoption of Crop Loan System

The Integrated Rural Credit Scheme envisaged a re-orientation of the loan policy and procedure of the central banks on the lines of the Crop Loan System. The basic features of this system, which is production-oriented and market-realised, are fixation of scales of finance on the basis of cash outlay per unit area of crop, evolution of these scales of finance through a democratic process of field workers' (officials and non-officials) conference, disbursement of loans in instalments and to the extent possible in kind, linking of repayments with the harvesting season, recovering dues through marketing societies out of the sale proceeds of the crop financed, etc. The system also envisaged a methodical procedure for assessment of credit requirement of members.

Loan procedure

As regards a methodical assessment of the credit requirement of members, an examination of the application forms prescribed by the central banks and the proformae prescribed for supplying the information regarding individual members by primary credit societies to the central banks reveals that the proformae in most of the cases did not provide for collection of information required for proper implementation of the Crop Loan System. Even in those pockets where the Crop Loan System had been introduced, the primary credit societies were not required to prepare the normal credit statements on the lines envisaged. The surveys revealed that there were in the main four types of loan procedures in vogue : (i) the central banks had effective power to scrutinise the loan applications as in Madras, Andhra Pradesh and Mysore, (ii) the peculiar type of loan procedure had resulted in by-passing the managing committees of the societies which had no de facto managerial responsibilities as in Madhya Pradesh, (iii) the central bank had little effective power to scrutinize the loan applications as in the case of Punjab, Rajasthan, Bihar, Uttar Pradesh and West Bengal, and (iv) the central banks played a significant role in spite of the fact that the loan applications had to be routed through the Assistant Registrars of Co-operative Societies and the power of supervision vested in the taluka supervising unions which were federal bodies of primary societies, as in Gujarat and Maharashtra.

An analysis of the loan procedures in vogue during the Survey years indicated that the ideals and practices recommended by the Committee of Direction of the All-India Rural Credit Survey were not built into the structure, organization and working of the societies. The outmoded and orthodox procedures in vogue since the beginning had been followed without making any efforts to effect flexibility at any stage, though in a few districts from Maharashtra, Andhra Pradesh, Madras, Madhya Pradesh and Mysore, action in this regard, in varying degrees, had been initiated.

Provision of adequate finance was not in operation in any States except perhaps in the areas of the erstwhile Bombay State and also the areas covered by the Full Finance Scheme in States like Madras and Uttar Pradesh. In these States, the quantum of loan was initially linked to the crop acreage. However, the actual policy followed was far short of the ideal policy as the quantum of loan though related to the eash outlay on crops, was linked to the total owned assets of the borrower and the overall limit fixed in the bye-laws. In Broach district of Gujarat, the quantum of loan to a member was linked to the acreage of land irrespective of the crops grown and to the value of produce sold by a member through co-operatives. In this case, no consideration was given to the cost of cultivation of different crops. In Madras and Andhra Pradesh, though some efforts were made to reorientate the policy in the 'pilot project' areas and areas covered by the 'Full Finance Scheme' there was no appreciable change in the loan policy prescribed by the central banks. Even in part of Mysore which was an integral part of the pre-reorganized Bombay State where certain

<u>Quantum of loans in relation to cost of cultivation</u>

features of the Crop Loan System were in vogue, the tenant cultivators were given lower credit limits. In Madhya Pradesh, though loans were fixed on the basis of acreage of land, in actual practice, loans were given at a very much lower limit. In the Kanpur district of Uttar Pradesh and Bangalore district of Mysore, though the quantum was fixed in relation to crop acreage on the basis of the estimated cultivation expenses, in practice, loans were given in relation to the assets recorded in the haisiyat. In Madhya Pradesh, loans were given only to those who had transferable rights in land. In the Jaipur district of Rajasthan, the scales of finance were related either to the value of anticipated crops or to the average annual value of crops. Thus, it would be noticed that there was no system of estimating credit demand of members based on anticipated production.

Disbursement of loans in kind and instalments

In order to ensure proper utilization of loans it was suggested that a part of the crop loan should be issued in kind and that the cash part should be disbursed in instalments according to the progress of the agricultural season. The Follow-up Surveys revealed that the practice of advancing a part of crop loan in kind was followed in the pre-reorganized Bombay State, and in some cases in Madras and Madhya Pradesh. In Bihar, the fertilizer loans were issued in kind. In Rajasthan, some societies undertook distribution of improved seeds and fertilizers as agents of the Agricultural Department of the State Government. In rest of the districts loans were advanced in cash.

The practice of giving loans in instalments was also observed in the pre-reorganized Bombay State. According to the practice followed, disbursements were made in two to four instalments taking into account the agricultural seasons for different crops. In other States, loans were advanced in one lump sum and in cash at the beginning of the agricultural season.

Recovery of loans appeared more satisfactory when repayments were related to the period of harvest of crops financed. It was found that no uniform procedure was followed in this respect in the different States. While in some, specific dates or periods were indicated as in the areas covered by the pre-reorganized Bombay State, in districts of Madras and Andhra Pradesh, disbursements and recoveries were spread over all through the year. The due date of repayment was generally 12 months from the date of issue of loans and did not often synchronise with the harvesting season. In Rajasthan and

<u>Syncronisation of recoveries with harvesting season</u>

Punjab, disbursements were spread throughout the year but here the recovery was the responsibility of the Co-operation Department unlike Madras and Andhra Pradesh where the supervising unions were entrustod with this work. In West Bengal recovery was generally linked with harvesting season but in Bihar it was not.

According to the Rural Credit Survey Committee, supervision should be the legitimate function of apex banks and co-operative

<u>Supervision by central bank</u>

central banks. A study of the pattern of arrangements regarding supervision indicated that, even in the fourth year of the Second Plan, hardly any efforts at its reorientation were made in many States. In Madhya Pradesh, although strictly speaking, the power of supervision vested with the central banks, the existing arrangements were hardly in consonance with the pattern envisaged in the Integrated Scheme of Rural Credit as, because of the domination of the society supervisors and group officers, the managing committee of primary credit society had no <u>de facto</u> managerial responsibility. In Madras and Andhra Pradesh, supervision was supposed to have been exercised through the supervising unions,many of which were actually defunct and in effect, the central banks had to attend to it. In Kerala, the central banks were in direct charge of supervision of societies affiliated to the local supervising unions. In Uttar Pradesh, supervision was vested with the Provincial Co-operative Union. The supervisors appointed by the Union were attached to the Assistant Registrar or the District Co-operative Officer. Since the credit limits were to be scrutinized by the Co-operation Department officials, the power of supervision vested with the Government. In West Bengal, supervision was technically the responsibility of the central banks, but since the staff maintained by the banks was inadequate, the duties regarding scrutiny of credit limits and recovery of loans were practically underfaken by the Co-operation Department officials. The position was not much different in Bihar where the credit limits were scrutinized by the Departmental officials and the supervisors were on deputation from the Government. Thus in effect, the work of supervision was largely controlled by the Co-operation Department. In Punjab and Rajasthan, supervision was vested with Government itself and duties relating to scrutiny of credit limits and recovery of loans were undertaken by the Department. In Mysore, while the central banks were responsible for supervision of societies in the old Mysore area, the Department was in-charge of supervision in the erstwhile Hyderabad area. In the Bombay-Karnatak area, the work was done by the central banks as also by the Department.[1] In the pre-reorganized Bombay State, the supervision was exercised by the Taluka/District Supervision Committee. Supervisors were Government employees. Thus, the pattern of arrangements regarding supervision and inspection varied from one State to another and did not correspond with that envisaged in the Integrated Scheme of Rural Credit. The objective of making the central bank an autonomous co-operative institution was far from being fulfilled particularly, because, in many districts the officials of the Revenue Department still continued to be ex-officio chairmen of the central banks.

WEAKNESSES OF THE PRIMARY CREDIT STRUCTURE

In the case of primary credit societies in a number of districts surveyed, the structural weakness acted as a serious shortcoming. While in some districts dormancy of societies was a severe impediment in most others the small uneconomic size limited their rate of development.

Dormancy and efforts at revitalisation

Dormancy of primary credit societies posed a serious problem particularly in West Bengal and Bihar, where the proportion of dormant societies in the selected districts ranged between 28-81 per cent, while in other States it was generally less than 10 per cent. The main causes for dormancy appeared to be bad management and misappropriation, hesitancy and half-hearted approach to recoveries, domination by vested interests, very small area of operation,

1 Though supervision was technically the responsibility of the Government, scrutiny of credit limits and recovery of loans was attended to by the respective staff of central banks

overlapping of functions between primary credit societies and other types of societies, etc. Other factors like weakness of the central banks, pre-occupation of the central banks with trading activities, defective loan policy and procedure, unsatisfactory arrangement regarding audit, inspection and supervision also had a direct bearing on the unsatisfactory performance of these societies.

To counter the problem of dormancy a programme for revitalisation of primary agricultural credit societies was taken up since 1957 with a view to enabling them to function more effectively. This programme was intended to be carried forward and completed during the Third Plan period. Most of the States laid down some criteria for societies to be taken up for revitalisation. But in many cases, revitalisation of societies was interpreted to amount to a little more than the appointment of a clerk in each society with the help of the subsidy provided by the Government. There was no systematic programme for liquidation of hopelessly bad societies, to realise all loans overdue, to bring as many rural families as possible into the co-operative fold, to get the required finance from the central bank, etc. So revitalisation schemes, in effect, were little more than provision of managerial subsidy, though there were marked variations in the method of selection of societies and quantum of management subsidy. Thus, except perhaps in a few districts, neither was the scheme of revitalisation of small size societies properly formulated nor was the programme satisfactorily implemented.

The small or uneconomic size of societies and inadequate efforts at reorganisation towards attaining viability was another important weakness of the primary credit structure. During the period covered by the four follow-up surveys there were three

<u>Uneconomic size and resources</u>

distinct types of primary credit societies operating in the selected districts; large size societies, small size societies and service co-operatives. As regards membership of primary credit societies, it was found to be generally rising in all the districts.

In large size societies the average membership ranged from 169 in Bilaspur to 1229 in Kanpur and in small size societies from 27 in Mirzapur to 207 in Quilon. Generally the increase in membership was more marked in large societies than in small size societies. As regards the composition of membership, it was noticed that a sizeable proportion of membership consisted of big and large cultivators in the majority of the districts. The participation of small cultivators in co-operatives was markedly low in certain districts as Mirzapur and Cuddapah.

The data on financial resources per 100 rural cultivating families of the districts showed that in respect of share capital those districts where a higher proportion of large size societies was operating were comparatively better than others where large size societies were fewer in number. For example, the paid-up share capital for 100 cultivating families was as high as Rs.4,713 in Broach, followed by East Khandesh (Rs.4,114) and Dharwar (Rs.3,021) as against a mere Rs.85 in Gaya and Rs.93 in Jalpaiguri. It is evident, therefore, that the financial position of primary societies was comparatively better in those districts where the reorganisation of primary credit structure was carried out on a significant scale. The societies with a poor financial position were mostly one-village societies which were badly managed by honorary secretaries or were dominated by vested interests like landlords, moneylenders, etc. or were operating in backward or scarcity affected areas.

The surveys revealed that the primary credit structure in a majority of districts selected from West Bengal, Bihar and Rajasthan was characterised besides dormancy, by a large number of single-village unlimited liability type of societies, which were uneconomic in size, while in districts, mostly from Andhra Pradesh, Madras, Mysore, Kerala and erstwhile Hyderabad State, there was a predominance of multi-purpose, multi-village societies and lesser number of dormant societies. In the third group, consisting mostly of districts from the pre-reorganised Bombay State, the structure of primary credit societies was stronger and there was a predominance of large size societies.

The surveys also indicated that in relation to the problem the efforts at reorganisation of the primary credit structure to attain viability were not sizeable. The progress was also hindered as stated earlier by hesitancy and shifts in policy.

The other weaknesses in the primary credit structure relate to the operational policies and procedures adopted by societies concerning loan policy, types of credit given, terms on which given, etc. A study of the loan policy pursued by the primary credit societies in different districts indicated that some of the features of the Integrated Scheme of Rural Credit were found to have been adopted in Broach, Sorath, East Khandesh, Dharwar and Bijapur - all belonging to the pre-reorganised State of Bombay. In these districts the grant of loans by primary credit societies was governed by the rules framed under the Crop Loan System initiated as early as in 1949.

Loan policy

Attempts were made in certain other districts by the Co-operation Departments of the respective State Governments to liberalise the grant of credit by primary credit societies. For instance, the Full Finance Scheme in Coimbatore and the Crop Loan System in Etawah and Kanpur aimed at providing the entire credit requirements of the rural families. Though the principle of granting loans in relation to estimated outlay on crops seemed to have been accepted by central banks, no efforts were made to implement it. Thus, none of the fundamental objectives of the Integrated Scheme of Rural Credit was in effect enforced, except in the districts from the pre-reorganised Bombay State. Consequently, co-operative credit available to agriculturists in relation to the requirements was generally small, particularly in the districts from West Bengal, Bihar and Rajasthan where it was less than 10 per cent as against the districts from Maharashtra, Gujarat, etc. where the proportion was above 40 per cent.

Besides the imbalance in the quantum of credit given, the types of loans given also varied significantly from one district to another. There was a greater emphasis on short-term loans in Broach, East Khandesh, Dharwar, Ahmedabad, Cuddapah, West Godavari

Ferozepur, Etawah and Nadia. Short-term pledge loans were sizeable in Chingleput, West Godavari and Broach. In West Godavari many primary societies gave pledge loans to members who, however, sold their produce directly to traders. In Broach, however, many primary societies were marketing the produce of members and were giving pledge loans to them. Short-term loans for consumption purposes were important in Jullundur and Hissar. The distinction between short and medium-term loans lost much of its significance in certain districts such as Ferozepur, where even though all loans were reported to have been given for short-term duration, most of them were in practice medium-term loans due to the kist bandi system of estimating the demand for recovery of loans. In Gaya, short-term loans were granted in the form of fertiliser loans and most of the cash loans were given for medium-term purposes. In Sagar more than half the amount of loans advanced were adjustment loans, i.e., instalments due and not repaid in respect of loans which were advanced for two years and repayable in two annual instalments to be treated as fresh advances during the year by book adjustment. In Bilaspur too the loans were generally advanced for a period of two years and the system of advancing loans through book entries continued to be an important factor influencing the nature of advances granted by primary credit societies. Thus, the medium-term loans granted in Sagar, Bilaspur and Mandsaur did not represent the type of medium-term credit envisaged by the All-India Rural Credit Survey Committee.

The different types of security against which loans were granted by primary credit societies may be broadly classified into four groups: Loans granted against a first charge on land or crop, either under Section 24AA of the Bombay Co-operative Societies Act, 1925 or under Section 30(1) of the Madhya Bharat Co-operative Societies Act, 1955, as was followed in Sorath, Akola, Sagar, Ahmedabad, Broach, East Khandesh and Mandsaur. This procedure was in conformity with the Integrated Scheme of Rural Credit as it ensured that co-operative loans were availed of only by owner-cultivators or tenants who had cultivation rights.

Security

Loans were granted against personal security or third party guarantee in Hissar, Ferozepur, Jullundur, Etawah, Deoria, Monghyr, Gaya and Jaipur. Short-term loans upto Rs.500 were granted in Coimbatore and West Godavari against personal security or third party guarantee. In practice, it was noticed that when personal security alone formed the basis for co-operative credit there was a greater risk of such loans being availed of by non-cultivators, non-cultivating landlords and agricultural labourers. In a third group of districts, Cuddapah, Quilon, Nizamabad, Bangalore, Jalpaiguri, Nadia and Burdwan short-term co-operative credit was granted on the security of immovable property. The quantum of loan in most of these districts was linked to the land revenue paid by the borrowers. This policy enabled the owners of land to avail of credit even though they were not cultivators themselves. All tenants and small cultivators were thus denied credit facilities.

Short-term loans against pledge of produce were also reported in Broach, West Godavari and Chingleput, and to a lesser extent in Bijapur, Tanjore and Krishna. Care was not taken, always, to ensure that the pledge loans were not availed of by non-cultivators and petty traders. In West Godavari it was noticed that, in the absence of adequate godown facilities, the produce was sometimes stored in improvised godowns or in store-rooms in the residence of the member himself. In most of these districts there was no provision to ensure that the produce against which the loan was given was actually grown on his own farm. In Coimbatore and Tanjore, loans were secured by pledge of jewels also.

The pattern of development of primary credit societies in the selected districts emerging from the above analysis of their operations indicated three distinct stages of growth. The primary credit structure in a majority of districts selected from Punjab, Uttar Pradesh, Madhya Pradesh, Bihar, West Bengal and Rajasthan was characterised by a large number of single-village unlimited liability societies, a large proportion of dormant and stagnant societies, low credit limits generally linked with assessments, absence of inter-linking arrangements, weak central banking structure, low turn-over, a higher proportion of medium-term loans, high rates of interest, misutilisation of loans and management by untrained, honorary secretaries or overworked part-time secretaries. An enlightened co-operative leadership was conspicuous by its absence.

In another group of districts, mostly from Andhra Pradesh, Madras, Mysore, Kerala and erstwhile Hyderabad State there was a predominance of multi-purpose, multi-village societies, lesser dormant societies, a higher level of loan operations and predominance of short-term loans. In some of these districts the attempts to reform the primary credit structure resulted more in increasing the quantum of loans advanced than in reorienting the loan policy or making the membership broad-based. The loan policy continued to be determined, by and large, by the departmental officials and credit limits were fixed in relation to the value of the security offered. The growth of primary credit societies in these districts may be attributed more to increased official initiative, control and supervision than to the response from the people themselves.

In the third group of districts mostly belonging to the pre-reorganised Bombay State, the structure of primary credit societies was stronger, and there was a predominance of large size societies. The working capital of primaries was adequate, and there was greater emphasis on short-term loans. The rates of interest were lower. Above all, the loan policy was generally reoriented on the lines of the Integrated Scheme of Rural Credit, which ensured adequacy of loans as well as its proper utilisation. The co-operative leadership was dynamic and responsible to the demands of a developing rural economy.

This regional disparity in the growth of primary credit societies may be entirely attributed to the extent of efforts made by State Governments to implement the recommendations of the All-India Rural Credit Survey Committee, particularly those relating to the Integrated Scheme of Rural Credit.

In their efforts to reorient the co-operative credit policy, some State Governments do not appear to have taken cognisance of the principles laid down by the All-India Rural Credit Survey Committee in formulating the Integrated Scheme of Rural Credit. In those States which had taken initiative in reorienting their credit structure as early as in 1949-50 as in the pre-reorganised State of Bombay, the development of co-operatives was particularly remarkable.

The management of societies left a great deal to be desired. The various defects such as improper maintenance of records, increased official control and slackness in the recovery of loans - all indicated the failure of honorary administration.

WEAKNESSES IN MARKETING CO-OPERATIVES

The progress made in co-operative marketing has also not been impressive except in a few districts. Of the 75 districts selected for the All-India Rural Credit Survey 1951-52, 27 were covered by the Follow-up Surveys conducted so far. Out of these, only in 8 districts the selected cultivators reported sale of produce through co-operatives (Table 2). However, only in 2 districts did co-operative marketing of agricultural produce register substantial progress. The relatively better performance in some districts and the major conducive factors that aided the progress may be referred to briefly.

TABLE 2 - SALE OF PRODUCE THROUGH CO-OPERATIVES BY SELECTED CULTIVATORS

Districts	PROPORTION OF PRODUCE SOLD THROUGH CO-OPERATIVES (%)	
	1951-2	Follow-up Surveys
Broach	17	39
Deoria	30	75
Jullundur	-	8
Ahmedabad	-	NEG
Hissar	-	4
Mirzapur	-	1
Bijapur	1	8
Bilaspur	NEG	-
Kanpur	-	1

The success achieved in Deoria (U.P.) is attributable largely to the legal protection enjoyed by the cultivators in respect of the disposal of their sugarcane through sugarcane unions to privately owned sugar factories - a factor extraneous to the co-operative movement. On the other hand, the success achieved in co-operative marketing of cotton in Broach, which accounted for about 39 per cent of the cotton produced in the district, was to a large extent due to the implementation of the Integrated Scheme of Rural Credit in the district and the development of co-operative processing. In fact, all the constituent parts of the co-operative marketing structure, viz., co-operative marketing union at the district level, which acted as a federal agency for dealing with private buyers from Bombay and Ahmedabad, the primary marketing societies which were assembling, pooling and processing the produce for sale and the primary credit societies, which had direct connection with members, worked in full co-ordination with each other - a feature as yet seldom noticed in other districts. In addition, a part of the financial aid received in the form of State contribution to share capital was utilised by some of the societies for construction or acquisition of cotton ginning and pressing plants. Furthermore, legislative enactments for ensuring the purity of cotton and supervision of its cultivation provided certain built-in-procedural checks which enabled the marketing co-operatives to disburse pledge finance only to actual growers and to prevent marketing finance from flowing to cultivator-cum-petty traders and others. These arrangements were in marked contrast to those prevailing in the other important cotton growing districts such as Akola, Sorath, Dharwar, Coimbatore and Farozepur where the co-operatives generally arranged for sale of raw cotton, after grading, either in periodic public auctions or by private negotiations, which incidentally gave rise to the practice of extending trade credits to buyers much to the detriment of the co-operatives and members themselves.

The performance in regard to pledge advances was also uneven, the achievements in this regard being unsatisfactory in West Bengal, Uttar Pradesh, Madhya Pradesh and Bihar. Advances against pledge of produce were relatively more significant in the Southern States, viz., Madras and Andhra Pradesh.

Pledge advances

In fact, in these districts the marketing societies' main function centred round granting of pledge advances. In Chingleput and West Godavari, where the absence of co-operatively owned processing facilities and absence of regulated market for the raw produce (e.g., paddy in West Godavari) tended to limit the scope for undertaking marketing activities, the marketing societies undertook to the granting of pledge finance as the main function with a view to providing holding power to the cultivators.

Although inadequacy of pledge finance was not quite uncommon, a major disquieting feature of pledge finance observed in the different districts where it was prevalent was that quite often the pledge finance facilities benefited the cultivator-cum-traders and commission agents rather than the small and medium cultivators. Similarly, in some cases, the discretion given to the managers of marketing societies regarding the margin requirements to be maintained was not properly exercised. These malpractices were due mainly to the absence of procedural checks and the domination of powerful vested interests in the management of marketing societies. Quite often cultivator-cum-traders and commission agents bought the produce from small cultivators and pledged them with the societies and availed the pledge finance facilities by excluding the small cultivators. Except in Broach, where, as mentioned earlier, certain built-in procedural checks came into being by virtue of the legislative enactments for ensuring the purity of cotton and supervision of its cultivation, there was hardly any rigid procedure followed or adopted in the other districts to verify whether the produce brought for pledging was grown on the borrowers' own holdings. In other words, no attempt was made to relate the produce pledged with the size of the cultivated holding of the borrower.

Affiliation of credit societies with marketing societies and effective arrangements for linking credit with marketing for enabling recovery of loans advanced by primary credit societies as envisaged under the Integrated Scheme were conspicuous by their absence practically in all the districts, including those districts where co-operative marketing had recorded some progress. Only in Mirzapur was some attention given to this aspect of co-operative marketing. Comparatively satisfactory arrangements in this regard were also observed in the Kanpur Nauranga Project area. Even in Dharwar and Ahmedabad, where co-operative marketing was relatively better developed, there were no regular arrangements linking credit with marketing. Recovery of production loans of primaries made by some societies in these districts was mostly on an informal basis.

Interlinking of credit and marketing

On the whole, the progress in respect of affiliation was very limited as also achievements in regard to interlinking were negligible. In fact, primaries in some cases were anxious to get affiliated only to secure supplies of agricultural requisites and not with a view to facilitating the recovery of loans. While the weak credit structure and the organisation of new societies did to some extent affect working out interlinking arrangements the main factors that led to the unsatisfactory position in this regard were: (1) the marketing societies had not undertaken to marketing work, (2) absence of the provision to bind the cultivator, who borrows from the credit society, to sell his produce through the marketing society, (3) absence of any follow-up in the form of effective participation in the management of credit and also marketing societies through State nominees after State participation in share capital, (4) inadequate representation to credit societies on the managing committees of marketing societies, (5) defective by-laws which did not effectively prevent cultivator-cum-traders from being on the managing committees, and (6) absence of specific provision in the by-laws as in Burdwan. All these resulted in the marketing societies being dominated by urban-oriented interests and traders which rendered ineffective efforts aimed at promoting co-operative marketing and effecting interlinking.

From the foregoing account, it will be observed that marketing and linking made little or no progress at all. The chief factors hindering the development of co-operative marketing could be broadly classified under 6 different heads, viz., (1) weak credit structure, (2) overlapping of functions and jurisdiction, (3) lack of representation to credit societies on marketing societies, (4) lack of proper planning, (5) absence or inadequacy of co-operatively owned processing facilities and (6) lack of strong apex organisation.

Development of co-operative credit and marketing being complementary to each other, the strength or weakness of one affects the other. Where the co-operative structure is weak and co-operative loans inadequate, the cultivators depend on private credit even for production purposes as a result of which they are forced to sell their produce through traders, thereby rendering ineffective the entire arrangement for developing co-operative marketing. Thus, from the point of view of the cultivator, he can be induced to sell through the marketing society only if his dependence on the trader is systematically reduced. This is the main, perhaps, the sole reason why a large number of cultivators reported sales through traders even where marketing societies had undertaken marketing.

<u>Weak credit structure</u>

In as many as 21 districts covered by the Follow-up Surveys, the co-operative credit structure was weak; these districts were mainly from Bihar, West Bengal, Rajasthan, Madhya Pradesh and Uttar Pradesh. It is not surprising, therefore, that the performance of co-operative marketing, let alone its development, was not at all significant in the majority of the districts. This, however, is not to imply that where the co-operative credit structure is strong the development of co-operative marketing is assured automatically. For instance, in West Godavari, Coimbatore, Chingleput, Tanjore and Krishna districts (from Madras and Andhra Pradesh) where the co-operative credit structure was strong there were hardly any sales through co-operatives. But this again was due to the limitations in other directions such as absence of co-operatively owned processing facilities, domination of powerful vested interests, improper location of marketing societies, etc. Nevertheless, the importance of a sufficiently strong co-operative credit structure as an essential basic pre-requisite for the development of co-operative marketing can hardly be minimised.

In 14 districts out of 37 covered by the Follow-up Surveys, some or all (selected) marketing societies were found to be undertaking credit activities legitimately entrusted to credit co-operatives and vice-versa. This was particularly conspicuous in Gujarat, Maharashtra, Mysore, Uttar Pradesh and West Bengal. The double disadvantage of this practice was that the marketing societies tended to evince less keenness to undertake their other more pressing functions such as assembling, grading, processing, etc., and more importantly they were not eager to render recovery service to the credit societies by forging inter-linking. Similarly, in the absence of clear cut allocation of functions between primary marketing societies and district/ regional marketing societies, there were instances of the

<u>Overlapping of functions and jurisdiction</u>

latter type of institutions undertaking marketing activities in areas where primaries existed and operated. In some cases, even the by-laws provided for such activities. Broach, Sorath, Ahmedabad, Dharwar, Hissar to mention a few, were among the districts where such overlapping of functions and jurisdiction was noticed. However, from the point of view of marketing, overlapping of jurisdiction, and hence functions between the marketing co-operatives themselves, has greater adverse impact than overlapping of functions and jurisdiction between them and credit co-operatives.

Though circumstances leading to overlapping of jurisdiction and functions have no doubt varied widely, in most cases it owed its origin to the haphazard manner in which the societies were organised either de novo or by conversion. Departmental anxiety to achieve the physical targets laid down, as also, in some cases, the inefficiency of departmental action in subduing the ~~reclaci-~~ recalci-trant societies to accept the concept of open membership were the major factors that led to the indiscriminate organisation of societies without due attention being paid to delimiting jurisdiction and functions.

<u>Lack of representation of credit societies on marketing societies</u>

More often than not the credit societies located in the area of operation of marketing societies had little voice in the management of marketing societies. The latter, in most cases, were dominated by individuals who were mainly traders or bigger cultivator-cum-traders who availed of the facilities offered by marketing societies for their private interest. They even discouraged marketing societies from undertaking marketing activities. All these had their impact on the marketing, recovery and pledge finance operations of the marketing co-operatives and set at nought the efforts directed towards establishing an organic link between credit and marketing for the benefit of both. Here again, defective by-laws which in some cases did not prevent the enrolment of traders and other individuals and in others did not incorporate provision for representation, as also indiscriminate organisation of societies were the main contributory factors. Moreover where societies were formed by conversion of erstwhile consumer stores or sales unions which already had predominant membership of individuals the membership pattern continued and group interest prevailed. One of the important consequences of this situation was that some of the credit societies did not have confidence in the sale societies and naturally they did not put in concrete efforts to persuade or bind their borrowing members to sell their produce through the sale societies.

Lack of proper planning

Perhaps in no other field of co-operation was the lack of systematic and proper planning more pronounced than in the development of co-operative marketing. The Follow-up Surveys show that in most cases, the organisation of societies was not preceded by a careful study of normal marketing channels and trade practices. Moreover the offices of societies, as for instance in Dharwar, Ahmedabad and Etawah, were located at urban or semi-urban areas and hence there was no contact with the rural hinterland. Even the existence of regulated markets did not encourage sales through co-operatives because, apart from the inadequate flow of produce to these places, the marketing co-operatives on their part did little to develop them by building up a good net work of marketing organisation for pooling, transporting and grading before sale and by introducing an element of collective bargaining at the time of auction, with the result that the marketing societies were nothing more than commission agent shops which gave rise to unhealthy trade practices such as granting of trade credit, etc. Many of them had not adjusted or reoriented their operation practices to meet the requirements of trade in general and those of particular commodities traded locally to perform the role of an efficient market functionary. Moreover, a weak co-operative marketing structure coupled with a weak credit structure only strengthened the hands of the traders at the time of auctions of the produce.

The need for co-operative processing facilities depends on the nature of the commodity traded. Whereas co-operative marketing of produce such as wheat and maize can perhaps be developed irrespective of the existence of processing plants in the co-operative sector, processing of paddy, cotton, groundnut and sugarcane forms an integral part of the marketing process itself. Unless, therefore, both the facilities of processing and marketing are simultaneously available with one and the same agency, the cultivators would prefer to sell their produce to other processing agencies or sell it to traders or commission agents or wholesalers so as to avoid altogether the problem of processing. Thus, it would appear that in the absence of processing facilities co-operatives would be handicapped in developing their marketing business.

<u>Absence or inadequacy of co-operatively owned processing facilities</u>

In fact, this was so in many of the districts. For instance, dependence on privately owned cotton gins and presses which resulted in adulteration of cotton enhanced the difficulties of marketing cotton in Dharwar. Similarly the experience of sugarcane co-operatives in Monghyr and Deoria in dealing with privately owned sugar factories was also not quite satisfactory despite the legal protection they enjoyed in the matter of disposing sugarcane. All these tend to highlight the importance of co-operatively owned processing facilities for assisting the development of co-operative marketing.

Out of 37 districts covered by the surveys, processing facilities were available in the co-operative sector only in a few districts, viz., Broach, Sorath, Quilon, Jullundur and Ahmedabad. Apart from the fact that attempts at systematic development of co-operative processing were initiated only recently, the very slow progress made so far is attributable to a variety of factors among which the more significant are (1) competition from private units, (2) apprehensions regarding adequate flow of supplies of raw produce,

(3) difficulties in mobilising long-term finance required for setting up processing plant, particularly absence of interim arrangement for acquiring plant and machinery until such time as long-term finance could be had from agencies like Finance Corporations and (4) conflicting measures of legislations, such as the regulation of establishment of new rice mills in order to encourage hand pounding as a village industry.

However, even where processing facilities were somewhat better developed in the co-operative sector, co-operative marketing was not free from problems. For instance in Ahmedabad, as mentioned earlier, the development of co-operative processing in that district at a more rapid pace than marketing resulted in a surplus processing capacity as compared to the supplies available through the marketing societies so much so that the marketing societies undertaking processing had to depend largely on the traders to keep the plants running even at the cost of extending to them the same credit facilities as to the cultivators. Though this and allied problems may be unavoidable during the initial stage, it is always better if, while developing processing facilities an attempt is made to strike a balance between the pace of development of processing and marketing so that over or under-development of one does not prove to be a handicap to the other. Similarly in Broach while want of long-term finance and improper location of the units impeded the progress there was also the problem of deciding whether the co-operatives should be encouraged to set up new units when the existing capacity available in the district was adequate or steps should be taken to acquire the existing privately owned processing plants.

<u>Lack of strong apex organisation</u>

According to the recommendations of the conferences on Marketing and Co-operation held at Hyderabad and Jaipur, the co-operative marketing structure was normally to consist of two tiers, viz., the primary marketing society at the taluk level and an apex body at the State level. In special circumstances, intermediate (regional) federations of primary marketing societies were to be organised. During the period covered by the four Follow-up Surveys, apex bodies were in existence in all the States at one time or another. However, in 5 States they came into being only in or after 1957-58, and in 3 States they were organised in 1958-59 or later. But these bodies hardly undertook the sale of produce to buyers in the consuming centres on behalf of affiliated marketing societies. An efficient higher type of marketing co-operative, even at the regional level, which arranged for the sale of members' produce was noticed only in Broach and Ahmedabad. In the former district, the Daxin Gujarat Co-operative Cotton Marketing Union Ltd. and the Broach Cotton Area and Co-operative Cotton Sale Organisations' Union Ltd., arranged for the sale of members' produce which assisted considerably the co-operative marketing of cotton in the district. In Ahmedabad, the Uttar Gujarat Sahakari Ru Vechan Sangh Ltd., whose jurisdiction extended also to 4 neighbouring districts included in its membership 12 marketing societies including the taluk purchase and sale unions in the district. But member societies did not always dispose of their produce through this organisation.

In the absence of higher types of marketing co-operatives either at the regional or State levels, the primary marketing societies had to depend for the disposal of the produce on private traders and commission agents who not only underbid at the auctions but also demanded trade credit and other facilities because of their strong bargaining position. All these affected adversely the development of co-operative marketing.

WEAKNESSES IN THE LONG-TERM CREDIT STRUCTURE

The main recommendations of the All-India Rural Credit Survey Committee in regard to land mortgage banks, inter alia, included: 1) establishment of a central land mortgage bank in each State, which would finance the cultivators preferably through primary land mortgage banks or, if that is not feasible, through the central financing agencies on an agency basis pending opening of its own branches or institution of primary land mortgage banks; 2) the organisation of primary land mortgage banks which should be preceded by an enquiry into the conditions of each area, particularly the demand for long-term loans; 3) granting of long-term loans for a period exceeding 5 years for production-oriented purposes, such as improvement on land, on the basis of value of land after the improvement was effected, but linking the period of the repayment of loans to the purpose of loans, thus prescribing different periods for different categories of purposes; 4) review of the tenure and tenancy laws by the State Governments so as to eliminate such features which are hinderances to the development of a simple and effective system of land mortgage banking; 5) disbursement of loans in instalments according to a phased programme of the execution of the project; 6) employment of adequate and trained supervisory staff to ensure co-ordination of credit with planned agricultural development, assessment of technical soundness of the project in respect of which credit has been asked for and verification of the actual utilization of credit and 7) provision of guarantee by State Governments for a specified period for the difference between the value of land before and after the improvement.

By the end of June 1960, central land mortgage banks had been established in all the States except Madhya Pradesh (since established during 1961-62). Central Land Mortgage Banks in the States of Andhra Pradesh, Madras, Maharashtra, Mysore and West Bengal were established on a federal basis and functioned through the primary land mortgage banks. The jurisdiction of a primary land mortgage bank ranged from a district in Gujarat[1], Maharashtra and West Bengal to one or two talukas in Andhra Pradesh, Madras and Mysore. These were also the States where the land mortgage banking was comparatively well-developed. In other States, the development of land mortgage banks could be said to be still in its infancy, as for example, in Madhya Pradesh where loans were advanced by the land mortgage banking section of the central co-operative banks which functioned as agents of the land mortgage department of the Madhya Pradesh State Co-operative Bank. Further, in Punjab, though the primary land mortgage banks had been established in some districts, they did not function at all. In Kerala, the central land mortgage bank financed directly and had no branches of its own upto 1957-58.

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1 In so far as Saurashtra is concerned the central land mortgage bank functioned through its branches.

In other States such as Bihar, Rajasthan and Uttar Pradesh, the central land mortgage banks had not commenced operations during the survey years but proposed to grant loans through the agency of central co-operative banks. By the end of June 1962, however, primary land mortgage banks had been established in all the States, except Bihar, and were reported to be advancing loans.

The Follow-up Survey data revealed that in none of the States the organisation of a land mortgage bank was preceded by an enquiry into the demand for long-term credit, consequently most of the primary banks became financially weak and non-viable units, which could not employ adequately trained staff.

Though according to the recommendations of the Rural Credit Survey Committee, the land mortgage banks were required to discourage the grant of non-productive loans and adopt a more positive policy of granting loans for land improvement, it was noticed that during survey years in some States like Kerala, Madhya Pradesh, Madras and Maharashtra[1] loans were being mainly advanced for repayment of old debts. Only in Andhra Pradesh, Gujarat, Mysore and West Bengal bulk of the loans were advanced for productive purposes such as improvement on land. Subsequently, however, the emphasis shifted to loans for improvement on land from loans for debt redemption in Madras and Maharashtra, but still in Madras, loans for repayment of old debts were quite substantial. In Gujarat (Sorath), the mode of valuation took into consideration the anticipated increase in the value of land as a result of the proposed improvement. Loans in instalments phased according to the stages of improvement effected were granted in Gujarat, Maharashtra, Madras and Mysore. Further, except in Gujarat, the loan policy and operations of the majority of land mortgage banks were completely unrelated to the agricultural production programmes of the State Governments. Duration of loans was also not linked with the purpose of loans in many States. Generally loans were advanced for a period exceeding 10 years and extending upto 20 years. Some of

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1 Primary land mortgage banks in East Khandesh (1956-57) and Akola (1957-58) advanced loans mainly for repayment of old debts.

the States where some efforts had been made in this direction were Andhra Pradesh, Gujarat and Madras. In all States, loan procedure was long drawn out involving various stages of appraisal and scrutiny, with the result that the time-lag involved between application and disbursement continued to be over a year in many States. Measures to simplify the procedure and shorten the delay involved were considered only in Andhra Pradesh, West Bengal and Gujarat. There was also overlapping of functions performed by the Revenue Department and the land mortgage banks and attempts to channel taccavi loans through the land mortgage banks were made only in Gujarat.

In practically all States, even after the recent land reforms, the land mortgage banks continued to experience some difficulties in expanding their business, although the reforms had resulted in abolition of intermediary interests, e.g., in Punjab and West Bengal owner-cum-tenant cultivators had no transferable rights in land. In Andhra Pradesh and Mysore, protected tenants, though eligible for membership, were not advanced any loans. In Madras, the lands in Zamindari areas were not accepted as security. In Maharashtra and Gujarat, however, the difficulties were minimised by the State Governments by agreeing to make good the loss upto 2 per cent of the loans advanced, or the actual loss, whichever was less, arising out of a fall in land values resulting from land reforms.

Arrangements in regard to supervision over utilization of loans were generally satisfactory in Andhra Pradesh, Madras and Mysore while in Gujarat these were not quite satisfactory, since all the rules regarding utilization of loans were not strictly enforced. Supervision was inadequate in West Bengal where mis-utilization of loans was reported on large scale.

To sum up, the land mortgage banks may be grouped into three categories on the basis of the level of development and type of loan policy: 1) States where efforts were made to reorient the policy to increased production; 2) States where such efforts were not made; and 3) States where land mortgage banks have only begun their operations. In the first category may be included States of

Andhra Pradesh and Gujarat where some aspects of the loan policy were revised and reoriented to increased agricultural production. In Gujarat, tenant cultivators were admitted as members and granted loans. But much was still to be done as, for instance, in Gujarat the loans were restricted to purchase of occupancy rights and provision of well finance scheme only. In the second category, West Bengal, Madhya Pradesh and Kerala may be included since the loan policy adopted in these States was not concerned with the end-use of loans. In the last category come the States of Bihar, Punjab, Rajasthan and Uttar Pradesh where institutions were relatively nascent and a great deal remained to be done to strengthen the organization, streamline their operations and reorient their loan policy.

CONCLUDING REMARKS

To sum up, the most important conclusion thrown up by the foregoing discussion is that the progress of co-operative development, as observed in the districts covered in the Follow-up Surveys, indicate three distinct stages of levels and patternsof growth. In the first category may be included the States of Maharashtra and Gujarat, where not only the co-operatives had developed to a greater extent than in other States but the progress recorded in the two States over the last few years was also at a faster rate inasmuch as the share of co-operatives in the borrowings of cultivators had shown a substantial increase since 1951-2 in the districts from these two States. Even, according to the AIRDI Survey, the co-operatives financed as much as 50 per cent of the cultivators requirement of credit in Maharashtra and 17 per cent in Gujarat. In these States, the planning of co-operatives was relatively comprehensive, and covered a good many features of the Integrated Rural Credit Scheme. The institutional structure was also strong, with predominance of large-size or viable societies at the base managed generally efficiently by trained secretaries and, at the district level, with strong central banks, economic in size and operations. And more importantly the banks had also adopted the principles of the crop loan system, the core of the credit administration policy embodied in the Integrated Rural Credit Scheme. The marketing structure and land mortgage banks in these States were also being organized on the lines consistent with the Integrated Scheme. Thus the remarkable progress in these States is largely ascribable to the efforts made to introduce the Integrated Rural Credit Scheme. It should be noted, however, that the process of reorganising the credit structure and reorienting the credit system on the very principles embodied in the Integrated Scheme has been in practice in these States since 1949-50. Thus, the level of development attained is the result noticeable after adoption of the principles of the scheme for a reasonably long period.

The districts from Andhra Pradesh and Madras followed those from Maharashtra and Gujarat but at some distance. In these States planning was fairly satisfactory, the structure was strong but the operational policies and procedures were not reoriented on the lines of the crop loan system.

As against this group of four States where the co-operative development had attained a distinct standard the States of West Bengal, Bihar and Rajasthan were at the lowest ladder of development. In these States the planning of co-operatives at the district level was very inadequate; the co-operative organization was characterised by a large proportion of dormant and stagnant societies and the small proportion of societies that was working were structurally weak unviable units and functionally inefficient being managed generally by untrained honorary or part-time secretaries; the central banking structure, which has been assigned a pivotal role of a 'social banker' in the Integrated Rural Credit Scheme, was the weakest link in the system; with uneconomic size and standards of operations and orthodox methods of credit dispensation and administration. In other words, these were the States in which the efforts at reorganising the co-operative structure towards viability and reorienting the policies and procedures of credit institutions on the lines of the Integrated Scheme of Rural Credit were the least attempted, though in point of fact, due to certain features of historical development of co-operatives, more vigorous and radical measures than in other States were actually called for in these States. The other States occupied the mid-position.

APPENDIX TABLE I

IMPORTANT INDICATORS OF CO-OPERATIVE DEVELOPMENT

State	District	Proportion of cultivating families borrowing from co-operatives (Per cent)		Average borrowings from co-operatives per cultivating family (Rs)		Proportion of borrowings from co-operatives to total borrowings (Per cent)		Proportion of dormant societies[1]
		A.I.R.C.S. 1951-2	Follow-up Surveys	A.I.R.C.S. 1951-2	Follow-up Surveys	A.I.R.C.S. 1951-2	Follow-up Surveys	
		1	2	3	4	5	6	7
Maharashtra	East Khandesh	..	34	..	114	..	48	-
	Akola	8	17	10	51	7	31	-
Gujarat	Broach	21	25	96	152	32	33	-
	Sorath	-	30	-	216	-	38	6
	Ahmedabad	4	31	72	188	6	42	9
Mysore	Dharwar	..	11	..	46	..	21	6
	Bijapur	5	19	11	58	6	19	12
	Bangalore	-	3	-	11	-	4	64
Madras	Coimbatore	5	6	18	15	4	7	4
	Chingleput	1	7	2	49	1	19	6
	Tanjore	..	17	..	19	..	8	7
Andhra-Pradesh	West Godavari	10	23	18	99	3	22	6
	Nizamabad	6	2	5	6	3	3	17
	Cuddapah	4	3	7	12	2	3	37
	Krishna	..	13	..	54	..	11	8
Kerala	Quilon	3	1	13	1	5	1	57
Punjab	Ferozepur	..	9	..	28	..	5	5
	Jullunder	10	23	23	96	9	27	5
	Hissar	0.1	13	-	75	0.3	14	14
	Mohindergarh	-	7	-	9	-	2	14
Uttar-Pradesh	Etawah	..	14	..	17	..	11	12
	Deoria	18	19	15	9	5	6	3
	Mirzapur	4	11	4	9	3	7	2
	Kanpur	0.1	16	-	21	0.1	11	6
Madhya-Pradesh	Mandsaur	..	10	..	23	..	8	9
	Sagar	4	7	7	19	1	7	3
	Bilaspur	2	16	7	27	9	62	-
West Bengal	Nadia	..	1	..	2	..	1	81
	Burdwan	1	1	2	4	2	2	42
	Jalpaiguri	0.2	1	-	1	0.3	1	63
	Midnapore	2	9	2	16	2	11	35
Bihar	Gaya	..	-	..	-	..	-	66
	Monghyr	0.1	4	-	3	0.1	2	52
	Bhagalpur	1	7	1	3	0.2	5	28
Rajasthan	Bikaner[2]	..	-	..	-	..	-	-
	Jaipur	-	12	-	21	-	7	17
	Barmer	-	3	-	15	-	8	7

1. Refers to proportion of small size dormant societies in cash of districts selected for Fourth Follow-up Survey. 2. No primary agricultural credit societies in Bikaner.

Note: The districts not included in the 1951-2 Survey are indicated by(..)
A.I.R.C.S. - All-India Rural Credit Survey.

State	District	Membership per 100 rural cultivating families [1]	ALL PRIMARY CREDIT SOCIETIES IN THE DISTRICT: Paid-up share capital per 100 cultivating families (Rs)	Deposits per 100 cultivating families (Rs)	Working capital per 100 cultivating families (Rs)	Advances per 100 cultivating families (Rs)	Overdues as percentage of advances
		8	9	10	11	12	13
Maharashtra	East Khandesh	62	4114	560	19095	14336	22
	Akola	58	1440	2270	16193	9382	35
Gujarat	Broach	39	4713	2149	20881	19710	5
	Sorath	50	3616	466	15428	14853	7
	Ahmedabad	48	7402	1112	2036	17706	3
Mysore	Dharwar	66	3021	936	17590	9838	48
	Bijapur	31	1723	164	7402	3361	67
	Bangalore	28	443	43	3575	1737	4
Madras	Coimbatore	36	1182	351	6689	4456	11
	Chingleput	46	565	369	4946	4104	6
	Tanjore	31	750	370	5147	4322	13
Andhra Pradesh	West Godavari	114 [2]	2160	1410	15436	15796	7
	Nizamabad	109	1328	16	5832	2197	42
	Cuddapah	86	726	55	3037	1101	56
	Krishna	40	1791	328	13723	10890	11
Kerala	Quilon	55	945	207	2303	903	37
Punjab	Ferozepur	32	1216	594	5588	4216	41
	Jullunder	132 [2]	5966	9130	28945	15224	32
	Hissar	40	1246	407	6788	4189	42
	Mohindergarh	22	846	242	3726	1936	26
Uttar Pradesh	Etawah	27	683	89	1842	1313	39
	Deoria	22	651	80	1814	1288	30
	Mirzapur	24	712	28	2020	1359	14
	Kanpur	25	796	69	2442	2677	10
Madhya-Pradesh	Mandsaur	20	764	84	4617	2749	14
	Sagar	11	322	57	2949	2962	5
	Bilaspur	17	353	298	3198	2606	2
West Bengal	Nadia	24	258	90	1719	466	73
	Burdwan	22	337	53	1809	1389	33
	Jalpaiguri	70	93	17	434	106	60
	Midnapore	16	279	120	1815	1088	27
Bihar	Gaya	12	85	23	375	130	67
	Monghyr	14	197	23	590	280	34
	Bhagalpur	9	182	46	604	227	63
Rajasthan	Bikaner ≠	-	-	-	-	-	-
	Jaipur	18	494	48	1842	1799	9
	Barmer	12	224	11	1361	1009	9

(Source : The General Review Reports on the Rural Credit Follow-up Survey, 1956-57, 1957-58, 1958-59 and 1959-60).

1. Refers to membership per 100 rural families only in case of districts selected for Fourth Follow-up Survey.
2. Exceeds 100 because of the exclusion of cultivating labourers residing in the rural areas and agriculturists residing in urban areas from the estimates of rural cultivating families.

≠ No primary agricultural credit societies in Bikaner.

APPENDIX TABLE 2

SHARE OF CO-OPERATIVES IN THE TOTAL BORROWINGS OF CULTIVATING AND RURAL FAMILIES

State	Total borrowings during the year 1961-62) (Crores of rupees) Culti-vating families	Rural families	Loans advanced by primary agricultural credit societies during the year 1961-62 (crores of rupees)	Column 3 as % of Column 1	Column 3 as % of column 2
	1	2	3	4	5
Maharashtra	82.5	91.6	42.2	51.2	46.1
Gujarat	70.9	86.2	11.8	16.6	13.7
Mysore	80.2	92.5	13.8	17.2	14.9
Madras	100.9	125.2	28.9	28.6	23.1
Andhra Pradesh	110.0	127.6	21.4	19.5	16.8
Kerala	41.1	44.3	6.5	15.8	14.7
Punjab	59.4	85.0	15.0	25.3	17.6
Uttar Pradesh	162.4	188.7	38.0	23.3	20.1
Madhya Pradesh	73.9	83.3	18.4	24.8	22.1
Jammu & Kashmir	7.5	7.9	1.3	17.3	16.5
Assam	5.5	6.7	0.3	5.5	4.5
Bihar	60.9	71.0	2.5	4.1	4.1
Orissa	13.1	15.7	3.3	25.2	21.0
West Bengal	48.1	66.0	4.6	9.6	7.0
Rajasthan	105.4	122.2	5.4	5.1	4.4
All-India	1034.3	1237.4	228.3	22.1	18.4

(Source : Provisional estimates, All-India Debt and Investment Survey, 1961-62 for Columns 1 and 2 and the Statistical Statements relating to the Co-operative Movement in India, 1961-62 for column 3).

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