

Note I

Review of implementation of the recommendations of the Rural Credit Survey Committee and the Committee on Co-operative Credit.

I. Introductory.

A broad frame-work of policy in regard to the organisational structure and operational principles and methods of co-operative agricultural credit, can be said to have been evolved over the last eight to nine years and ^{has} come to be accepted by all concerned in the country to-day. This is, by and large, based on the recommendations of the Rural Credit Survey Committee and the Committee on Co-operative Credit under the Chairmanship of Shri V.L.Mehta, as generally agreed to by the Central and State Governments, the Reserve Bank and the Co-operative Movement. For explaining the inadequacy of the progress of co-operative credit in parts of the country, which has become evident of late, it is, therefore, relevant to examine how far this can be attributed to the failure to implement this framework of principles and policies. To the extent that defective implementation and inadequate performance have gone together it may be possible to find some relationship between the two. On the other hand, in so far as stagnation or deterioration in co-operative credit is found alongside satisfactory implementation of these recommendations, the question will arise if these policies could by themselves be adequate for meeting the needs of such areas or such situations, and whether the failure reflected in past performance has resulted from factors which lie outside the influence of these agreed policies. It is from this point of view that this note attempts to examine how far the recommendations of these committees have been implemented in the different parts of the country.

2. It may be recalled that the main recommendations of the Rural Credit Survey Committee found general acceptance, in principle, from official as well as non-official co-operative

opinion within a few months of the publication of its General Report. This was evident from the discussions held and conclusions reached at the special joint meeting of the Standing Advisory Committee on Agricultural Credit and the Central Committee for Co-operative Training convened in January 1955, the Second Indian Co-operative Congress held in Patna in March 1955 and the Conference of State Ministers for Co-operation held in April 1955 at Delhi. At the last Conference it was decided that, as recommended by the Survey Committee, specific programmes for co-operative development based on the integrated scheme of rural credit should be drawn up, as an integral part of the Second Five Year Plan. Specific targets were also laid down for the expansion of co-operative credit and marketing. After about three years of effort on these lines, came a new phase in the evolution of co-operative policy marked by the National Development Council's resolution of 1958. The council emphasised the role of the co-operative in intensifying agricultural production and as related to it, the need for the co-operative to be organised on the basis of the village community. As one of the steps taken for implementing this policy, an expert committee was appointed under the Chairmanship of Shri V.L.Mehta to review the existing standards for credit limits in co-operative credit institutions and their loan policies and procedures. The recommendations of this committee, as accepted at the State Ministers' Conference held in Srinagar in July 1960, may be said to have formed the general basis for the programme of co-operative agricultural credit under the Third Five Year Plan. Thus, plan programmes for co-operative development under implementation over nearly the last decade were mainly conceived in the context of the policies propounded by the Rural Credit Survey Committee and the Mehta Committee on Co-operative Credit and it is with reference to these policies that shortfalls in performance can most appropriately be assessed. It is proposed to set out first

the main points of the policy to which these recommendations add up, before reviewing its implementation.

II. Framework of Accepted Policies.

3. Broadly, the recommendations pertain to the structure of institutions for credit, their operations as lenders and as institutions which have to raise resources, the infrastructure of functions such as audit, supervision and marketing, and the action which has to be taken at the National level so as to enable the credit structure to function in the manner recommended. As far as the structure is concerned, the general principle is one of financial, administrative and technical strengthening and reorganisation, on the basis of State Partnership. At the State co-operative bank level, the emphasis is on their development as truly federal and strong institutions belonging to the central co-operative banks and giving them financial support as well as policy guidance. Associated with this aim are the need to limit the number of the individual members, state participation in share capital, linking of share holding to borrowings and avoidance of competition with central banks in regard to deposits and lendings. At the central co-operative bank level, if the institutions are to give effective support to rural credit, the basic need is for rationalisation with a view to having generally one bank per district as an economic unit, progress towards reaching certain minimum standards of viability with reference to own funds and working capital, and promotion of real co-operative leadership in the place of bureaucratic management. At the primary level, the aim is to promote viable units which may, within a reasonable time, render the more important services expected of it, both adequately and to as large a number of producers as possible, without depending upon Government assistance except for a limited period and, for this purpose, to carry out a programme of rectification, consolida-

tion and revitalisation of existing dormant and weak societies. Finally, a central land mortgage bank is required in each State with primary land mortgage banks at the lower level for undertaking the dispensation of long-term credit in support of programmes for agricultural development.

4. The operational policies recommended for the institutions cover a wide range and were intended to ensure the expanding supply of productive credit, supervision of its purposeful use and its recovery on the due dates. Of key significance in this setting is the crop loan system of production-oriented credit, which had been recommended in broad outline by the Survey Committee and spelt out further by the Committee on Co-operative Credit. The main principles are that the loan will be based on crop-cum-acreage, with reference to a scale of outlay and its effect on income and repaying capacity, that credit will be disbursed in kind and in instalments, and that it will be recovered at harvest time, in co-operation with the marketing society. This also means that there should be a relaxation of restrictive features such as insistence on mortgage security for all loans, absolute financial limits on loans to individuals, the maximum borrowing limits of institutions in terms of own funds, refusal of credit to tenants, total denial of loans to defaulting societies, etc. To improve the position in regard to coverage, security, and recovery of loans, legislative provision for an appeal against the refusal of membership, creation of a charge on land in favour of society and expeditious action through coercive processes for recovery were respectively recommended. With a view to encouraging freer flow of credit to weaker sections, special outright grants by Government to credit institutions were proposed. Similarly, to ensure that the flow of credit is not interrupted or brought to a standstill on account of natural calamity, special funds - stabilization funds in the co-operatives and the Reserve Bank, and the Relief

and Guarantee funds in the State and Central Government were proposed. Other operational policies recommended are related, on the one side, to the need to guard against the misuse of resources of co-operative financing institutions, e.g. elimination of unrestricted financing of individuals, priority to demand for agricultural credit, avoidance of trading etc. and, on the other, to the strengthening of internal resources by relating shareholding to borrowings at all levels and by taking various measures such as branch expansion, removal of restrictions on deposit of quasi-Government funds with co-operative banks, provision of banking facilities and so on with a view to increasing deposits. In so far as long-term credit is concerned, again, the recommendations are aimed firstly, at having the structure and promoting its purposeful functioning e.g. the emphasis on productive purpose in lending and co-ordination with agricultural development programmes, secondly, at enabling the structure to raise larger resources - rural debentures, special development debentures and ordinary debentures with government guarantee, improving the marketability of ordinary debentures and, thirdly, at ensuring the financial soundness of operations e.g. provision of special staff for land valuation, guarantee for change in value of hypotheca etc.

5. As for the infra-structure of administration and leadership and co-operative activity other than credit which has to be built up if the programme for co-operative credit should be successfully worked, the committees have emphasised the need for more and better personnel and arrangements for training them and arrangements for supervision, audit and administration, development of co-operative marketing and processing, storage and warehousing, appropriate policies regarding Government taccavi loans, etc.

6. To make all this possible, certain responsibilities of financing and co-ordination have been entrusted to the Reserve Bank of India and the Government of India and the establishment

of certain institutions and special funds have been recommended at the National level. These are dealt with in the following section.

III. Action at National Level

A. RESERVE BANK OF INDIA

1) National Agricultural Credit (Long-term Operations) Fund.

7. The Rural Credit Survey Committee had recommended that a National Agricultural Credit (Long-term Operations), Fund should be set up in the Reserve Bank with an initial non-recurring contribution of Rs. 5 crores and annual contributions of Rs. 5 crores each, the position being required to be reviewed at the end of 5 years. The Reserve Bank of India Act was accordingly amended in 1955, to provide for the constitution of this fund and operations on it. An initial contribution of Rs.10 crores was made to the fund in February 1956, followed by a further contribution of Rs. 5 crores at the end of each of the years 1955-56 to 1958-59. The annual contribution was raised to Rs.10 crores in each of the two following years. Following the recommendation of the V.L.Mehta Committee that the contribution be increased to Rs. 15 crores per annum in view of the growing demand for medium-term loans, it was decided to step up the contribution from Rs.10 crores by Rs 1 crore each year, till it reached Rs.15 crores in the last year of the Third Five Year Plan. The total amount thus credited to the Fund so far is Rs.73 crores. The utilisation of the Fund as on 31st May 1964 may be indicated as shown below :

	(Rs. in lakhs.)
	<u>Outstanding</u>
Loans for share capital contribution	2830.57
Medium-term loans for agricultural purposes.	815.85
Investment in rural debentures	341.81
Investment in special development debentures.	17.56
Total.	<u>4005.79</u>
Amt. for share capital contribution sanctioned but not drawn	1.74
Amount of medium-term loans sanctioned but not drawn.	1181.68
Amount available	<u>2110.79</u>
	<u>7300.00</u>

By and large, it does not seem incorrect to state that the Bank has not so far been handicapped by a shortage of resources in the Long-term Operations Fund in making any worthwhile loan or investment which it would have otherwise favoured.

ii) Share capital loan to State Governments.

8. As recommended by the Survey Committee, the Reserve Bank has been making long-term loans to State Governments for contribution to the share capital of co-operative credit institutions from out of the resources in the Long-term Operations Fund. Though the Reserve Bank of India Act provides for a maximum period of 20 years for repayment, these loans are usually made for 12 years. The terms are attractive in so far as the loans carry no interest for the first two years and even the rates of interest charged thereafter are low, though rising from 2 per cent in the next 3 years to 2½ per cent in the following four years and to 3 per cent in the last 3 years. Particulars of loans sanctioned so far to State Governments for contribution to share capital of different types of institutions are shown below :

	(Rs. in crores.)
State Co-operative Banks	6.35
Central Co-operative Banks	15.01
Large-sized Agricultural Credit Societies.	6.82
Small-sized Agricultural Credit Societies.	3.04
Central Land Mortgage Banks	3.82
Total:	35.04

iii) Short-term accommodation to State Co-operative Banks.

9. The Survey Committee had envisaged that the increase in share capital of co-operative credit institutions resulting from the State partnership would make possible a considerable

increase in the volume of short-term accommodation for agricultural purposes supplied by the Reserve Bank to State co-operative banks. There was also a liberalisation of the norms in regard to the multiples of owned funds which could be provided by the Reserve Bank by way of accommodation to central co-operative banks, as recommended by the Standing Advisory Committee in 1956 in the context of the expected expansion of credit during the Second Five Year Plan. Thus, the standards followed from 1956 onwards were as follows :

<u>Audit classification</u>	<u>Multiples of owned funds</u>	
	<u>Normal</u>	<u>Exceptional</u>
A	3	4
B	2	3
C	2 times with special recommendations of the Registrar.	

Following the acceptance by the Bank of the recommendations of the V.L.Mehta Committee in this regard, further liberalisation was effected in September 1961 as indicated below :

- (1) The distinction made between normal and exceptional limits was removed so that the normal credit limits for which A and B class banks were eligible, would be 4 times and 3 times their owned funds respectively.
- (2) In addition to the normal limit of 4 times and 3 times their owned funds respectively, A and B class banks could obtain from the Reserve Bank additional limits not exceeding twice the owned funds and equal to the owned funds respectively, on condition that the banks concerned would show outstanding loans against societies for agricultural purposes for twice the amount borrowed in excess of the normal limit and further that the outstanding loans would not include any overdue loans.
- (3) Even C class banks could be sanctioned limits upto 4 times their owned funds against Government guarantee.
- (4) The owned funds for this purpose would include, in addition to paid-up share capital and statutory reserves, other funds of a permanent nature created out of the profits such as agricultural credit stabilisation fund, dividend equalisation fund, special bad debt reserve, and the building fund (provided that adequate provision for depreciation is being made annually, if the fund has been utilised in the construction of a building).

10. As a result of these various measures of liberalisation, a very considerable increase has taken place in the aggregate credit limits sanctioned by the Reserve Bank from year to year. (vide Statement I). For the country as a whole, the total limits sanctioned to State Co-operative Banks for short-term agricultural purposes rose from Rs.29.64 crores in 1955-56 to Rs.111.79 crores in 1960-61 and Rs.185.80 crores in 1963-64 upto 15 June 1964. The figure for 1963-64 includes Rs.1.30 crores representing the additional limits sanctioned to 14 central co-operative banks, in terms of the recommendation of the V.L.Mehta Committee.

iv) Medium-term loans.

11. As recommended by the Survey Committee, the statutory restrictions which had earlier operated to limit the total of medium-term loans granted by the Reserve Bank to Rs.5 crores and the individual limits for each State Co-operative Bank to its owned funds were removed, when the provision was made for such loans to be advanced from the Long-term Operations Fund. Subsequently, following the recommendations of the V.L.Mehta Committee, the Reserve Bank also liberalised its practice of sanctioning a medium-term limit to a central co-operative bank only upto its owned funds and agreed to sanction ^{an} ~~as~~ additional limit upto twice the increase in fixed deposits and share capital registered during the year prior to that for which the limits applied, provided, however, that the normal and additional limits together did not exceed twice their owned funds. Though the quantum of medium-term loans sanctioned to and outstanding to the Reserve Bank from the State Co-operative Banks has grown in recent years (vide Statement II) greater progress was not possible because of certain procedural matters. In the earlier years, State co-operative banks were expected to draw on the medium-term loans from the Reserve Bank and then use those resources to make loans to the central banks, but it was not permissible for them to draw on the Reserve Bank to reimburse themselves in respect of loans already made by them. Further, the loans from the Reserve Bank had to be drawn within 6 months from the date of sanction. The procedure was modified

during 1962-63 so as to make it possible for the funds to be drawn from the Reserve Bank by way of reimbursement and for the medium-term loan sanction, like the short-term limit, to be available for drawal throughout the cooperative year. In view of the shortage of medium-term resources with the cooperative credit structure and the appreciable demand for medium-term loans, the Reserve Bank has always emphasised that its loans are intended to provide supplementary finance and that cooperative banks should not reduce their own involvement in such financing when they draw on the Reserve Bank limits. It was also, therefore, emphasised that the apex bank could reimburse itself by drawal from the Reserve Bank only upto 75 per cent of the excess of its outstandings of medium-term loans over the basic level of such loans made from ^{its} ~~their~~ own resources and outstanding as on 30.6.1962, and that the same condition should be observed when central banks reimbursed themselves by drawing from the apex bank on the Reserve Bank loan. However, because of the difficulties experienced by the apex banks in understanding, and adapting themselves to the new procedure and as also in maintaining the margins stipulated, the extent to which medium-term loans were drawn in 1962-63 was not appreciable. As a further measure of liberalisation, it has now been decided that no separate margins will be insisted upon for the apex and central co-operative banks and that the Reserve Bank would be willing to reimburse the apex co-operative banks upto 80 per cent of the volume of medium-term loans outstanding in excess of the basic level of such outstandings as on 30.6.1962, the other 20 per cent having to come from the State and central co-operative banks together. It is expected that this will lead to a considerable increase in the volume of medium-term loans drawn by the banks from the Reserve Bank in future. e

v) National Agricultural Credit
(Stabilisation) Fund

12. Following the amendment of the Reserve Bank of India Act in 1955 to give effect to the Survey Committee's recommendations, the Reserve Bank constituted the National Agricultural Credit (Stabilisation) Fund in February 1956 with a contribution of Rs. 1 crore which has been continued from year to year. The sum in the Fund as on date is Rs. 9 crores. This is to be used, according to the Act, for sanctioning medium-term loans to State co-operative banks for the purpose of enabling them to repay in time their short term dues to Reserve Bank for agricultural purposes in circumstances in which, in the Reserve Bank's opinion, they are unable to do so owing to drought, famine or other natural calamities. As may be recalled, the Committee had recommended that the facility of drawal on the National Fund should be conditional on the maintenance of similar funds in the co-operative credit structure and on a part of the overdue liability being met from such funds. As the building up of these funds within the co-operative credit structure on the lines suggested by the Committee has not taken place to any significant extent, there has been no occasion for a drawal on the National Fund so far. This problem is now being reviewed in consultation with the Standing Advisory Committee so as (i) to lay down the appropriate norms in regard to the circumstances in which and the extent to which resources from the funds at different levels should be expected to be available for meeting a situation arising from natural calamity and (ii) to see how the funds within the co-operative credit structure could be strengthened substantially in the immediate future as also in the long run.

vi) Long-term Credit

13. The Rural Credit Survey Committee had recommended that the Bank should be enabled to give long-term accommodation to central land mortgage banks (a) by way of direct loans and (b) by purchase

of whole or part of their special development debentures by drawing upon the Long Term Operations Fund. Statutory provision has been made for both these purposes but it is not the policy ordinarily to make loans to central land mortgage banks (The solitary exception, however, is a loan for 12 months made in 1958 to the newly established Kerala Co-operative Central Land Mortgage Bank, pending the floatation of its first series of debentures, for enabling it to take over the assets of the Travancore Credit Bank which had been engaged in this business earlier). As for the special development debentures, in the context of the need for credit for special schemes of agricultural development, it has been found necessary to go beyond the recommendation of the Survey Committee and establish an Agricultural Refinance Corporation with substantial resources of its own and the responsibility to function exclusively in the field of such refinancing. ~~Before~~ *Till the end of January 1964* ~~to the establishment of this Corporation,~~ the Reserve Bank had contributed to special development debentures of the value of Rs 13.50 lakhs and Rs. 4.06 lakhs issued by the Andhra and Kerala Central Land Mortgage Banks in connection with the financing of cultivators in the Musi Project area and a rubber plantation scheme in Kerala respectively. Subsequent issues of debentures of a similar character are being handled by the Corporation.

14. A scheme of rural debentures has been evolved on the lines suggested by the Survey Committee. Till the end of 1962-63 rural debentures of the value of Rs. 773.56 lakhs were floated, of which an amount of Rs. 653.64 lakhs was subscribed. (Rs. 311.83 lakhs by the public and Rs. 341.81 lakhs by the Reserve Bank of India).

15. In pursuance of a recommendation of the Survey Committee, the Reserve Bank has accepted the debentures of central land mortgage banks as being on par with Government securities for purposes of its financial accommodation.

vii) Organisation: Agricultural Credit Department

16. As recommended by the Rural Credit Survey Committee, the Agricultural Credit Department has been considerably expanded and reorganised. The Committee had also recommended that the inspections of co-operative banks by the Reserve Bank should be one of the important duties of the officers in its branches and that manuals and instructions should be issued by the head office to lay down the lines on which such inspections might be conducted. Inspections are ^{now being} carried out through branches of the Department which have been opened not only at those places where the Bank itself had its offices but in all other States as well. A book of instructions in regard to inspections has been finalised and issued to all the regional offices by the head office of the Department.

viii) Standing Advisory Committee on Agricultural Credit

17. On the lines suggested by the Survey Committee, the Standing Advisory Committee was reconstituted so as to be an expert rather than a representative body.

18. The establishment of an Advisory Council of representatives of all States and including economists, co-operators, etc. as a common agency to be concerned with the activities of the Reserve Bank and the Government of India in regard to co-operative development, was recommended by the Rural Credit Survey Committee. This proposal had been under examination by the Government of India for sometime in 1956 but later it was decided to defer its consideration.

B. GOVERNMENT OF INDIA

19. According to the Rural Credit Survey Committee, the major responsibility for the development of co-operative activity other than credit, as also of storage and warehousing was placed on the Government of India acting mainly through the National Co-operative Development and Warehousing Board. Accordingly, various steps have been taken during the last decade by the Government of India to plan, develop and

co-ordinate the activities connected with ~~the~~ co-operative marketing and processing as also storage and warehousing, appropriate financial provisions being made for the purpose under the Second and Third Five-Year Plans.

1) National Co-operative Development and Warehousing Board

20. As recommended by the Committee, a National Co-operative Development and Warehousing Board was set up by the Government of India in November 1956 in the Ministry of Food & Agriculture, following the enactment of Agricultural Produce (Development and Warehousing) Act of 1956. All-India and State Warehousing Corporations also came into being. Legislation was, however, enacted in 1962, bifurcating the functions of the Board and entrusting them to two independent institutions viz. the National Co-operative Development Corporation which was to perform all the functions of the erstwhile Board other than those relating to warehousing, and the Central Warehousing Corporation which was to look after warehousing. This bifurcation was made mainly for administrative convenience so as to secure an independent status to the National Co-operative Development Corporation which was expected to impart the necessary drive at official and non-official levels for the execution of co-operative policies.

21. Though the composition of the Board and the nature of functions of the Central Warehousing Corporation did not fully conform to the specific recommendations of the Survey Committee the operation of the Board as an agency at the Centre for policy-making as well as implementation of the programmes relating to the activities other than credit, organised on a co-operative basis seems to be broadly in accord with the intentions underlying the Survey Committee's recommendation. With the transfer of Co-operation to the Ministry of Community Development and the increasing emphasis on co-operative organisation in different sectors of the economy, the range of matters dealt with under this set-up has widened and its

scale of operations has expanded considerably. From the point of view of the integrated scheme of rural credit, the following types of assistance extended by the Centre to the Plan Programmes in regard to co-operative credit, marketing, processing and administration, assume special significance:

(i) Subsidy towards cost of managerial staff for primary agricultural credit societies (large-sized and small-sized), central co-operative banks and marketing societies, (ii) Loan cum-subsidy for the construction of godowns by marketing societies and agricultural credit societies, (iii) Loans for enabling State Governments to participate in the share capital of marketing societies and processing societies, (iv) subsidy towards cost of additional departmental staff. Apart from approving of the pattern of assistance and actual sanction of specific State schemes from year to year, the Board has also taken various important decisions on policies relating to programmes of co-operative development. Consolidated particulars of assistance provided by the Board in the last few years ~~and the major achievements~~ in the spheres of co-operative marketing and processing are given in an enclosed statement (vide statement III).

ii) Co-operative Marketing and Processing

22. It was recommended by the Survey Committee that primary marketing societies should be organised at either important mandies or at taluka centres as convenient and that these should be State partnered, and assisted by the State Government with trained personnel. The programmes of co-operative marketing in the Second and Third Five Year Plans are based on an acceptance of these principles and have improved the position in different degrees, in the various States.

23. The Rural Credit Survey Committee had recommended that State Governments may, subject to certain conditions, compulsorily acquire processing plants etc. in the private sector where members of co-operatives or persons prepared to form

themselves into a co-operative offer to subscribe not less than 30 per cent of the share capital. This recommendation has not been implemented.

24. The V.L.Mehta Committee generally emphasised the importance of the programme of co-operative marketing and, in particular, had recommended that the marketing societies should be permitted and enabled to make outright purchases from the producers and that, in order to protect these societies from the risk of loss in that event, the State Governments should fix the minimum price at which they would be prepared to purchase from the co-operatives. The latter part of this recommendation has remained unimplemented, though various co-operatives have begun to undertake outright purchases to an increasing extent. A proposal for the constitution of a special price fluctuation fund to meet the incidental losses resulting from business of this nature is under consideration.

iii) Special Bad Debts Funds

25. With a view to encouraging co-operative institutions to implement the recommendations with regard to advancing production loans to weaker sections subject to repaying capacity, the Mehta Committee on credit recommended an outright contribution from the Government at 3% of the additional loans made by a society during the year over and above the loans advanced by it in the earlier year and a similar contribution at 1% to central co-operative banks in respect of additional finance provided by them. Government of India, in consultation with State Governments, decided to extend such assistance to primary agricultural credit societies and central banks and introduced a scheme on these lines in 1962-63. The Committee has proposed that the position should be reviewed after 2 years, *for each institution* with a view to examining how far the weaker sections had really benefitted from the operation of this scheme. This review is being taken up by the Government of India, *on a general basis.*

iv) Storage and Warehousing

26. According to the Rural Credit Survey Report, lack of adequate and proper storage facilities at the village and mandi levels was a factor which had severely restricted the growth of credit as well as marketing co-operatives. Their importance for primary credit societies received further emphasis in the V.L. Mehta Committee Report. Thanks to the assistance provided by the Board, considerable progress has been achieved in recent years in the construction of godowns by the marketing and credit co-operatives. As on 30 June 1963, nearly 4,200 rural godowns with a capacity of about 100 tons each and 1200 godowns at the mandi level with a capacity of about 250 tons each are reported to have been completed under the Plan programme. In addition, the village co-operatives and marketing societies had constructed nearly 1500 and 1000 godowns respectively mainly from their own funds outside the Plan programmes. *They had, in addition, 10580 fixed godowns as on 30-6-62.*

27. Warehousing development has also received considerable impetus in the last few years. The Central Warehousing Corporation started functioning in March 1957 and all the State Warehousing Corporations had been established by the end of the Second Plan. According to available information, there are at present as many as 86 warehouses owned by the Central Corporation and 476 owned by the State Corporations. The commercial banks, including the State Bank of India, have commenced the grant of advances against the security of warehouse receipts and the Reserve Bank, with a view to encouraging the development of warehousing had totally excluded, till the end of 1962, loans and advances made against warehouse receipts from the purview of the selective credit controls operated by it. Though such loans have since been brought within the purview of control, care has been taken to see that the share of such loans is not adversely affected.

28. Contrary to the expectations of the Rural Credit Survey Committee, no close links have been established between the State Warehousing Corporations and the co-operatives. It was recommended by the Committee, for example, that the State Warehousing Corporations should contribute to the share capital of co-operatives concerned with storage or warehousing as their primary function or as one of their primary functions. This has not been found necessary or practicable. Co-operatives have continued generally to raise loans on the direct pledge of produce rather than on the strength of warehouse receipts.

C. STATE BANK OF INDIA

29. As recommended by the Survey Committee the State Bank of India was brought into being on 1 July 1955, with a substantial part of its share capital being held by the Reserve Bank. More recently, subsidiaries of the State Bank have been constituted out of various State associated banks in the different parts of the country. In its totality, this structure has undertaken an impressive programme of branch expansion which is still in progress and has far exceeded the statutory target of 400 which had been required to be reached by the end of June 1960 and was fulfilled. An Integration and Development Fund has been constituted within the State Bank from the dividend due to the Reserve Bank on the shares held by it and is available for meeting losses which may accrue to the bank in respect of these new branches. So far as the co-operatives are concerned, there has been a progressive increase in the part which the State Bank has played in the financing of co-operative activity other than credit for agricultural production, without disturbing the discipline of the co-operative credit structure. As envisaged by the Rural Credit Survey Committee, the most important aspect of its financing relates to co-operative marketing and processing institutions, and, of the latter, especially co-operative sugar factories.

Various procedural difficulties have been faced in the process and, to some extent, satisfactorily solved, so that the State Bank of India is enabled to finance the co-operatives without departing from the requirements enjoined on its conduct by canons of sound banking. The financing of marketing societies by the State Bank has taken the form of pledge accommodation as well as clean credit supported by guarantee of the State Government or guarantee of co-operative banks. In addition, several co-operative banks have continued to obtain accommodation from the State Bank of India against Government paper. So far as long-term credit structure is concerned, the support of the State Bank has come in the form of (i) contribution to debentures of central land mortgage banks usually to the tune of 10 per cent of each floatation; (ii) the provision of interim accommodation against Government guarantee and (iii) contribution to marketability of debentures by granting advances against such security. The total limits sanctioned to co-operative institutions by the State Bank as at the end of December 1963 amounted to Rs 44.51 crores as against which the outstandings stood at Rs 10.88 crores, as shown below:

(Rs in lakhs)

Name of Institution	Number of Accounts	Sanctioned Limits	Outstandings
1. Marketing Societies	148	120.43	20.24
2. Processing Societies (other than sugar factories)	4	3.75	2.30
3. Sugar Factories	26	788.85	264.82
4. Co-operative Banks	309	2642.60	512.65
5. Co-operative Central Land Mortgage Banks	15	843.68	272.75
6. Industrial Co-operatives	34	25.14	7.72
7. Other Co-operative Institutions	21	26.09	7.59
Total	557	4450.54	1088.07

IV. Implementation at State level

30. In the following pages, an attempt has been made to present, in brief outline, the progress made in each State towards the implementation of the agreed policies in regard to agricultural credit.

dga/ypk

A S S A M

The Assam State Co-operative Bank was registered in 1948 and began its operations in May 1949 while the Assam Provincial Co-operative Bank had fallen into a moribund condition and awaited liquidation. This bank has a large element of individual membership which has not shown any reduction over the years. Its bye-laws state that individual membership should not exceed 1/3 of the total membership except with the approval of the Government, but the order of Government's approval does not indicate the extent to which the limit might be exceeded. The bank has not tried to remedy this feature, the justification offered by it for such membership being its continuing interest in financing tea gardens and the lack of adequate credit facilities to Assamese entrepreneurs from commercial banks. The administrative council in which the management of the bank vests appoints the Board of Directors on which there are, among others, two representatives of the central banks and one representative of the individuals. The representation to the central banks being only 2 out of a total of 10 members tends to detract from the federal character of the apex bank. The bank has a share capital of Rs 40.20 lakhs which includes State Government contribution of Rs 22.00 lakhs. The apex bank continues to do loaning and deposit business with individuals in areas where the central banks also function. This overlapping jurisdiction of 15 of the branches of the apex bank appears to have an adverse effect on the development of the central bank in those areas. The apex bank has field staff for the inspection of the branches, central banks and societies. The bank is also expected to play an important part in the scheme which was drawn up in May 1963 for the reorganisation of the movement in the areas served by the three central banks at Nowgong, Tejpur and Cachar, as a first step in the task of activating co-operative agricultural credit in the State which has come to a standstill, as a result of mounting overdues. In this connection, the apex bank has posted three of its branch managers as managers of the

of the three central banks.

2. Unlike the apex bank, the central banks present an image of financially weak institutions. As there are 9 banks serving 7 districts, the process of rationalisation will be completed only if the two banks in the Kamrup district are amalgamated and the Dibrugarh bank which serves a sub-division of the Lakhimpur district is amalgamated with the Sibsagar bank in the adjoining Sibsagar district. From the point of view of the financial standards expected of a central financing agency, it is seen that three banks had owned funds of less than Rs 3 lakhs and working capital of less than Rs 20 lakhs; these three institutions had been refused State contribution to share capital, as they were not likely to be retained on a permanent basis.

3. There were 5177 primary agricultural credit societies in the State. Of these, as many as 38 per cent were dormant. A majority of the societies are based on unlimited liability. Of the total number of societies, 229 were large-sized societies and 4948 small-sized societies. The large-sized societies had, on an average, a population of 11354 covered by their areas of operation. The membership per society was 410 and the loans outstanding per society amounted to Rs 28,236. The small-sized societies had, on an average, a population of 911 covered by their areas of operation. The membership per society was 40 and the loan outstanding per society was Rs 2125.

4. There is a restriction that no unlimited liability primary society should have a membership in excess of 100. No provision exists in the Cooperative law for a member to appeal to the Registrar against non-admission to membership. In the context of the large overdues in the State, the programme of revitalisation can be said to have made almost no progress. As against 1200 societies which were to be revitalised during the Third Plan period, only 119 appear to have been taken up for revitalisation during 1961-62. No societies appear to have been so covered in 1962-63. More recently, however, effort is

being concentrated on the scheme for the areas covered by three selected central banks which has been referred to earlier. This scheme involves classification of societies for revitalisation or liquidation on the basis of the recovery performance of members, conversion of part of the overdue loans into medium-term loans and obtaining Government guarantee for the remaining overdue loans. The selected societies are to be assisted with managerial subsidies and financed by the central banks.

5. No feature of the crop loan system appears to be in operation in Assam. Thus, the quantum of loans advanced to individual members is based mainly on the value of land owned by the borrowers or their estimated net income. There is, further, an upper limit of Rs 200 for short-term loans and Rs 500 for medium-term loans; the former is reported to have been raised to Rs 500 from December 1963. As regards medium-term loans, even though the loan limit per member is only Rs 500, mortgage of land is insisted upon. For short-term loans, those who provide mortgage security can borrow upto 20 times their shareholdings. Though there is provision for loans on personal surety, in practice, loans are given usually only to the owners of land. There is no provision in the Assam Co-operative Societies Act for the creation of a charge against land or the interest in land held by cultivators, in favour of co-operatives. The practice of issuing loans in instalments and in kind does not appear to be prevalent.

6. It is understood to have been prescribed by Government that a society may be provided fresh finance if it has repaid 50 per cent of its demand but the banks do not observe this principle in actual practice. As regards stabilisation funds, the State Government would seem to have agreed to a deduction out of the dividend payable to it, being credited to this fund. The amount to the credit of this fund in the apex bank as on 30-6-62 was *fund out of net profits* Rs 2.35 lakhs and that in the funds of the two central banks which have constituted such funds, was only Rs 14,000. A relief and guarantee fund has been constituted by the State Government

which had an amount of Rs 2.50 lakhs to its credit as on 31-3-62.

7. So far as the apex bank is concerned, it is giving large finance to individuals in the form of cash credits, overdrafts and loans. This is particularly true in respect of its financing of individual tea gardens; the volume of such advances by the apex bank has increased, going up from Rs 71.29 lakhs on 31-3-1961, to Rs 149.81 lakhs on 30-6-1963 while advances to central co-operative banks and societies stood virtually frozen.

8. The maximum borrowing power in the case of primary credit societies with limited liability is 15 times the share capital and reserve fund, and that for most of the central banks, 10 times their share capital and reserve fund separately invested. The borrowing power of the apex bank has been increased from 15 to 20 times the paid-up share capital and statutory reserves by amending its bye-laws. Shareholding is linked with borrowing at all levels, the proportion being broadly 5 to 10 per cent in the case of primary societies with limited liability as well as the central banks and 2½% in the case of the apex bank. The central co-operative banks do not seem to have made much effort for improving their deposit resources. Four of them have no branches and the number of branches of the others varies from 1 to 3, the total number of branches being in all 10. Central banks such as those of Nalbari, Tezpur and Nowgong are stated to be not offering competitive rates on savings deposits. Most of the banks do not hold any deposits from quasi-Government institutions but it is not known whether this has resulted from any restrictions imposed by Government or from their own generally unsatisfactory financial position. Some of the banks offer no facilities for opening current accounts and most of them do not undertake collection of bills on behalf of their clients.

9. The Assam Central Co-operative Land Mortgage Bank operates through 14 primary land mortgage banks and land mortgage banking sections in 4 central banks in the State. Its financial position is stated to be precarious and its operations have virtually come to a standstill, with over 90 per cent of the demand for

the last 3 years being unrealised. The bank has not floated any debentures and has been working mainly with the funds found from its share capital and loans provided by the State Government. As much as 30 per cent of the loans outstanding as on 30-9-1963 were for the discharge of prior debts.

10. Supervision in Assam is in the hands of staff appointed by the central co-operative banks and supplemented by the Assistant Co-operative Officers of the Department attached to the banks. The average charge per supervisor was as high as 48 societies in Nalbari, 42 in Nowgong, 36 in Tezpur and 35 in Goalpara.

11. Audit is the responsibility of the Registrar but the staff provided for the purpose is inadequate and has led to accumulation of large arrears in audit. The charge per auditor was as high as 78 societies in Nowgong district, 68 in Cachar and Dibrugarh, 65 in Jorhat sub-division etc. There is no system of concurrent audit in the State. There is a general shortage of departmental staff, though the financial provision exists for employing them. It was reported for example, that, there was a shortage of 140 Assistant Co-operative Officers and the Department was stated to be finding it difficult to recruit incumbents for the posts. Thus, as against the provision of Rs 2.04 lakhs and Rs 4.16 lakhs in the budget of 1961-62 and 1962-63 only Rs 0.52 lakh and Rs 2.07 lakhs respectively was spent. In addition to this Plan provision, the Central Government had also granted special assistance to the State towards staff and this too could not be fully utilised. In the context of heavy overdues, it is important to note that the staff engaged in arbitration appears to be inadequate and this was considered to be leading to inordinate delays. The training of institutional staff has been generally unsatisfactory; thus only 19 out of the 35 field officers in the apex bank and only 29 out of 81 members of the staff in respect of 7 central banks were trained.

12. A major factor in the agricultural credit situation in Assam is the large part played by the injection of a large

amount of Government funds into the co-operative credit structure. The part played by taccavi, in this context, stands in contrast with that envisaged in the Survey Committee Report. This step, taken in the face of a deteriorating overdue position, followed by laxity in the recovery of Government loans, had seriously affected the maintenance of co-operative discipline in this State and has had adverse repercussions on the recovery of co-operative dues.

13. The utilisation of the agencies of co-operative credit and marketing societies for the procurement of paddy appears to have been a measure of some support to the credit societies not so much by way of linking recovery of co-operative credit with the marketing of paddy in this process, as by the special deposit scheme that was made a part of the procurement scheme.

14. By and large, the record of implementation of the agreed programmes for the development of rural credit appears to have been unsatisfactory in Assam, especially from the point of view of (i) the failure of the apex bank to provide leadership on the basis of a positive interest in co-operative agricultural credit (ii) the introduction of rational loan policies (iii) active efforts for prompt recoveries and (iv) the inadequacy of arrangements for stabilisation of agricultural credit.

BIHAR

The Bihar State Co-operative Bank is largely a federal institution with a limited membership of individuals and agricultural and non-agricultural credit societies directly financed by it. On the Board of Management, the majority is of directors representing central co-operative banks. However, in pursuance of a condition of Government guarantee provided in connection with the rehabilitation programme of the co-operative credit structure in the State, the Managing Director is appointed by the Government and also functions as the Financial Adviser to Government. His salary is met by the Government. This practice, which has continued over the years, appears to have tended to take away from the autonomous character of the working of the apex bank. Of the total share capital of the bank which is Rs 46.80 lakhs, the Government contribution was as much as Rs 41 lakhs, because the bank has not attempted to collect share capital from its affiliated institutions in proportion to their borrowings. The bank has not been undertaking any inspection of affiliated central banks.

2. As against 35 central co-operative banks which serve 17 districts of the State at present, it is contemplated, according to the scheme of reorganisation, drawn by the Government in consultation with the Reserve Bank in 1958, that there should be 28 central banks, six of them serving a district each and the remaining institutions serving, in all, 11 districts. The process of amalgamation has not made any progress since 1960-61; the unwillingness of depositors and the apprehensions of those connected with the amalgamating units about their representation in the newly constituted bank are stated to be among the factors holding up the implementation of this programme. It is also understood that some of the amalgamated units have been functioning in practice as

separate wings of the new bank without adequate and effective control from the head office and that hope has been held out to them that their independent status might be restored once the standards of minimum business required are reached.

3. Except for one bank, the central banks are predominantly federal institutions with the individual membership being negligible. The Chairmen of all the banks, except for a few institutions, continue to be Collectors or Sub-Divisional Officers and the Managers are Government employees who are paid for by the Government and work under the administrative control of the Co-operative Department. These features of the management have hampered the emergence of autonomous and responsible management conducted by non-officials. The State Government is understood to have expressed itself in favour of non-official chairmen and steps are being taken towards this end. It is also proposed to place the managers who are employees of the Government under the full control of the boards of management. Of the 35 central banks, 19 have paid-up share capital and reserves of less than Rs 3 lakhs and 29 banks, working capital of less than Rs 20 lakhs. State contribution to share capital has been received by 28 banks which are likely to be retained on a permanent basis.

4. There were 18,394 primary agricultural credit societies in the State. Of these, as many as 29 per cent were dormant. A majority of the societies were based on limited liability. Of the total number of societies, 255 were large-sized societies and 18,139 small-sized societies. The former had, on an average, a population of 8,337 covered by their areas of operation. The membership per society was 298 and the loans outstanding per society amounted to Rs 9,369. The small-sized societies had, on an average, a population of 1,086 covered by their areas of operation. In their case, the membership per society was ^{only} 55 and the loan outstanding per society was Rs 1,587.

No provision has been included in the Bihar Co-operative Societies Act for a person to appeal against non-admission to membership of a society. An important problem faced at the primary level in the State is the overlapping of areas of operations of the agricultural credit societies and sugar cane societies. In view of the need for quickening the pace of progress in the State, a scheme for revitalisation of 10,000 multipurpose and 4,000 cane-growers societies has been drawn up, under which so far 5,501 societies have been taken up for revitalisation. The criteria prescribed, in this connection, for a society to be taken up for revitalisation viz. 60 members, paid-up capital of Rs 400 and working capital of Rs 10,000/15,000 seem to be very low.

5. The main features of the crop loan system are yet to be implemented in the State. It was decided in 1957-58 to permit loans upto Rs 100 to be made without mortgage of land. This limit was raised to Rs 200 in 1959 for all the areas and to Rs 750 in 1960 for the Package Programme area. More recently, in 1963, the latter relaxation was extended to other areas where special measures for intensive production had been initiated, and the limit for the State as a whole was raised to Rs 500, except that, in societies where the recoveries were less than 60% of demand, the earlier limit of Rs 200 was to continue to apply. In all cases, one personal surety was required for loans upto Rs 200 and two were needed for higher amounts. From the available information, it does not appear that the quantum of loan is determined on any rational basis. The Registrar of Co-operative Societies, however, has recently issued instructions emphasising that production plans be prepared to serve as a basis for loan applications and that the cultivators' credit needs should be determined with reference to the crop ^{acreage} ~~loan~~, inputs used and the effect of these on his repaying capacity. These instructions

are not yet implemented and the loan advanced to a member is determined on an ad hoc basis, subject to the ceiling of 10 times his shareholding. Seasonality is not strictly observed in the matter of advancing loans but the due dates for repayment seem to be around the time of harvest. There is no provision in the Co-operative Societies Act for the creation of a charge against the land or interest in the land in favour of a co-operative society, by the borrower. The powers of the Registrar from the point of view of recovery are somewhat limited in that while he can summon and enforce the attendance of the concerned parties, and examine them on oath and also direct attachment of property where there is danger of the property being removed, he has to look to the Collector for the execution of the decrees.

6. The issue of fresh loans to defaulting members is permitted only when at least 80% of the loan has been repaid by the societies. No progress has been made in the State at the apex and central bank levels, in regard to the constitution of Agricultural Credit (Stabilisation) Funds. The State Government have not yet taken any decision regarding the constitution of such funds or the contribution of a part of the dividend on their share capital in the co-operative banks for the purpose. It may also be added that the co-operative banks in the State have not been able to pay any dividend for the last five years. The Relief and Guarantee Fund, however, has been constituted by the State Government and had an amount of Rs 2 lakhs to its credit at the end of 1962-63.

7. The maximum borrowing power of the central co-operative banks and primary societies was 15 times and 10 times respectively of the paid-up share capital and statutory reserves and it has not been considered necessary to revise those limits. While the borrowing limit of the individual member continues to be 10 times the paid-up share capital it has now been decided that

societies might allow a person borrowing not more than Rs 200 to pay only Rs 5 per share in respect of two shares of Rs 10 each in the first instance and the balance in two annual instalments. As already mentioned, the shareholding and borrowings are not linked at the apex bank level. The position had been similar at the central bank level till recently when it was decided to enforce the linking of shareholdings with borrowings, the proportion being 1:25.

8. As regards the building up of deposit resources, the central banks have still to make any significant progress. It was only a few years ago that the provision of banking facilities was taken up in earnest by the central banks in the State in pursuance of the advice of the State Co-operative Bank. Branch expansion has also been very limited, the existing branches being largely the offices of the banks which have been merged to form economic units. The central banks are not recognised for receiving deposits from local bodies and trusts.

9. The Bihar State Co-operative Land Mortgage Bank which commenced business in April 1959 operates through 18 branches. Its loan business has been negligible at only Rs 8.87 lakhs for the two-year period July 1961 - June 1963. More than 90% of these loans were made for redemption of prior debts. As the bank is yet to make a beginning with the floatation of even ordinary debentures, the question has not yet arisen of its undertaking the financing of any special development schemes or the floatation of rural debentures.

10. Supervision of societies is attended to by the staff of the Co-operative Department who are deputed free of cost to central co-operative banks and work under the control of the banks. The charge per supervisor works out to 29 societies on an average. In view of the limited volume of fresh lending by the co-operative institutions in the State and overdue

which have come down from earlier years, supervision has largely involved efforts for recovery of old loans more than any other function.

11. Audit of the co-operative societies is the responsibility of the Registrar and is carried out with the assistance of separate audit staff headed by Chief Auditor. Owing to the inadequacy of audit staff, more than 1/3 of the societies had not been audited for 1960-61 till the end of the following co-operative year.

12. By and large, the integrated scheme of rural credit does not appear to have been actively implemented in Bihar. There is scope for much progress in the liberalisation and the rationalisation of credit policies at different levels, more active association of the non-official co-operators with the credit structure and greater efforts to build the central banks into efficient and viable units which can raise the resources needed by the Movement.

The Orissa State Co-operative Bank which was registered in 1948 has emerged as a largely federal institution of the central co-operative banks. The objective is to eliminate the individual membership but still their representation on the Board of Directors is excessive at 4 out of 18, as compared with 7 representatives of central banks and societies. The number of nominees of the Government at 6 out of 18, also appears large with the result that the representatives of central banks have only a limited voice in the management of the bank. Of the total share capital of Rs 29.70 lakhs, Government contribution amounted to Rs 9 lakhs.

2. The number of central co-operative banks has been brought down, as a result of a scheme of amalgamation, from 23 in 1952-53 to 17 operating over 13 districts, there being 2 banks in each of two districts and 3 banks in one district. The institutions are predominantly federal in character, though all of them have admitted some individuals as members. As regards approach to viability, it is found that 5 central banks had working capital of less than Rs 20 lakhs. All the banks except three were state-partnered as on 30-6-1962, the state contribution being Rs 15.66 lakhs as against their total share capital of Rs 105.32 lakhs. Loan for share capital contribution in respect of one more bank was subsequently sanctioned. Of the remaining two institutions, one could not secure any contribution because of its unsatisfactory financial position.

3. There were 6,546 primary agricultural credit societies in the State. Of these, as many as about 50 per cent were dormant. A majority of the societies were based on unlimited liability. Of the total number of societies, 580 were large-sized societies and 5,966 small-sized societies. The former had, on an average, a population of 6,162 covered by their

areas of operation. The membership per society was 252 and the loans outstanding per society amounted to Rs 31,812. The small-sized societies had, on an average, a population of 1,191 covered by their areas of operation. The membership and the loan outstanding in their case were 49 and Rs 5,038 respectively per society, which indicate how far they are from prospects of viability. In addition, there were 2,197 grain golas; some of these were engaged only in grain transactions while others made loans in cash as well as grains. Though their business was larger per society compared to the small-sized societies, their overdues were also much higher at about 37 per cent of outstandings. The existence of different types of societies at the base has also resulted in considerable overlapping of jurisdictions which is being further complicated by an attempt now in progress to reorganise the credit societies as to make their areas of operation co-terminus with that of gram panchayats. As at the end of 1962-63, the progress of the revitalisation programme showed that 800 societies had been taken up for revitalisation in the first two years of the Plan as compared with the target of 2000 societies for the whole Plan period.

The overwhelming majority of societies in the State continue to be based on unlimited liability.

4. The crop loan system is yet to be brought into vogue in this State. Loans are sanctioned to the extent of the farmer's net income i.e. total income minus expenses or 1/6 of net assets i.e. total assets minus total liabilities, whichever is less. Ceilings on loans per member are, in addition, laid down in the bye-laws of individual societies which are, sometimes, quite low at Rs 300 to Rs 600. The Registrar of Co-operative Societies instructed all societies in January 1960 that the individual maximum borrowing power be raised to

Rs 2,000 but most societies are yet to adopt this suggestion. In the area of operations of Bolangir and Nayagarh central co-operative banks, loans are understood to be issued only on mortgage of land. Others insist on mortgage for loans exceeding a fixed limit which is as low as Rs 50 in one bank and about Rs 500 in others. It is only in the area of Berhampore that mortgages are insisted upon only for short-term loans exceeding Rs 1,000 and for medium-term loans exceeding Rs 500. The Co-operative Societies Act does not provide for the creation of a charge in favour of the society against the borrowers' land.

5. As regards financing of defaulting societies, the practice is to provide fresh funds only to societies which have repaid at least 90 per cent of the demand on conditions that the overdues of the members to the societies should not have exceeded 20 per cent of the demand and that the number of defaulting members should not exceed 20 per cent of the total borrowing members. As regards arrangements for stabilisation, the amounts built up in the funds recommended by the Survey Committee are negligible. The State Co-operative Bank and three of the 17 central co-operative banks have established credit stabilisation funds, the amounts being Rs 1.43 lakhs and Rs 0.10 lakh respectively. The State Government has provided for the excess over 3% dividend on its share capital to be apportioned equally between the Stabilisation Fund and the Relief and Guarantee Fund.

In the matter of mobilisation of internal resources, statutory corporations and gram panchayats are permitted to deposit their funds with co-operative central banks. Government is also reported to be considering proposals for permitting local bodies, charitable trusts etc. to keep their

surplus funds with the central co-operative banks. There are only 12 branches for the 17 central banks representing, presumably, units which had been amalgamated to form the reorganised banks.

6. The Orissa Provincial Land Mortgage Bank operates through 14 primary land mortgage banks. Of the loans made by the bank in 1961-62, 81 per cent was accounted for by productive purposes and the balance for the repayment of prior debts. It has been proposed that land mortgage banks should finance special schemes concerned with banana cultivation, coconut plantation and lift irrigation. Special development debentures are expected to be floated in connection with some of these schemes. The bank has issued four series of rural debentures so far amounting to Rs 18.86 lakhs.

7. Supervision of agricultural credit societies is generally in the hands of central co-operative banks which are being subsidised by Government to appoint additional supervisors and also assistant supervisors to work as secretaries of composite grain golas. Though the charge per supervisor at about 30 societies is not excessive on an average, the quality of supervision leaves much to be desired, largely because many of the supervisors had not received any training. The position regarding audit is also unsatisfactory. The audit of the societies has been delayed. Arrears of audit in regard to agricultural credit societies were 697 at the end of June 1963.

8. The operations of marketing societies are still negligible. No progress has at all been made in regard to linking of credit with marketing. The central banks had been instructed by the Registrar early in 1963 to implement the scheme at least in some selected societies but the results achieved in this regard are not known.

9. Special arrangements for backward classes have been made by Government by a provision for outright grants to the special bad debts reserves in relation to financing the weaker sections. Many grain golas were organised by the State Government to meet the needs of population of this category represented by Adivasis.

10. The State Government have introduced a scheme of direct financial assistance to the cultivators which is likely to have a serious impact on the co-operative credit structure. This relates to the issue of cash advances to cultivators which are repayable in the shape of paddy to the gram panchayats for storage and distribution. The popularity of these interest-free advances is likely to have an adverse effect on the development of co-operative agricultural credit in the State.

11. Though the apex and central co-operative banks appear to be satisfactory from a structural point of view, they have not taken the steps recommended by the Rural Credit Survey Committee and the Mehta Committee for enabling them to build up their resources position. Nor have they helped to get implemented at the primary level those policies which can help to place the disbursement of credit on a rational and progressively liberal basis. The weakness and confusion at the primary level adds to the difficulties in the way of introduction of production oriented credit policies.

The position of the West Bengal Provincial Co-operative Bank, as the key institution for the co-operative credit structure, has been substantially strengthened by the subventions given by the Central and State Governments for rectifying the weakness in its financial position resulting from the blocked assets represented by amounts due to it from societies in East Pakistan. Its membership consists mainly of the central co-operative banks and some industrial societies directly financed by it, and excludes individuals. Out of the total share capital of Rs.77.51 lakhs, as on 30-6-1963, State contribution amounted to Rs.15 lakhs. As regards the bank's management, two unsatisfactory features are that, out of 22 directors, only 15 are elected while the rest are nominated by the Government and that only six out of the 15 elected directors represent the central banks.

2. Rationalisation of central co-operative banks has been a major problem in the reorganisation of the credit structure. Under the agreed scheme, 44 banks in 15 districts existing in 1958 were to be reduced to 19 banks with 12 districts having one bank each, 2 districts two banks each and the remaining one district having three banks. This process has not yet been completed; so far, 33 units have been amalgamated to form 14 banks, and the remaining 11 units in three districts are yet to be organised into 5 banks. Most of the banks have non-official chairmen but there is provision for the Registrar of Co-operative Societies to appoint an additional number of directors to the managing committee not exceeding one-half of the elected directors. From the point of view of viability, it may be noted that, as on 30-6-1962, 10 banks still had owned funds of less than Rs.3 lakhs and 16 banks had working capital of less than Rs.20 lakhs. The limited volume of resources built up in the form of share capital and reserves partly reflects the generally low level of operations of these banks and also the fact that 19 out

of the 25 banks had not been able to secure any contribution to share capital. The entire programme of reorganisation of the central banks and the credit structure generally is being watched by a Review Committee appointed by the State Government in September 1958 for devising ways and means for its early implementation.

3. There were 11816 primary agricultural credit societies in the State. Of these, as many as 52 per cent were dormant. A majority of the societies were based on unlimited liability, but their number is on the decline. Of the total number of societies, 500 were large-sized societies and 11316 small-sized societies. The former had on an average, a population of 9764 covered by their areas of operation. The average membership per society was 286 and the loan outstanding per society amounted to Rs.24,442. The small-sized societies had on an average, a population of 1013 covered by their areas of operation. The membership per society was 42 and the loan outstanding per society was Rs.3,335. As many as 3622 societies were in the process of liquidation. A special programme has been drawn up by the State Government following the Eastern Region States' Conference in 1961 for the liquidation of 6,936 societies and the organisation of 2,000 new societies in their place as also revitalisation of 1,500 existing societies. As at the end of 1962-63, the progress reported was that 8,400 societies had been taken into liquidation, 2,500 had been revitalised and 1,200 societies had been newly organised. The number of unlimited liability societies has been on the decline and there has been a rise in those organised on a limit liability basis.

4. Special crop loan rules were drawn up by the State Co-operative Bank with the concurrence of the State Government in 1950-51, providing for priority to financing of agricultural credit societies by the central banks and to the orientation of credit policy at the primary level to an emphasis on production. Nevertheless, ownership of assets and mortgage of land seem to continue to be important features of the present practice.

For example, all loans above Rs.200 are sanctioned only against the security of mortgages and to the extent of 50 per cent of the estimated value of the lands mortgaged or Rs.2,000 whichever is lower. There is no provision in the Co-operative Societies Act for the creation of a charge against the land or interest in it in favour of the society by the borrower. Though the actual quantum of the loan is reported to be based on the area, crop grown, the value of expected produce and the likely outlay on cultivation, no crop-wise scales of finance have been prepared. Medium-term loans which may be given upto a limit of Rs.5,000 per member, can be availed of only against the mortgage of the land, irrespective of the size of the loan. The crop loan rules state that the farmer should obtain the supply of production requirements needed by him only through his society or the marketing society close to it and some banks insist on the disbursement of 10% of the loans in kind, but the supply of credit in kind or in instalments does not seem to be widely prevalent in actual practice.

5. The Co-operative Societies Act provides for the awards of the Registrar of Co-operative Societies to have the same effect as a final mortgage decree of a civil court in disputes involving property pledged as collateral and also vests in him powers to direct conditional attachment of property covered by the awards. Defaulting societies can be provided with fresh finance only if at least 90 per cent of the loans has been repaid but it is reported that this rule is not strictly observed in all cases. The State Government have set up a Relief and Guarantee Fund in which the balance at present is Rs.1 lakh. Under the crop loan rules, out of the difference between the rate of interest received by the financing bank and the rate charged by the Reserve Bank, one-half per cent is to be taken to a state guarantee fund. There is a similar provision at the central bank level. As for the stabilisation funds in the co-operative banks, Government

have agreed to contribute to them by way of a deduction in the dividend payable to them but the net amount built up in the funds is very small. There is no amount at all in the State Co-operative Bank while the amount available in the three central banks which alone have constituted the fund, is only Rs.14,000. In the context of the heavy overdues arising in part from natural factors, the low level of the balances in the stabilisation funds constitutes a real handicap.

6. The central and apex co-operative banks in the State are not engaged in the financing of individuals except against the security of fixed deposits. Both at the primary and at the central bank levels, the shareholding and borrowings are linked, the former having to be at least 10% of the latter. Such linking would have ordinarily helped to achieve a substantial increase in members' share capital but this has not materialised in view of the very low level of lendings. This factor also explains the slow growth of reserves. As regards the other source of internal resources, namely, deposits, the progress made is negligible. The main reason for this seems to be the inability of the central banks to inspire public confidence in their working which had been impaired when many of them suspended payment to depositors following the Partition of the country. Branch expansion of the co-operative banks, again, has not made much progress; the 14 existing branches of the central banks are really the offices of banks which were recently amalgamated to form viable units.

7. The central land mortgage bank which was registered in 1958 operates through 12 primary land mortgage banks. The bank has received State contribution of Rs.5 lakhs to its share capital and floated ordinary debentures on two occasions. The bulk of its loans are for land improvement and sinking of wells, though loans for discharge of prior debts accounted for about 16 per cent of the total lendings. No rural debentures or special development debentures have so far been

issued by the bank. There are no independent land valuation officers and, as such, this function is being carried out by the Government officials who are managers of these primary banks.

8. Supervision in the State is in the hands of central co-operative banks but the charge per supervisor was found to be heavy, in some of the banks viz. 38 societies per supervisor in Birbhum, 37 in Howrah, 59 in Kalna, 33 in Katwa and 39 in Hooghly, as compared to the accepted norms of 15 large-sized societies or 25 small societies per supervisor.

9. The audit is in the hands of the Registrar of Co-operative Societies. Here again, in certain districts, the charge per auditor is rather heavy. This seems to tell on the quality of audit though the arrears of audit for the whole State do not seem heavy.

10. Marketing has made little progress in this State because of various factors such as the absence of regulated markets, unfavourable trade practices and the speculative jute crop. By and large, the linking of credit with marketing has not been effective. In fact, as on 30-6-1962, as many as 4,280 of the living primary agricultural credit societies had not even become members of the marketing societies.

11. As regards arrangements for credit in backward areas, it is found that in the districts of Purulia and in the case of aboriginal and hill tribes, both short-term and medium-term loans are being provided against two personal sureties without an insistence on the mortgage of land.

12. On the whole, while the record of implementation in the State is not altogether unsatisfactory, progress has yet to be made in various directions such as the introduction of all the features of a rational loan policy, completion of the programme of rationalisation of central co-operative banks, the mobilisation of larger resources in the form of deposits by the apex and central banks, and an active programme for the revitalisation of primary societies.

The Jammu & Kashmir State Cooperative Bank had a chequered career in its formative years and was able to make some headway as the apex institution of the State only in the years following 1953 when the State Government assisted the cooperatives with a subsidy for scaling down their bad debts. It continues to operate as the central financing agency in the Srinagar district and Ladakh and also finances marketing and industrial societies in the areas served by the central cooperative banks. The membership of the bank includes as many as 586 cooperative societies, 3 central cooperative banks and 87 individuals. The bank has received State contribution of share capital to the tune of Rs.8 lakhs out of its total share capital of Rs.15.98 lakhs as at the end of February 1964. The Board of Directors consists of 16 representatives of affiliated societies and banks, one representative of individual shareholders and 3 nominees of the State Government. Of the representatives of the cooperatives, only 3 were from central cooperative banks and hence the management may be said to be largely in the hands of the representatives of the primaries affiliated to the apex bank. The Manager of the bank was not trained.

2. There are 3 central cooperative banks in the State serving the Anantnag and Baramulla districts and the Jammu Province respectively. Though several individuals continue to be members of the central banks and are represented by 3 to 4 directors on the Boards of the Management consisting of 13 to 16 directors, the banks may be said to be working primarily as federations of the primary societies. Despite State participation, State Government has not nominated any representatives on the Boards of the Jammu & Baramulla Central Cooperative Banks. All the office bearers are non-officials. The three central cooperative banks satisfy the standards of owned funds of Rs.3 lakhs and working capital of Rs.20 lakhs.

State contribution to share capital has been provided in all the cases, and amounted to Rs.5 lakhs out of a total share capital of Rs.12.24 lakhs.

3. There were 1116 primary agricultural credit societies in the State. A majority of the societies were based on limited liability. Of the total number of societies, 301 were large-sized societies and 815 small-sized societies. These societies (both large-sized and small-sized) had, on an average, a population of 2688 covered by their areas of operation. In the case of large-sized societies the membership per society was 542 and the loans outstanding per society amounted to Rs.29884. In the case of small-sized societies the membership per society was 101 and the loan outstanding per society was Rs.4989. Though 29% of the primaries were dormant as on 30 June 1962, it is noted that their number as well as total number of societies has come down, suggesting that some of them have been liquidated. Other satisfactory features were that in 1961-62, the proportion of rural population covered was 41.3 per cent and the proportion of borrowing members was 86 per cent, as compared with corresponding national averages of 27% and 50%.

4. The loan policies of the agricultural credit societies are not generally oriented to production and do not take in to account the outlay on the cultivation of crops in the determination of the size of loan. The instructions of the Registrar are, understood to be that the credit limit of a member should be based on his total annual income less cost of foodgrains required for his own consumption. The loans actually advanced are, in fact, determined on the basis of the recommendations of the departmental officers within the ceiling set by the above instructions. Apart from the cash loans, fertiliser loans on credit are also provided to members on the basis of the supplies routed by the State Government through the apex and primary marketing societies. The loans are advanced against personal surety and both owner-

cultivators and tenants are said to be financed by the co-operatives. Seasonality is not observed in the timing of lending as production finance is provided to members almost immediately after the recovery of their earlier loans in November-December which is well in advance of the sowing season of paddy i.e. April to May. The practice is for a co-operative society to be provided fresh finance if it has repaid at least 25% of its earlier loan. Agricultural Credit Stabilization Funds have been created in the apex cooperative bank, the Anantnag Central Cooperative Bank and the Jammu Central Cooperative Bank but the amounts to their credit are meagre, at Rs.23799, Rs.11389 and Rs.3851. According to the Registrar's instructions in force, the banks are required to contribute not less than 12½% of their net profits to the Stabilization Fund. No contribution appears to have been made from the dividend on the share capital held by the Government. The State Government has not constituted any Relief and Guarantee Fund so far.

5. The maximum borrowing power of the central cooperative banks has not been specified as a multiple of owned funds but in absolute amounts. The maximum borrowing power of the apex bank has been fixed at Rs.1.90 crores which is within the limit of 15 times its paid up share capital and reserves specified in its byelaws. There is linking of shareholding to borrowings in the ratio of 1:10 at the primary level, 1:40 in the case of Baramulla Central Cooperative Bank, and 7½% in the Anantnag Central Cooperative Bank. The banks have been, however, instructed to enforce the ratio uniformly at 1:20 and to collect share capital at this rate in 4 instalments; the pace at which the share capital will grow is, therefore, likely to be slow. As for other internal resources, the cooperative banks have made little progress in tapping deposits from the public. In the case of the apex bank, it is considered that its office is not properly located from this point of view. Most of the deposits at the apex bank level are

Government subsidies etc. temporarily placed by central banks and other cooperative institutions in their current accounts with the apex bank. At the central bank level, too, the position is similar; the various suspense items, charges, subsidies, etc. accounting for the bulk of the deposits. The apex bank has only one branch: The Jammu Central Co-operative Bank has 8 branches, while the other 2 central banks have 5 branches each. Under the Third Plan, the cooperative banks are likely to open 15 branches including two to be opened by the apex bank. The Anantnag and Baramulla banks are not providing any banking facilities such as the issue of drafts, collection of bills, etc. It is not known whether the cooperative banks are eligible for the deposit of funds belonging to quasi-Government institutions, but the village panchayats were found to be keeping small amounts with these banks.

6. The central cooperative land mortgage bank registered in 1962 operates through 8 branches which are to be increased to 16 in the year 1964-65. The bank has been functioning mainly with the share capital of Rs.3.57 lakhs, which includes Government contribution of Rs.3 lakhs and has not floated any debentures so far; the total loans made upto the end of February 1964, amounted to only Rs.8 lakhs.

7. Supervision of societies in the State is in the hands of the Cooperative Department and is to be gradually transferred to the central cooperative banks who are to be assisted with the subsidy to enable them to maintain such staff. The audit of cooperative societies is at present entrusted to staff which is also in charge of their supervision and maintenance of accounts. It is proposed to separate the staff for audit and supervision after the staff position of the Cooperative Department is improved. The number of societies in arrears of audit at the end of 1961-62 was 951 as against 1621 societies which were due to be audited during the year.

Though cooperative marketing societies have not developed

to any significant extent, there is linking of credit with marketing in the sense that paddy is delivered to Government by members through the credit societies which make recoveries out of the sale proceeds.

8. The performance of cooperative credit in terms of coverage in this State is on the whole striking when viewed in relation to the fact that most of the development is recent. The progress made appears to be largely due to the position of vantage secured by the credit cooperatives on account of the Government policy regarding procurement of paddy. There is, nevertheless, much leeway yet to be made in improving the technical efficiency in the management of the cooperatives and in the apex and central banks emerging as banking institutions capable of mobilising public deposits.

RAJASTHAN

The Rajasthan State Co-operative Bank, established in 1953, is principally a federal institution of the central co-operative banks except for primary societies most of which are from the Jaisalmer district and are financed by it direct and individual members whose number is restricted by the bye-laws to 16. The Board of Directors includes a majority of representatives of the affiliated central banks and 3 representatives of the State Government including the Registrar. Of its share capital of Rs.122.6 lakhs, a sum of Rs.40 lakhs has been contributed by the Government. The bank has no arrangements for the inspection of the central banks and the societies affiliated to it.

2. As a result of a scheme of rationalisation by the merger of central banks and banking unions in the State and the establishment of new units in certain districts, there are at present 25 central co-operative banks serving one district each, and 3 banking unions which are in the process of being wound up; one more central bank is to be organised shortly in the Jaisalmer district now served by a branch of the apex bank.

3. As regards deofficialisation, the model bye-laws of the central banks provide for the Collector of a district being the Chairman of the bank for the first three or five years, and a non-official Chairman to be elected thereafter. As a result of this process, at present, about 15 banks have non-official Chairmen. The membership of the central banks continues to include individuals, but their number is on the decline.

4. From the point of view of the accepted standards for central financing agencies, it is seen that five out of the 25 central banks had owned funds below Rs.3 lakhs and working capital of less than Rs.20 lakhs while three others could not satisfy the criterion in regard to the working capital alone. Most of the institutions are relatively new, having been registered only since 1956, and hence do not have any large reserves. Upto the end of June 1962, 24 central banks had received State contribution of share capital

aggregating Rs.30.35 lakhs and forming about 16 per cent of their total share capital; the remaining bank was also provided such contribution subsequently.

5. There were 11535 primary agricultural credit societies in the State. Quite a large number of the societies continued to be on unlimited liability. Of the total number of societies, 244 were large-sized societies and 11291 small-sized societies. The former had, on an average, a population of 6791 covered by their areas of operation. The membership per society was 389 and the loans outstanding per society amounted to Rs.31988. The small-sized societies had, on an average, a population 975 covered by their areas of operation. The membership and the loan outstanding per society in their case were 60 and Rs.5100 respectively. In this connection, it may also be mentioned that no provision has been made for an appeal to the Registrar against non-admission. The number of dormant societies has been on the increase and ~~was~~ largely as a result of mounting ^{rose to}overdues, 75,840 in 1961-62, representing nearly 51 per cent of the total. Programmes for the provision of managerial subsidy, have been in operation and had covered during the Third Plan period upto 1963-64, 816 societies taken up for revitalisation and 1647 newly organised societies. As at the end of 1961-62, only 358 small societies had full-time secretaries, 4483 had part-time secretaries and 6,450, which formed the majority, had only honorary secretaries.

6. The trend in the State has been in favour of societies based on limited liability, their proportion to the total increasing from 35 per cent in 1959-60 to 57 per cent in 1961-62.

7. As for loan policies at the primary level, the principles of the crop loan system are yet to be introduced in the State. Thus, loans for short-term and medium-term agricultural purposes are still being fixed on the basis of share-holdings of a member and his assets and subject to overall limits set down by the Registrar. In an unlimited liability society, maximum credit limit to a member for short-term loans (which are not made on

any rational basis) is either 1/3 of his net assets or 1/3 of the average annual value of his crops but not exceeding 8 times his paid-up share capital, whichever was more. In a limited liability society, the maximum individual limit is 8 times the subscribed capital or 1/3 of the value of his anticipated crop, whichever is less. The short-term advance, thus determined, however, is not to exceed his actual requirements for agricultural purposes or the absolute limits fixed by the Registrar at Rs.500 per member in areas where credit is not linked to marketing, Rs.1500 where there was such linking and Rs.3000 in the Package area. Medium-term loan is allowed upto 50 per cent of the value of irrigated land and 33-1/3 per cent of value of dry land (value calculated at 100 times the land revenue), subject to a maximum of Rs.2000. Disbursement of loan in kind or instalments is not in vogue. Surety is the usual security for short-term loans while, for medium-term loans, the security requirements conformed to the recommendation of the Mehta Committee. Provision exists for the creation of a charge against land by the borrower in favour of the society. Loans were being advanced throughout the year and made repayable at the end of 12 months from the date of issue. Instructions were issued by the apex bank in 1962 for introducing seasonality in lending and recovery but how far they have been implemented is not known. The societies were not being provided ^{defaulting} fresh finance in most cases. In some banks, however, the societies were given fresh loans if they had repaid up to 75 per cent (Udaipur and Jhalawar) or 60 per cent (Jaipur, Chittorgarh, Barmer and Churu) and on condition that the new loans were used for financing only non-defaulters and new members.

8. Though in view of the natural conditions in the State, considerable significance attaches to the arrangement for stabilization of agricultural credit, little progress has been made in building up the stabilisation fund at the apex and central bank levels. The State Government has not agreed to a part of the dividend on its shareholding being credited to these funds. Though there is provision in the bye-laws of the central

banks for contribution to such funds from out of the dividend payable to individual members, no bank appears to have given effect to it. As on 30-6-1962, there was no amount to the credit of the stabilization fund at the apex bank at all and only one central co-operative bank had a stabilization fund of Rs.0.05 lakh. Similarly to the Relief and Guarantee Fund, no contribution was made during the first three years of the Third Plan. It is proposed to contribute Rs.3 lakhs during 1964-65.

9. As for the maximum borrowing limits, that for an unlimited liability society amounts to the aggregate maximum limits of individual members minus its owned capital available for lending or 1/3 of their net assets whichever is less. For the limited liability societies, the limit is upto 8 times the paid-up share capital and reserve fund minus bad debts and losses, if any, or twice the liability of members fixed in the bye-laws, whichever is less.

10. Share capital and borrowings are linked both at the central bank and at the apex bank levels, the proportion being 10 per cent at each level. The financing of individuals which had been a prominent feature at the central bank level has been reduced and is now restricted to that against fixed deposits and approved securities.

11. The deposits of the co-operative banks in Rajasthan are poor. Even the apex co-operative bank has deposits of only Rs.15.37 lakhs from the public. The central banks have on an average, deposits of only Rs.11 lakhs. Though the rates of interest offered on deposits are stated to be competitive, there are no special schemes in operation for the purpose of tapping deposits; nor do they offer various banking facilities. Co-operative banks are not recognised for accepting deposits from quasi-Government institutions and local bodies, though panchayat samitis have been advised by Government to keep their funds with co-operative banks. As for branch expansion, there were 50 branches in all, the number ranging from 2 to 12 per bank for 11 banks, while 5 banks had one branch each and 9 had no branches at all.

Fifty branches are to be opened during the Third Plan period, of which 20 were started in the first 2 years.

12. Land mortgage banking in Rajasthan consists of an apex land mortgage bank registered in 1957 and 30 primary banks organised in the majority of the districts of the State. Loans for productive purposes accounted for only 37 per cent of the total loans issued by the bank in 1961-62. As for co-ordination in its working with the Agriculture Department, reference may be made to a scheme prepared by the central land mortgage bank for financing cultivators in the Chambal project area; but the scheme did not take shape owing to various difficulties, particularly in regard to finding the necessary funds. No special development debentures or rural debentures have so far been issued by this land mortgage bank. The State Government has extended assistance to the land mortgage bank by enacting special legislation to facilitate its working, contributing to its share capital, providing for the managerial subsidy, guaranteeing its debentures and the interim accommodation granted to it by the State Bank of India, and by deputing departmental officers to work in the bank. The primary land mortgage banks have been assisted by the provision of 12 departmental inspectors to work as land valuation officers and other inspectors to work as secretaries. The State Government also propose to route taccavi through the land mortgage bank. With the legislation enacted to break-up the old tenancy systems of jagirdari, zamindari and biswedari, various classes of tenants are now in a position to obtain loans from the land mortgage bank. But in certain areas the fact that they are not given the right to sell or gift away the land is standing in the way of their getting finance from the land mortgage banks.

13. Arrangements for supervision are generally unsatisfactory in that this responsibility has not only not been transferred by the Registrar of Co-operative Societies to the Central Co-operative banks but has been passed on by him to the Panchayat Samitis after the institution of democratic decentralisation. This has

resulted in a weakening of the control of the Co-operative Department over the supervisory staff, the relative neglect of the work of supervision and a consequent increase in overdues. It has, however, been recently decided that, wherever a panchayat samiti had more than one inspector, the excess staff should be withdrawn from the samiti and placed at the disposal of the banks. So far, 26 inspectors are reported to have been transferred to the central banks and proposal for a similar transfer of 405 assistant inspectors is said to be under consideration. Subsidies are being provided by Government to central banks to enable them to appoint an executive officer and two inspectors for supervising the duties. Twenty banks have been granted subsidy so far.

14. Audit arrangements are not satisfactory. Owing to the combination of audit and administration at the district level, and the lack of undivided attention to audit, the number of societies remaining unaudited has been on the rise. No arrangement for the concurrent audit of co-operative banks obtains in the State.

15. The linking of credit with marketing has been negligible except for certain selected districts where less than 2 per cent of the loans were alone recovered through the sale of produce. Progress in regard to the construction of godowns by marketing and credit societies has been slow. Central and State Warehousing Corporations, however, had established 3 and 40 godowns upto 31st March 1962.

16. By and large, there appears to have been a fair attempt to implement the framework of recommendations of the integrated scheme of rural credit in Rajasthan except for the important proposal of the Survey Committee for building up stabilisation funds, which appears to have assumed a special significance in this State in the context of rising overdues resulting from natural calamities, and for the introduction of national loan policies.

UTTAR PRADESH

The Uttar Pradesh Co-operative Bank, though being an apex institution, continues to finance societies direct through its branches. Four of these operate as central financing agencies at centres where central co-operative banks also function. As many as 6589 primary societies and 166 individuals were among its members as on 30-6-1962. The Registrar of Co-operative Societies continues to be its ex-officio chairman, but the non-official vice-chairman presides over the Board meetings and the proposal for an elected chairman is intended to be implemented after the new Co-operative Societies Act is passed. The representation of central banks on the board of the apex bank was inadequate. State Government had contributed Rs.30 lakhs out of the bank's total capital of Rs.329.09 lakhs, as on 30-6-1962. The apex bank has no arrangements for inspecting central banks.

2. The number of central banks has been brought down from 65 in 51-52 to 57 to serve 50 districts; as mentioned above, the other four districts are served by the apex bank direct. Six of these central banks are to be merged, according to the accepted scheme of amalgamation. The central banks have a large membership of individuals but operate in effect as federal institutions. Officials continue to be chairmen in the case of several central banks but this is expected to disappear after the new Co-operative Societies Act is passed. Of the 57 banks, 7 institutions have not yet been able to build up owned funds of Rs.3 lakhs and as many as 9 banks have working capital of less than Rs.20 lakhs. 46 central banks have so far been state-partnered and state contribution to these amounted to Rs.171.20 lakhs out of their total capital of Rs.809.92 lakhs.

3. There were 54700 primary agricultural credit societies in the State. Of these, about 13 per cent were

dormant. A majority of the societies were based on limited liability. Of the total number of societies, 730 were large-sized societies and 53970 small-sized societies. The former had, on an average, a population of 19419 covered by their areas of operation. The membership per society was 1193 and the loans outstanding per society amounted to Rs.1,51,457. The small-sized societies had, on an average, a population of 928 covered by their areas of operation. The membership and the loan outstanding per society in their case were 54 and Rs.3786 respectively. Thus the societies operated at a relatively low level of functioning, though they covered almost all the villages. A source of confusion at the primary level is the common membership of cane unions and agricultural credit societies and the consequent dangers of dual financing and over-financing.

4. As for loan policies, the financing of individuals is significant in the case of the Uttar Pradesh Co-operative Bank which has been issuing loans to them under various housing schemes, using its own resources of the order of Rs.44 lakhs for the purpose, in addition to the funds provided by Government. This business is proposed to be given up shortly, after the establishment of a housing corporation.

5. At the primary level, the credit requirements of cultivators are arrived at on the basis of plans prepared by the staff of the Department of Agriculture in collaboration with co-operative staff. On the basis of the statements, limits for each member - separately in kind and in cash - are worked out at the society level, 25% of the loan being expected to be issued in the form of fertilisers. The maximum credit limit of a member is taken as the sum of his net assets and $1/3$ of his non-agricultural income. Subject to this ceiling, the normal credit limit is fixed for a member at 8 times his paid up share capital or

Rs.2,000, whichever is less. Mortgage of land is insisted upon for all short-term loans exceeding Rs 2,000 and medium-term in excess of Rs 500. The Co-operative Societies Act in the State provides for the creation of a charge against the interest in land held by a borrower. ~~but it cannot be treated as equivalent to mortgage.~~ Seasonality in lending and recoveries is absent. The credit needed for kharif and rabi crops is provided at the same time and though two different demands for the two crops are laid down, only those loans which are not repaid by 30 June are treated as overdue.

6. Societies in default are provided fresh finance only if they have repaid atleast 85% of the earlier dues. The State Co-operative Bank and 27 central banks have created agricultural credit stabilisation funds amounting to Rs.3.27 lakhs and Rs.0.79 lakh respectively. The State Government has agreed to contribute one half of the dividend in excess of 3 per cent on their shareholding in co-operative credit institutions to the Stabilisation Fund and the other half to the Relief and Guarantee Fund. A provision of Rs 5 lakhs has also been made under the III Plan for the latter fund which is yet to be set up by State Government.

7. Shareholding is linked to borrowing at all levels, though specific provision for the purpose, in the by-laws, is in some cases absent. The ratio is 1:15 at the apex bank level and 1:8 at the central bank and primary levels. The maximum borrowing power is fixed within 10 times the owned funds in the case of the apex bank, the central banks and the primary societies.

8. The progress made by the co-operative banks in mobilizing deposits has been negligible. Even the State Government appears to have been hesitant to permit local bodies to deposit their funds with central banks, as Government were doubtful of the ability of the banks to repay the deposits when called upon to do so. Nor were the

central banks in a position to offer various banking facilities to the depositing public. Though the branches of the 32 central banks numbered 54 as on 30-6-62, 24 banks had no branches at all. Only the Bijnor bank had 6 branches while the others had 1 to 3 branches.

9. The Uttar Pradesh Co-operative Central Land Mortgage Bank is a relatively young institution, having commenced business only in July 1960. It operates through a net work of 51 branches which will eventually be converted into primary banks. The bulk of the loans advanced by the bank was for productive purposes. The bank had no independent land valuation officers. Interim accommodation is obtained from the State Bank of India on the guarantee of State Government; delay in obtaining it and hence in obtaining accommodation resulted in a paucity of funds and consequent suspension of the disbursement of loans. No rural or special development debentures have been so far issued. Special legislation for co-operative land mortgage banking has been introduced in the legislature.

10. The present position in regard to supervision is far from satisfactory as the central co-operative banks have no control over this staff who belong to the Uttar Pradesh Co-operative Union. A change in these arrangements is now under consideration.

11. This is the only State where audit is outside the purview of the Registrar of Co-operative Societies and is the responsibility of a Chief Auditor working directly under the Finance Department but there is some co-ordination between the two departments. The 986 auditors now in the Department do not appear to be adequate in relation to the magnitude of the job to be done. In 1961-62, societies in arrears of audit were 18,937.

12. Some progress has been made in the State in respect of linking credit with marketing. In 1961-62, loans of

the order of Rs.2.84 crores were recovered by 94 marketing societies on behalf of 11763 agricultural credit societies. Some of the transactions, however, have been suspected to be of the nature of book adjustments.

13. From the point of view of structure as well as operational policies, many aspects of co-operative development in the State call for action which will bring the existing position into line with the agreed policies underlying the integrated scheme. In particular, the banking structure is to be rendered truly federal and co-operative and more capable of raising resources. The position in regard to audit and supervision also needs reform and improvement in existing arrangements.

PUNJAB

50. The Punjab State Co-operative Bank, which had been started in 1949, became the sole apex bank for the reorganised Punjab State, following the amalgamation of the Pepsu Co-operative Bank with it in 1958. Its membership included as many as 2526 societies and 6 individuals, the former being the legacy of the Pepsu apex bank. As for the latter, the policy is not to admit any more individual members. Only 12 directors out of the 21 elected directors on the Board of Management represent the central banks. State contribution of Rs.56.33 lakhs formed 51.8 per cent of its total share capital of Rs.108.69 lakhs as on 30-6-1963.

51. There were 31 central banks serving 20 districts as on 30-6-1962, which may be compared with 74 banks and banking unions in 1955-56. The agreed programme of rationalisation, however, is not yet complete and four more of the existing banks are to be merged, so as to have 27 banks. The membership of the central banks included 28161 societies and 3757 individuals. Three banks had owned funds of less than Rs.3 lakhs and working capital of less than Rs.20 lakhs. 27 out of the 31 banks had received state contribution of share capital of Rs.67.36 lakhs. There was provision for the State Government to be represented on the board of directors of central co-operative banks.

52. There were 19019 primary agricultural credit societies in the State. Of these, only 8 per cent were dormant. A majority of the societies continue to be based on unlimited liability. Of the total number of societies, 25 were large-sized societies and 18994 small-sized societies. These societies (both large-sized and small-sized), had on an average a population of 852 covered by their area of operation. In the case of large sized societies, the membership per society was 360 and the loans outstanding per society amounted to Rs.50,920. In the case of small-sized societies, the membership per society was only 75 and the loan outstanding per society was Rs.10,060. The working of the primaries in the

State appeared to compare favourably with the All-India position in some respects; the average deposit per society was Rs. 2,705 for Punjab and Rs 821 for all-india; and deposits per member, Rs 36.1 and Rs 9; share capital per member Rs 38.5 and 35.1; loans advanced per borrowing member Rs 254 and Rs 231; the proportion of A and B class societies 29 per cent and 13 per cent; respectively. Of the 1500 societies to be revitalised and 1000 new societies for which provision is made in the III Plan, 600 were revitalised and 300 organised newly in 1961-62 while during 1962-63, 100 more were to be revitalised and 400 newly organised.

4. The loan policies of apex and central banks reflected priority for agricultural credit societies and the financing of individuals occurred only to a negligible extent. At the primary level, the crop loan system had not yet been introduced, the multiple of land revenue continuing to be the basis for fixing the credit limit of an individual member. For a land-owner, it is 30 times the land revenue plus one quarter of miscellaneous income, and for a tenant 15 times the land revenue plus one quarter of miscellaneous income. In 5 societies out of every inspector's circle, by way of an experiment, the maximum credit limit is being taken at 1/3 of the gross total income, subject to an overall ceiling of Rs 1,000. A more liberal basis for fixing credit limits has been adopted in 3 selected districts where the multiple of land revenue is raised from 30 to 36, the ceiling is raised from Rs. 1000 to Rs. 1200 and the increased credit is provided for the purchase of fertilisers. In the Package district of Ludhiana, the maximum limit is fixed at 1/3 of the borrowers' gross income from agricultural as well as other sources, subject, however to the ceiling of Rs 2,000. Short-term loans are ordinarily issued against two personal sureties. Mortgage security is, however, required in the special cases when the loans exceed Rs 1,000; such loans would require approval of the officers of Co-operative Department. In the case of medium term credit, the loans upto Rs 500 are on surety,

from Rs 500-1000 are on the declaration of a charge on land (for which Cooperative Societies Act provides) and Rs 1000 and more, on mortgage of land. The practice of issuing loans in kind and in instalments is yet to be seriously tried.

Seasonality in the issue and repayment of loans is generally absent but an experiment in this direction is in progress in the three districts where the basis for fixing credit limits has been liberalised.

5. On the financing of defaulting societies, the practice is to provide them fresh loans if they have repaid at least 66% of the earlier dues, only on the recommendation of the Assistant Registrar and subject to the conditions that 1) the financial position of the society is satisfactory; 2) the fresh loan is for financing non-defaulter and newly admitted members and 3) the society has started coercive action against the members.

6. The by-laws of the apex and central banks in the State provide for contribution to their stabilisation funds from out of net profits, the amounts in the funds at the two levels on 30-6-62 were Rs 1.15 lakhs and Rs 1.46 lakhs (for the 24 banks which had created such a fund). The State Government, however, does not appear to have agreed to a part of the dividend on their holding of share capital in co-operative credit institutions to be credited to this fund. The State Government have created a relief and guarantee fund, the amount to the credit of which, as on 31-3-1962, was Rs 2.50 lakhs; a provision of Rs 2 lakhs has also been made under the Third Five Year Plan.

7. Deposits at the apex as well as central co-operative bank levels showed a decline in 1962-63, which has been attributed in part to withdrawal of deposits both by societies and individuals for contribution to the National Defence Fund and National Defence Certificates. The rates offered by the apex bank and by some central banks are stated not to compare favourably with those offered by commercial banks, and the former have been recently revised to make them competitive. The central banks in the State have, in all, 104 branches but

these are not evenly spread. Three banks have no branches at all and seven others, one branch each while 4 banks account for 40 branches by themselves. Many of them have yet to make a beginning with the provision of various banking facilities.

8. The Punjab State Co-operative Land Mortgage Bank, set up in 1958, used to operate through the agency of the central co-operative banks till 1962 when 14 primary land mortgage banks were set up. Special legislation was passed in 1957, so as to facilitate their functioning. The State Government provided a subsidy for the employment of a divisional land valuation officer and 5 land valuation officers by the central land mortgage bank and 29 officers in the primary banks. Further, the Government has assisted the banks by guaranteeing the debentures floated, as also the interim accommodation obtained from the State Bank and by contributing Rs 25 lakhs to its share capital. The two series of rural debentures floated by the bank elicited poor response. Though the loans made for productive purposes, especially purchase of tractors, are on the increase, the proportion of loans made for repayment of prior debt and redemption of mortgages constituted about 41 per cent of the total loans issued during 1962-63.

9. The machinery for supervision continues to be with the Co-operative Department, though there is a proposal to transfer the staff to the central banks and to subsidise the latter for maintaining such staff. The charge per supervisor is said to range from 25 to 40 societies on an average and it is considered that the average will be brought down to 25 by the end of the Third Five Year Plan.

10. The audit staff (who are under the Registrar of Cooperative Societies) appears inadequate in certain areas as, for example, those served by the central banks of Nawanshahr, Bhiwani, Ambala and Kapurthala where the average number of societies per auditor is 51, 62, 59 and 48 respectively. In the result, audit has remained in large arrears, the societies audited in 1961-62 being

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only 30278, as compared with 34000 which were due for audit.

11. On the question of routing taccavi through co-operatives, the State Government came to the conclusion in March 1964 that the time was not yet ripe for switch-over to the routing of taccavi through co-operatives and deferred consideration of the scheme by one year.

12. Little progress has been made in linking credit with marketing. In July 1963, a programme was launched under which two marketing societies and 20 service co-operatives were to be selected for the purpose by each Assistant Registrar in his circle and the linking was to be enforced in respect of 20 selected growers from each credit society. The results of this experiment are not known.

13. Though the institutional structure is in broad conformity with accepted policies and the position at the primary level is relatively satisfactory, much has yet to be done for giving effect to agreed policies in respect of ^{crop} loan policies at the primary level, the mobilisation of deposits by central banks and improved arrangements for more efficient supervision and the marketing of produce through co-operatives.

K E R A L A

The Kerala State Co-operative Bank which was formed in November 1956 following the reorganisation of the State is a fully federal institution with only the central banks and State Government as members. Of the 14 members on the Board of Directors, nine represent the central banks, four the State Government and one the central land mortgage bank. Of the total share capital of Rs.55.58 lakhs, the state contribution was Rs.23 lakhs. The bank has inspection staff of its own but is understood to have taken up no inspections since 1961.

2. There were only 7 central banks serving the 9 districts of the State as on 30-6-1962, but one central bank has since then been trifurcated, so that now each district is served by a separate central bank. In pursuance of the practice that the first board of directors of a central bank is to be nominated by the Registrar of Co-operative Societies, the boards of three banks are at present nominated while those of the others are elected. Individual members in the central banks were limited in number and usually had two representatives on the board. Central banks more than satisfied the criteria regarding owned funds and working capital the former ranging between Rs.6.05 lakhs and Rs.51.42 lakhs and the latter between Rs.45.78 lakhs and Rs.329.63 lakhs. All the banks were State-partnered, with share contribution being Rs.26.50 lakhs or 26% of their total share capital.

3. There were 2397 primary agricultural credit societies in the State. Of these, as many as 20 per cent were dormant. A majority of the societies were based on limited liability. Of the total number of societies, 148 were large-sized societies and 2249 small-sized societies. These societies (both large-sized ^{and} small-sized) had, on an average, a population of 5966 covered by their areas of operation. In the case of large-sized societies the membership per society was 1000 and the loans outstanding per society amounted to Rs.1,03,568, which included loans relating to societies under Director of

Harijan Welfare. In the case of small-sized societies the membership per society was 373 and the loan outstanding per society was Rs.24,644. The borrowing members formed only 45% of the total and the average loan per borrowing member was only Rs.149 far less than the national average of Rs.231. The number of dormant societies had declined in 60/61 but again increased in 1961-62, presumably because of overlapping jurisdiction and dual financing of members; this has become possible because of the present practice (permitted by the co-operative law of the State) of allowing the same individual to become a member of more than one credit society.

4. As for loan policies, it appears that the crop loan system is yet to be introduced in the State as a whole, except for the area served by the Ernakulam Central Co-operative Bank where crop-wise scales of finance are understood to have been fixed. The maximum amount of loan which may be issued to a member of a society is fixed at Rs.2,000 or 8 times the paid-up share capital whichever is less. Ordinary mortgage of land is obtained as security for loans exceeding Rs.200 and in some districts, even for Rs.100 and above. There is no requirement that the sureties should be land-owners. Though the general practice is to insist on mortgage security for all medium-term loans, irrespective of size, a slight relaxation has recently been introduced in Alleppy and Ernakulam central banks where personal surety is accepted for such loans upto Rs.100 and Rs.500 respectively. As for seasonality, loans are disbursed all through the year and are repayable in 12 months, except for loans for paddy cultivation which are given before the sowing season and run for 6 months.

5. The practice is for defaulting societies to be provided with fresh finance if they have repaid at least 75 per cent of their dues in the case of limited liability societies and 66 2/3% in the case of unlimited liability societies. As for the stabilisation funds, the State Government have agreed to the excess of dividend on their share capital in co-operative

credit institutions over 3 per cent to be appropriated in equal part to the Relief and Guarantee Fund of the State Government and the stabilisation funds in co-operative banks. The stabilisation funds are negligible in the three central banks which have constituted them; the other four banks are yet to set up this fund. No allocation was made to the Relief and Guarantee Fund during 1961-62 and 1962-63 but contributions of Rs.1.00 lakh and 0.50 lakh are expected to be made in the following two years.

6. In the matter of building up internal resources in the form of deposits, there has been some progress at the apex and central banks levels. The rates offered on deposits were generally competitive. The banks have been approved for acceptance of security deposits of contractors, government servants etc. No central bank had branches as on 30-6-1962 except for the Malabar Central Co-operative Bank whose branches have been converted subsequently into independent central banks.

7. The structure for long-term credit consists of the Kerala Co-operative Central Land Mortgage Bank and 10 primary land mortgage banks. This apex institution, on its establishment in 1956, took over the business of the Travancore Credit Bank, a non-co-operative institution which had been earlier engaged in this business in the erstwhile Travancore State, and the Cochin Central Land Mortgage Bank operating in the erstwhile Cochin State became a primary affiliated to it. The bulk of the loans, representing 67.5 per cent of the total in 1962-63 continued to be advanced for repayment of prior debts. A beginning was made with the floatation of rural debentures but it was not successful in that the issue for Rs.12 lakhs had to be closed with collections of only Rs.7.10 lakhs including the contribution from the Reserve Bank. A significant development in the bank's operations relates to a scheme for providing long-term loans to small cultivators for bringing under rubber cultivation about 1 lakh acres.

during the III plan under the scheme. The State Government agreed to guarantee the difference between 50% of the present value of the land to be mortgaged and 50% of the prospective value after development, so as to enable the bank to relate the size of its loan to the latter. The loans are made for a total period of 16 years, with repayments commencing only after 8 years when the plantation would start normal yield. The funds required are raised by special development debentures for 8 years to be taken up by the Reserve Bank to the extent of 75% and by the State Government upto 25%. So far, such debentures of the value of Rs.5.41 lakhs have been floated.

Ordinary debentures are to be floated for public subscription at the end of the 8 year period, for replacing these special debentures. Government assistance to the bank has been in the form of contribution to its share capital and the deputation of a departmental officer for concurrent audit, and of a Deputy Registrar to work as its Assistant Secretary.

8. Supervision is the responsibility of central co-operative banks which have special staff for the purpose. According to a review of the position in 1959, the number of societies in the charge of a supervisor appeared to be larger than the norm envisaged viz. 25 small-sized societies or 15 large-sized societies. The State Government's view, in this connection, was that the charge would not seem excessive if dormant societies were excluded from account and that steps would be taken for strengthening the staff once the banks were capable of maintaining them, and that Government would undertake to subsidise the banks for this purpose at the appropriate time.

9. Audit arrangements appear to be inadequate as audit staff are also entrusted with other functions. The number of societies which remained unaudited at the end of 1961-62 was 3442 as compared with 7070 due for audit that year. Concurrent audit is in vogue in the central banks.

10. By and large, credit is not linked with marketing except for the operation in the area of the Alleppy and Ernakulam

districts, of the Kettuthengu system, under which the credit society secures the usufructuary rights over a certain number of cocoanut trees belonging to the borrower, gets the nets plucked and sold on its own account and adjusts the sale proceeds against repayment of loans every 45 days. With the introduction of the Package Programme, members of credit societies under the scheme in the Palghat district are being asked to surrender to the marketing society paddy equivalent in value at least to the loans outstanding.

11. Though, from the point of view of the structure of institutions at the apex and district levels, there is conformity to the agreed policies, much progress remains to be made with the implementation of various measures suggested in the direction of rational loan policies and the mobilisation of larger deposit resources by co-operative credit institutions.

MYSORE

Following the liquidation of all the central banks in the State in the thirties, the Mysore Apex Co-operative Bank had been functioning as the sole financing agency for primary societies in the State through branches, till central co-operative banks came to be re-established from 1951 onwards. In line with this development, the composition of membership of the bank has also changed and, with the number of society members declining from 2151 in 1953 to 35 in 1964 and the membership of individuals of 197 disappearing totally, the bank has now emerged as a federal institution. On the Board of Management, there are 19 representatives of central banks, 6 nominees of the State Government and the President of the Central Land Mortgage Bank. Action is being pursued by the bank to get the number of State nominees reduced to the commonly accepted strength of 3. Of the share capital of Rs. 156.16 lakhs as on 31 January 1964, the contribution of the State Government was Rs. 71 lakhs.

2. Each of the 19 districts has a central co-operative bank which satisfies the minimum requirements of owned funds and working capital. The central banks are predominantly federal institutions and give priority to the credit requirements of societies, the only notable exception being the Coorg Central Co-operative Bank in the case of which the proportion of loans to individuals to total loans outstanding was as high as 15 per cent. Each central bank had an elected chairman. All the institutions had received State contribution to share capital which together amounted to Rs.94.66 lakhs out of a total share capital of Rs.362.50 lakhs.

3. There were 9361 primary agricultural credit societies in the State. Of these, as many as 20 per cent were dormant. A majority of the societies were based on limited liability. Of the total number of societies, 724 were large-sized societies

and 8637 small-sized societies. These societies (both large-sized and small-sized) had, on an average a population of 1955 covered by their areas of operations. In the case of large-sized societies, the membership per society was 519 and the loans outstanding per society amounted to Rs.67,566. In the case of the small-sized societies, the membership per society was 114 and the loan outstanding per society was Rs.15,569. Even the new co-operative societies Act of Mysore of 1959 does not provide for any appeal to the Registrar against non-admission to membership. It was proposed to revitalise 2,000 societies and organise 2,000 new societies during the Third Plan period. Of these, the achievement in the first two years of the Plan is understood to be only 1,288 societies. From the point of view of the machinery for supply of credit at the base, it is relevant to note that production loans continued to be made by marketing societies in Coorg dealing with cardomom and oranges.

4. Though credit is still based on assets, crop finance is being increasingly oriented towards production requirements. The scales of finance per acre according to cost of cultivation of different crops are fixed by the apex bank in consultation with the central financing agencies. The loan amount for each individual is, however, not expected to exceed Rs.2,000 except with the Registrar's permission. In the area of central co-operative banks of Belgaum, Coorg, North Kanara, Dharwar, Gulbarga, and Raichur, loans are made against the charge created by the borrower on his land, for which there is provision in the Co-operative Societies Act. In some societies, there is insistence on mortgage of land for all loans. Short-term loans of Rs.200 - 500 are issued on a surety basis in the area of 10 central banks. Mortgage of land is insisted upon as security for medium-term loans in all banks except for two which make

such loans up to Rs. 500 on surety basis. Nine out of 19 central banks are stated to be issuing loans in kind in the form of manures and fertilisers to the extent of 10 to 40 per cent of total loans. The instructions of Government are that the crop loan should be disbursed in two to three instalments depending upon the size of the loan but the extent to which these are implemented is not known.

5. Financing of defaulting societies used to be permitted only in cases where 90 per cent of the earlier dues had been repaid. As it had led to progressive reduction in the number of borrowing members and created a disincentive to repay even on the part of loyal members, the percentage of recoveries required for fresh financing was reduced in 1963-64 to 65. As natural calamities have been a major factor in accounting for heavy overdues in parts of the State, progress in the constitution of the agricultural credit stabilisation funds at the various levels is of special significance. The State Government have not yet taken a decision as to whether a part of the dividend on its shares in the co-operative credit institutions should be credited to the stabilisation funds. The bylaws of the apex bank provide for contribution to the fund from out of net profits; the amount thus accumulated in the fund so far is Rs. 5.94 lakhs. Of the 19 central co-operative banks, six have constituted the funds, the balance to the credit of which was, in all, only Rs. 40,000 as on 30.6.1962.

6. The maximum borrowing power of a member of a primary society is usually 10 times his shareholding and that of the primary society varies between 8 to 10 times the owned funds in the case of limited liability societies and $1/6$ of the net assets in unlimited liability societies. The maximum borrowing power of central co-operative banks is fixed at 12 times the owned funds and that of the apex bank at 15 times the owned funds. Shareholding and borrowing are linked at all the levels, the ratio being 1:20 at the apex bank level and 1:10 at the central bank

and primary levels.

7. The deposits position of the banks in the State is very poor. In the case of the apex bank the deposits of individuals showed a fall during 1962-63. The central banks' deposits, though on the rise, are still unsatisfactory, five or six institutions accounting for a large proportion of the total.

As regards investment of the funds of quasi-Government institutions in co-operative banks, Government have permitted municipalities to invest their surplus funds with these banks, provided the banks concerned deposited a sufficient amount of security with the Controller of the State Accounts Department. A stipulation of this kind indicating, as it does, the lack of confidence of the Government in the ability of the co-operative banks to meet their liabilities on demand is not likely to inspire the confidence of the depositing public in the co-operative banks.

Much progress has not been made in the matter of branch expansion by the central banks in the State except for the institutions in the districts of the erstwhile Bombay State.

8. The Mysore Central Co-operative Land Mortgage Bank operates through primary land mortgage banks, which are 138 in number. The bulk of their loans are for the discharge of prior debts, the loans for land improvement purposes forming only 13 per cent of the total in 1962-63. It is stated that the grant of taccavi loans by Government at a lower rate of interest for similar productive purposes e.g. sinking of wells, purchase of oil engines etc. has adversely affected the progress of the co-operative land mortgage banks. It was agreed as early as December 1960 to draw up schemes for financing cultivators in the areas served by Tunga and Bhadra irrigation projects, and for financing areca gardens and to float special development debentures in this connection, but not much progress has been yet made in its implementation. The bank has floated rural debentures on two occasions for a total sum of Rs.20 lakhs, as

against which the actual contributions amounted to Rs.3.91 lakhs including a sum of Rs.2.01 lakhs from the Reserve Bank. The failure of the experiment is stated to have resulted from inadequate preparation and propaganda, the paucity of savings with the rural public and the limited time for which they were kept on tap. Though State Government guarantees the debentures floated by the bank, considerable delay is caused by the fact that it is not a continuing guarantee and the Government has to be approached separately every time that a debenture issue is floated.

9. Supervision of societies is the responsibility of the central co-operative banks. In 10 out of 19 banks, the strength of the supervisors was found to be inadequate in relation to the number of societies. The majority of the supervisors were untrained, particularly in banks such as those in Bidar, Raichur, Gulbarga, Kolar, Karnataka and Kanara. Further, it is stated that the supervisors attend to the scrutiny of loan applications and collection of dues but do not undertake any periodical inspection of societies.

10. Audit staff was also found to be inadequate, and appears to have affected the quality of audit, though most of the societies due for audit were audited during 1961-62. In the area served by Gulbarga, Kanara and Bellary central co-operative banks, the number of societies per auditor was found to be as high as 76, 60 and 61 in 1962-63.

11. No progress was made towards linking of credit with marketing except in the Mandya District where, under the package scheme, a specific programme had been drawn up for the purpose and recoveries to the tune of Rs.6.64 lakhs forming about 8.3 per cent of the total advances of the agricultural credit societies for short-term purposes were made from the proceeds of the members' produce sold through the marketing societies or from

the loans sanctioned to them on the pledge of such produce.

12. While the institutional structure at apex and central bank levels in the State appears to have been built up on the lines of accepted policy, implementation was not satisfactory in several other aspects of the integrated scheme such as removal of rigidities in loan policies at the primary and central bank levels, development of long-term credit, building up of larger resources by way of deposits, the accumulation of the stabilisation funds at the pace required and adequate arrangements for supervision.

ANDHRA PRADESH

The Andhra Pradesh State Co-operative Bank was formed in July 1963, by the amalgamation of the two apex banks previously serving the Telangana Region and the rest of Andhra Pradesh, marking an important step in the integration of the policies and practices in the two regions. The membership of the bank is restricted to central co-operative banks, the individuals and society members of the Hyderabad Apex Co-operative Bank being continued as nominal members. The bank has received State contribution of Rs 68.00 lakhs, to its total share capital of Rs 217 lakhs. The management of the apex bank is predominantly in the hands of the central bank representatives. The bank has inspection machinery of its own.

2. There is one central bank per district, except for the districts of Nalgonda, East Godavari and Krishna; in all, for the 20 districts, there are 25 banks, as compared with 45 banks in 1955-56, the reduction being accounted for by the merger of several weak banks in the Telangana area. All the existing central banks satisfy the criteria of a minimum owned funds of Rs 3 lakhs and working capital of Rs 20 lakhs. The Telangana banks which had officials as Chairmen in the earlier years have elected Chairmen since their reorganisation. Of the 25 central banks, 24 have received State contribution of share capital aggregating Rs 145 lakhs out of their total paid-up capital of Rs 459.49 lakhs; the exception which has not received State participation is the Cuddapah Central Co-operative Bank whose financial position has been rendered unsatisfactory by chronic overdues and mismanagement.

3. There were 14,582 primary agricultural credit societies in the State. Of these, as many as 14 per cent were dormant. A majority of the societies were based on unlimited liability.

Of the total number of societies, 587 were large-sized societies and 13,995 small-sized societies. These societies (both large-sized and small-sized) had, on an average, a population of 2037 covered by their areas of operation. In the case of large-sized societies the membership per society was 704 and the loans outstanding per society amounted to Rs 1,57,152. In the case of small-sized societies the membership per society was 83 and the loan outstanding per society was Rs 10,640. There is a provision in the Co-operative Societies Act for appeal against non-admission to membership. As against the target of 4,000 societies to be revitalised during the Third Plan, 1485 societies were taken up for revitalisation in 1961-62 and 1962-63.

4. As regards the loan policies at the central and apex bank levels, priority is accorded to agricultural credit and the financing of individuals, which is limited in volume, is restricted to lending on the security of fixed deposits, government securities, etc. At the primary level, it would not be wrong to say that, by and large, the principles of the crop loan system are yet to be implemented in the State. Disbursement of loans in kind and in instalments is not in vogue. The practice of fixing credit limits of members in the Telangana area on the basis of the land revenue paid by them is in the process of gradual disappearance. The maximum credit limits are generally low, varying between Rs 500 and Rs 3,000 in small-sized societies, Rs 500 and Rs 4,000 in large-sized societies, Rs 500 - Rs 5,000 in rural banks and Rs 50 - Rs 100 in Harijan societies. All loans exceeding Rs 500 per member require a mortgage of land, the limit being Rs 750 in the package areas. Provision exists in the Co-operative Societies Act for the creation of a charge against the land of members. Landless

tenants are generally refused loans but it has recently been decided that they might be advanced loans if certified as cultivators by an agricultural extension officer or a panchayatdar of the society. Seasonality is not observed in the timing of lendings or recoveries.

5. Though generally cautious in making fresh advances to defaulter societies, the central co-operative banks in Andhra area make such advances, if the society has repaid at least 75 per cent of its dues and its members have repaid $66\frac{2}{3}$ per cent of their dues, for financing new and non-defaulting members. In the Telangana region, a defaulter society should not have overdues exceeding 50 per cent of the demand from the preceding year and its defaulting members should not exceed 25 per cent of its indebted members during the preceding year. It should also have started coercive action against all its defaulter members before it could become eligible for fresh finance from the central banks to finance new and non-defaulting members. The apex and central co-operative banks in the State have constituted agricultural credit stabilisation funds by allocating a part of their annual profits as also a part of the dividend on Government contributed share capital to them. The amounts to the credit of the funds are Rs 5.30 lakhs at the apex bank level and Rs 8.30 lakhs in all for the central banks which have set up such funds.

6. Linking of share holding to borrowing obtains at all levels, the proportion being 1:20 at the apex bank level, and between 1:20 and 1:10 at the central bank level and 1:10 at the primary level. As regards the mobilisation of internal resources in the form of deposits, the co-operative banks have yet to make much progress. Though they offer various banking facilities and competitive rates of interest on

deposits in most cases, branch expansion has not taken place to any significant extent. Seven of the banks do not have a single branch; the other 18 banks have in all 52 branches. It is understood that the State Government is trying to persuade local bodies, State and other industrial organizations to keep their funds in deposit with co-operative banks.

7. The Andhra Co-operative Central Land Mortgage Bank operates through primary banks which are usually one or two per district in the Telangana area and one per taluka in the rest of the State. A special section in the Andhra Co-operative Societies Act contains the various provisions intended to facilitate the working of the land mortgage banks, by cutting short procedural delays. Of the total loans of Rs 322.54 lakhs advanced in 1962-63, Rs 300.94 lakhs were for land development purposes. Two series of special development debentures have been so far issued by the central land mortgage bank in connection with the development financing under the Musi, K.C. Canal and Kaddam projects; the total amount of the series is Rs 258 lakhs, of which Rs 13.50 lakhs was taken up by the Reserve Bank and after the establishment of the Agricultural Refinance Corporation, Rs 216 lakhs by the Corporation, the balance being taken by the State Government. In this connection, the State Government has extended a guarantee to the central land mortgage bank to the extent of the difference between the value of land before the improvement is effected and that after it has taken place, on the terms recommended by the Survey Committee. Another scheme in which the bank has taken active interest is that of rural debentures. So far, the bank has floated 8 series of rural debentures for Rs 166 lakhs ^{and} the collections amounted to Rs 123.17 lakhs of which Rs 61.79 lakhs represented the Reserve Bank contribution. Apart from guaranteeing debentures and the

interim accommodation from the State Bank of India, the State Government is helping the long-term credit structure by providing staff, partly subsidised, for the inspection of the primary banks and valuation of lands.

8. The supervision of agricultural credit societies is at present the sole responsibility of the central banks, even in the Telangana area where it used to be in the charge of departmental staff. Thanks to the assistance given to central banks for the purpose, their supervisory staff appears to be adequate with reference to accepted standards of workload. Audit staff is also generally adequate and there are no large arrears of audit.

9. There has been little progress in the linking of credit with marketing; the main activities of the marketing societies have consisted of the issue of produce pledge loans, distribution of agricultural requisites and other goods and, in some cases, outright purchase of agricultural produce.

10. The routing of short-term taccavi through co-operatives has been introduced as an experimental measure in some taluks.

11. The State Government provides special facilities and concessions to societies formed for scheduled classes and tribal people in the form of exemption of audit fees, registration charges, grants for employment of part-time staff, guarantee of central bank advances, etc. A special organisation viz. the Andhra Scheduled Tribes Co-operative Finance and Development Corporation has been established for helping tribal co-operatives in the matter of credit, supplies and marketing of hill produce.

12. By and large, the institutional structure in Andhra Pradesh corresponds closely to that envisaged under accepted policies, though the central banks in the Telangana area are

way behind those in the Andhra Region in terms of financial strength and organisational efficiency. In the matter of working policies (e.g. in regard to crop loan system as well as mobilisation of deposits) and the level of financial operations however much has yet to be done by way of implementation and improvement in all parts of the State though here again the Telangana Region is relatively less attuned to new policies. In the sphere of long-term credit land mortgage banking has played a progressive and pioneering role in the Andhra Region though the magnitude of the lending effort has yet to reach sizeable proportions in relation to its potentialities. Finally, co-operative marketing in most cases has yet to extend beyond the mere making of produce loans.

The Madras State Co-operative Bank, which has functioned as an apex co-operative bank of the State since 1917 has practically been a federation of central banks, except for individual shareholders whose number is at present 121. The bank has received contribution of Rs. 101 lakhs from the State Government to its share capital which amounted to Rs.276 lakhs, as at the end of June 1963. On the Board of Management of the bank consisting of 20 members, 15 were representatives of the 15 central co-operative banks, two were of individuals, and three the nominees of State Government. The bank undertakes an annual inspection of the affiliated central banks.

2. There are 15 central co-operative banks serving 13 districts, with the two districts of Tanjore and Tiruchirapalli having two banks each. All these institutions satisfied the minimum standards of owned funds of Rs. 3 lakhs and working capital of Rs. 20 lakhs. Their membership comprised 14977 primary societies and 1809 individuals as on 30-6-1962. All the banks were State-partnered, with State contribution accounting for Rs. 127 lakhs out of the total share capital of Rs.488 lakhs.

3. There were 11,103 primary agricultural credit societies in the State. Of these, as many as 11 per cent were dormant. A majority of the societies were based on unlimited liability. Of the total number of societies, 502 were large-sized societies (inclusive of 22 rural banks) and 10,601 small-sized societies (The rural banks are a special type of primaries which are engaged in making medium-term loans on landed security and short-term loans against jewels). The large ^{-sized} societies had, on an average, a population of 10,020 covered by their areas of operation. The membership per society was 1,116 and the loans outstanding per society amounted to Rs 2,13,052. The small-sized societies had, on an average, a population of 1,235 covered by their areas of operation. In their case the

membership per society was 221 and the loan outstanding per society was Rs. 19,489. The loan advanced per borrowing member for all societies taken together amounted to Rs. 213 which was less than the national average of Rs. 231. Of 5000 societies scheduled to be taken up for revitalization under the III Plan, 2000 were taken up in 1961/62 and 1962/63. 11 per cent of the societies were dormant. The rural banks and the agricultural credit societies have overlapping jurisdiction while having a common function viz. making loans for medium-term agricultural purposes.

4. Though there appears to have been a liberalisation of loan policies generally the amount of loan still seems to be related to ownership of land. The maximum credit limit per member has been raised from Rs. 250 - Rs. 500, which was the earlier level, to Rs. 3,000, the actual sanctioned amount being determined with reference to the crops raised and the need for borrowing. This ceiling has been raised to Rs 5,000 in the package district of Tanjore. For surety loans alone, the limit has now been raised from Rs. 250 - Rs. 500 in the past to Rs 1,000, of which Rs. 500 is intended for short-term loans and an equal amount for medium-term loans (loans on a surety basis are issued upto Rs 2,000 in the package district). Mortgage security of land is insisted upon for loans in excess of these ceilings. Seasonality in the matter of issue and recovery of loans is observed only in the Tanjore and Kumbakonam Central Co-operative Banks which are implementing the package programme. In the areas where an intensive programme of "full finance" is being implemented, there is a considerable liberalization of credit policies. The scales of finance for important crops are fixed by all the central co-operative banks, but it is understood that these are correlated to the acreage under cultivation by borrowing members and used to determine their credit limits only to a limited extent in the areas of the Nilgiris, Coimbatore and Salem Central Co-operative Banks.

5. The maximum borrowing power of the central banks has been increased from 10 to 12 times their owned funds in November 1960. The maximum borrowing power of unlimited liability societies which was fixed as an absolute amount in their by-laws has been liberalised so as not to exceed 1/8th of the value of the net assets of members. The maximum borrowing power of the limited liability societies has been liberalised from 8 to 10 times their owned funds. Shareholding is linked to borrowing at all levels, the proportion being 1:25 at the apex level and 1:10 to 1:20 at the central bank level for societies other than marketing societies. At the society level, the earlier requirement that the surety should also purchase shares to the extent of the shares to be purchased by the principal borrower has been removed as it caused hardship in cases where the surety happened to be a non-borrower or had borrowed a lesser amount.

6. As regards financing of defaulting societies, the practice is that a society may be financed if it has repaid at least 75 per cent of its dues and its members have repaid at least 66 2/3 per cent of their earlier dues. This rule is generally followed with slight modifications by the different central banks. As regards the agricultural credit stabilisation funds, provision exists for the creation of such funds by co-operative banks and for a contribution to it of 10 per cent of the net profits of the banks. The State Government has agreed to the excess dividend on its share capital over a certain minimum being credited in part to this fund. As on 30-6-1962, the amount to the credit of the fund with the apex bank was Rs 5.93 lakhs and, with the 14 central banks, which had constituted the funds, Rs 10.12 lakhs. To the Relief and Guarantee fund is to be credited the other part of the excess of dividend on its share capital over a prescribed minimum. As on 31-3-1963, the total amount to the credit of this fund was Rs. 5 lakhs. In the matter of the mobilisation of internal

resources in the form of deposits, however, there seems to be scope for greater effort than in the past. Though various banking facilities are provided by the banks and their deposit rates seem to be competitive, much has not been done in the direction of branch expansion. As on 30-6-1962, of the 15 banks in the State, only 6 banks had, in all, 13 branches, for the entire State. It was proposed to open 3 branches in the case of each of 12 banks and at least one branch in the case of each of the other 3 banks.

7. The long-term credit structure consists of the Madras Central Land Mortgage Bank and 96 primary land mortgage banks. The purpose-wise classification of the loans issued shows that the discharge of prior debts continues to account for the major proportion of the loans advanced by the land mortgage banks. No special schemes for financing agricultural development in any areas have been launched by the central land mortgage bank so far, for availing of assistance which is forthcoming from the Agricultural Refinance Corporation in the form of contribution to special development debentures. The bank has issued six series of rural debentures so far, of which those floated since July 1961 have not been markedly successful.

8. Supervision is in the hands of central co-operative banks in the State. The staff for supervision is reasonably adequate. As for audit which is under the control of the Registrar of Co-operative Societies, inadequacy of staff and consequent arrears in audit are reported in certain districts of the State.

9. The recovery of loans made by credit societies from out of proceeds of produce sold through marketing societies has not shown any appreciable progress. During 1962-63, 127 marketing societies sold produce of the value of Rs. 816 lakhs but could recover production loans only to the tune of Rs 67 lakhs. Intensive efforts are being made to promote a link

between credit and marketing societies in certain selected areas.

10. The structure of co-operative credit in Madras conforms closely to the pattern assumed under agreed policies and even, at the primary level, the units seem to be relatively satisfactory. There is, however, scope for improvement in the loaning policies especially from the point of view of determining eligibility to credit more on the basis of needs of production than of availability of security. Nor has the banking structure tried out fully the generally recommended methods of mobilisation of deposit resources. Land mortgage banking is well established in terms of organisation but has not yet oriented itself to productive purpose and development financing sufficiently. By and large, the record of implementation is fair and promising.

Madhya Pradesh

The present Madhya Pradesh State Co-operative Bank emerged as the apex bank for the entire State following the merger of the two separate apex banks which were serving the Mahakoshal and Madhya Bharat areas. No direct financing of societies is undertaken by this bank but it has branches at centres where the central banks are already functioning. The membership of the bank includes, apart from central co-operative banks, 249 primary societies and 237 individuals. The membership of individuals and the primary societies are a legacy of the period when the bank was financing them direct. The management of the bank vests in a board of directors which seems unwieldy and consists of 63 members, of whom 53 are representatives of the affiliated central banks and four are nominees of the State Government. The bank has received State contribution to its share capital amounting to Rs.74.60 lakhs as compared with its total share capital of Rs.133.24 lakhs.

2. The process of amalgamation of the central co-operative banks in the State has resulted in the present position of 54 central co-operative banks serving 43 districts as compared with 79 central banks which functioned in these districts in 1955-56. Thirty-three districts now have one bank each, 2 districts are together served by one bank and 8 districts are served by 20 banks in all. The amalgamation already decided upon should bring the total number down to 51 banks but there will still be 7 districts with more than one bank each. The membership of the central banks continues to include a large number of individuals viz. 37,852, as against 20,598 primary societies. The practice of having official chairmen of the central banks which was prevalent in certain areas in the earlier years has been given up and,

in all cases, there are, at present, elected chairmen. As for central banks which had not yet reached the standards of viability, it is seen that 7 banks in the State had owned funds of less than Rs. 3 lakhs and 12 banks working capital of less than Rs.20 lakhs. Forty-five central banks had received share capital contribution of Rs.97 lakhs out of their total share capital of Rs.336 lakhs. The banks which were not State-partnered are either those which are not likely to be retained on a permanent basis or those whose financial position is so unsatisfactory as not to justify State participation.

3. There were 20312 primary agricultural credit societies in the State. Of these, 8 per cent were dormant. A majority of the societies were based on limited liability. Of the total number of societies, 616 were large-sized societies and 19696 small-sized societies. The former had on an average, a population of 6987 covered by their areas of operation. The membership per society was 299 and the loans outstanding per society amounted to Rs.74784. The small-sized societies had, on an average, a population of 975 covered by their areas of operation. In their case the membership per society was only 43 and the loan outstanding per society was Rs.8694. The proportion of rural population covered by all the societies at 18.5% for this State is much lower than the All-India average of 27.2%. According to the programme of revitalisation of primary societies implemented in the State, 6,000 societies were to be revitalised during the Third Plan; of these 5346 are stated to have been taken up during the first two years of the Plan.

4. The financing of individuals by the apex and central co-operative banks was negligible. As for the loan policies at the primary level, some effort is being made to base the quantum of loan on the outlay on the crop and the

acreage. The Registrar of Cooperative Societies is understood to have issued a circular laying down the scales of financing for different crops and a limit of medium-term loans at Rs.35 per acre. This, however, operates within the uniform ceiling limit which is prescribed for the sum of short-term and medium-term loans that may be granted to a single member (Rs. 1,000 in some cases). In some areas, no distinction in loan per acre is made between one crop and another and between irrigated and unirrigated areas. In the area of certain central banks, loans are advanced only to those who own land. In others, there is insistence on declaration of land under the Co-operative Societies Act and two sureties of land owners. Loans in kind were sanctioned in certain cases as set out in the instructions of the Registrar but the members were reluctant to lift these supplies and preferred loans in cash. There is no seasonality in the matter of lending insofar as loans are advanced throughout the year. The due dates for recovery are, however, broadly related to the time of harvest.

5. In the matter of financing defaulting societies, the practice is generally to provide fresh loans to societies which have already repaid at least 60% of their earlier dues. The Agricultural Credit (Stabilisation) Fund has been constituted at the apex bank level and had a sum of Rs.3.67 lakhs to its credit as on 30-9-63. The bank has been crediting to it 5% of its net profits in 1960-61 and 10% thereafter. The State Government has not yet taken a decision as to the contribution of a part of its dividend to this fund. 46 central banks have also constituted the fund, the amounts in them aggregating to Rs.7.55 lakhs. The Relief and Guarantee Fund has also been constituted by the State Government and a sum of Rs.2.95 lakhs was available in it as on 31-3-1962.

6. Shareholding and borrowing are linked at all levels,

the proportion being 1:20 at the apex bank level and 1:10 at the central bank and the primary levels. From the point of view of building up internal resources in the form of deposits, the co-operative banks in Madhya Pradesh have not made any appreciable progress. Though the rates of interest offered by the banks appear to be competitive, most of them do not seem to have made much progress in the extension of various services and facilities to prospective depositors. Several banks do not have a single branch, though the 54 banks together had 231 offices at the end of 1961-62. It is proposed that 133 branches should be established during the Third Plan period and an outlay of Rs.5.82 lakhs was provided for the purpose in the Plan.

7. The Madhya Pradesh State Co-operative Land Mortgage Bank operates through 21 primary land mortgage banks and 16 central co-operative banks having land mortgage banking sections. Of the total loans advanced during 1961-62 of Rs.13.49 lakhs, those for productive purposes, namely land improvement were only Rs.3.53 lakhs, the bulk of the loans being for redemption of prior debts. The bank has not undertaken the floatation of any special development debentures or any special schemes of financing connected with plans for agricultural development. The State Government is assisting the bank by providing Government guarantee for the floatation of its debentures and by the special provision made in the Madhya Pradesh Co-operative Societies Act which helps to facilitate the working of the bank in many ways.

8. The State Government is routing short-term and medium-term takkavi through the cooperative credit structure since 1960-61. Fertiliser takkavi is being thus distributed through the cooperative agency in all the districts of the State and medium-term loans, in 35 districts. The responsibility for popularising the use

of fertiliser has been weakened in the case of the former; the latter has tended to render the medium-term loans from the co-operative banks' own resources unpopular because the takkavi loan carries a subsidy with it and is for a longer period.

9. Audit work of the Co-operative Department is regulated by a Joint Registrar having two chief auditors. A sub-auditor is generally in charge of 40 active societies or of 80 societies which are defunct or under liquidation. As against 23,478 societies whose audit was pending, 23,040 had been audited by the end of the year.

10. Supervision of primary credit societies is carried out by both the Department and the central banks, the latter agency being the more important. Some banks have employed more staff than is required on the basis of the approved pattern while others have not appointed the requisite staff.

Cost of supervision is borne by the banks out of their resources and subsidy available from the State Government.

11. The record of implementation suggests that a beginning has been made with orientation of the loan policies in the direction of alignment to production. There is also a broad conformity with accepted policies in regard to the institutional structure at the apex bank and central bank levels in the matter of non-official/^{management} and location of responsibility for supervision in the central banks.

Performance is, however, by and large, less satisfactory from the point of view of the building up of the organisational and administrative machinery for carrying out these policies in the field and the emergence of efficient banking institutions.

GUJARAT

Gujarat State Co-operative Bank came to be established as an apex co-operative bank for the entire Gujarat State, taking over the assets and liabilities of the Saurashtra State Co-operative Bank and share of the assets and liabilities of the Bombay State Co-operative Bank at the time of the bifurcation of the erstwhile Bombay State into Gujarat and Maharashtra. The membership of this bank consists of 21 central financing agencies, 2 individuals and 107 societies. The bank finances societies direct only in the Dangs district which is not served by any central co-operative bank. The State Government has contributed Rs.86.49 lakhs to its share capital which amounts to Rs.193.75 lakhs. The first Board of the new bank was nominated by Government but elected office bearers are now in position. The present Board consists of 28 members, of whom 16 are representatives of central banks, and 3 are Government nominees. Thus, the major voice in the management of the bank is that of the central banks.

2. There are 21 central financing agencies in the State serving 16 districts. Thirteen districts are served by one bank while the remaining 3 districts have more than one bank each. Regarding ^{the} taluka banks which are not viable units, the Government has agreed to examine the matter of their amalgamation further. The membership of the banks consists of 11199 societies and 22538 individuals. According to the available information, all the central financing agencies are having elected chairmen. Of the 21 banks in the State, 18 had received State contribution to share capital which amounted to Rs.174 lakhs, out of the total capital of Rs.544 lakhs. The banks which have been denied share capital contribution are institutions which are not likely to be retained on a permanent basis.

3. There were 7728 primary agricultural credit societies in the State. The proportion of dormant societies was comparatively low at 6 per cent. A majority of the societies are based on limited liability. Of the total number of societies, 1013 were large-sized societies and 6715 small-sized societies. The former had, on an average, a population of 3325 covered by their areas of operation. The membership per society was 242 and the loans outstanding per society amounted to Rs.99528. The small-sized societies had, on an average, a population of 1719 covered by their areas of operation. In their case, the membership per society was 82 and the loan outstanding per society was Rs.25746. While societies in the State show a comparatively satisfactory position in so far as the levels of lending per society and per member are concerned, progress was much less striking from the point of view of coverage. Though almost all villages were covered, the percentage of population covered was only 29. There was a provision in the Cooperative Societies Act for right of appeal against non-admission to membership. During the first two years of the 3rd Plan, 489 societies were reorganized and, during 1963-64, 325 societies were taken up for revitalisation.

4. As regards loan policies, it may be noted that the financing of individuals was generally negligible both at the Apex bank level and in the majority of the central co-operative banks. The exceptions were the Panchmahals central co-operative bank, the Surat Central co-operative bank and Limbdi Banking Union in which the loans to individuals formed about 20, 10 and 50 per cent respectively of their total outstanding loans.

5. As for the loan policies at the primary level, the main elements of the crop loan system seem to be under implementation. The size of the loan is generally related to the crop and acreage. As for security the short-term loans

are usually based on sureties and a charge on the land or interest in land created under the Co-operative Societies Act. However, in some banks loans in excess of certain limits seem to be made only on mortgage security. As for medium-term loans the loans in excess of Rs.1,000 are made against mortgage of land. Disbursement in kind is prevalent in some cases. There are however variations among different banks in practice in different aspects.

6. The central financing agencies provide loans to defaulting societies for financing non-defaulting members as well as new members. The proportion of dues to be repaid before this can be done appears to vary but 50 per cent seems to be the usual level. While sanctioning such loans to defaulting societies, a condition is imposed that coercive action is started against defaulters.

7. Agricultural credit stabilisation funds were created in the state co-operative bank as well as 18 central co-operative banks. The amounts to the credit of these funds at the two levels as on 30-6-62 were Rs.1.18 lakhs and Rs.1.81 lakhs. Fifty per cent of the excess divided over $3\frac{1}{2}$ per cent payable to Government on their contribution to share capital has also been credited to this reserve. This position altered in 1963, when it was decided that the State Government should appropriate to itself the entire amount of dividend which it earned on its share capital contribution. The Relief and Guarantee Fund set up by the Government of Gujarat had a balance of Rs.6.41 lakhs as on 31-3-1962. No amount was subsequently credited to the fund. A sum of Rs.9,000 has been proposed for contribution to the fund during 1964-65.

8. The linking of shareholding to borrowing is in force at all levels, the proportion being 1:20 at the Apex bank level, 1:10 at the central bank level (intended to go up to 1:5 in due course) and 1:10 at the society level (intended to go up to 1:1 so that shareholding will be equal to borrowing in due course).

9. From the point of view of building up internal resources, the co-operative banks in Gujarat appear to lead the rest of the country. The banks are in a position to offer competitive rates of interest on deposits and extend various banking services to the clients. Further, they have undertaken branch expansion on a sizeable scale. Thus, the 20 banks had about 190 branches. This performance in regard to deposits, however, was largely accounted for, by the central banks of the old Bombay area, rather than those in the Saurashtra Region. It may be mentioned here that the State Government had recognized 'A' and 'B' class banks in the Gujarat Region as eligible for receiving deposits from local bodies but had not extended the same treatment to similar banks in the Saurashtra Region.

10. The structure for long-term credit is represented by the Gujarat State Co-operative Land Mortgage Bank working through 132 branches and 4 primary land mortgage banks operating in 4 districts. The organization of primary land mortgage banks all over the State is now under consideration. Though there is no separate Land Mortgage Bank Act in the State, the Gujarat Co-operative Societies Act contains a separate chapter containing all the provisions required by the land mortgage banks. The bulk of loans advanced by the long-term credit structure in the State is for productive purposes. Thus, out of Rs.3.14 crores advanced during 1961-62, those for land improvements and purchase of machinery amounted to Rs.0.87 crore and Rs.2.09 crores, while those for redemption of prior debts amounted to only Rs.0.01 crore. The central land mortgage bank has floated 7 series of rural debentures with a fair measure of success. No special development debentures have so far been issued by this bank.

11. The supervision of societies was being attended to both by the bank inspectors and the departmental officials. In

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some areas the charge per supervisor appears to be very high e.g. Panchmahals, Bhavnagar, Kaira, Wankaner, Baroda and Broach. In Morvi Malia, the charge per supervisor was 70 societies while in the case of Sabarkantha it was 44-45 societies. There were no arrears in audit, though the charge per auditor was much higher than the norm of 45 societies per auditor. Whether the quality of audit suffered because of the higher charge is not known. Concurrent audit of co-operative banks is yet to be introduced in the majority of central co-operative banks.

12. Special arrangements for the financing of backward tribes was made in the Dangs district by the branch of District Co-operative Bank and by the Panchmahals Central Co-operative Bank in the Panchmahal district. Various types of financial assistance are being given to these co-operatives.

13. The overall picture in Gujarat is that the implementation of policies is active and many-sided, though the less satisfactory performance in the Saurashtra region does not clearly come out in the state-wide picture. The main lacuna of the movement consists in low coverage in terms of membership.

Maharashtra

The Maharashtra State Co-operative Bank came into existence after the bifurcation of the Bombay State Co-operative Bank on the formation of the Maharashtra and Gujarat States in May 1960. The Vidarbha Co-operative Bank which had functioned as the apex institution for the 8 districts of Vidarbha Region, was amalgamated with the Maharashtra State Co-operative Bank in May 1961. The membership of the apex co-operative Bank includes 4447 individuals and 1058 societies. Despite the large membership of the individuals, the central banks hold a key position on the Board of Directors. Of the 43 members on the Board, ^{apart from the Member Secretary,} 25 are representatives of the central banks, 9 of other co-operatives, 3 of the State Government and 5 are of the individuals. The bank has progressively given up functioning as a central financing agency in parts of the State, by promoting the establishment of central co-operative banks in all the districts. State partnership, as a principle of co-operative organisation was implemented in the old Bombay State even before the Rural Credit Survey Committee recommended it for general adoption. At present, State contribution to share capital amounts to Rs 177.92 lakhs out of the total share capital of Rs 476 lakhs. The bank has four divisional offices for the inspection of the central banks in the respective areas.

2. The process of rationalisation of central co-operative banks in Marathwada, Vidarbha and parts of Western Maharashtra, as also the establishment of new central co-operative banks to take over the business of the branches of the apex bank have brought the number of central co-operative banks to 25, one serving each district. The membership of individuals continues in all the central co-operative banks except that of Dhulia but the representation given to the co-operative societies is substantial enough to ensure that the management is in the hands of society representatives. All the banks have received State contribution to share capital which amounted to Rs. 250 lakhs as on 30-6-1962 as against their total share capital of Rs 808 lakhs.

3. There were 19480 primary agricultural credit societies in the State. The proportion of dormant societies at 4 per cent was the lowest among all the States. A majority of the societies were based on limited liability. Of the total number of societies, 1262 were large-sized societies and 18218 small-sized societies. These societies (both large-sized and small-sized) had, on an average, a population of 1414 covered by their areas of operation. In the case of large-sized societies, the membership per society was 294 and the loans outstanding per society amounted to Rs 1,01,068. In the case of the small sized societies the membership per society was only 89 and the loan outstanding per society was 21,586. The average loan per borrowing member (Rs 321) and the proportion of borrowing members (67%) show an appreciably high level of performance than the national average. The membership per society was only 102. The Co-operative Societies Act includes a provision for appeal against non-admission of membership. During the first three years of the Third Plan 3000 primary agricultural credit societies were to be taken up for revitalisation. During 1961-62 and 1962-63, 2089 societies were actually taken up for this purpose and assisted with managerial subsidy.

4. The various features of crop loan policies such as (i) the determination of the size of loan with reference to scale of finance and the acreage under different crops, (ii) seasonality in lending and recovery, (iii) disbursement in kind and in instalments and (iv) the basing of the loan on production of crop rather than ownership of assets-these features have been in evidence in the working of the crop finance arrangements in this State over the last twelve years or more and have undergone progressive refinement after review from year to year and, particularly, in the light of the recommendations of the Crop Loan Evaluation Committee which was set up by the Maharashtra State Co-operative Bank.

By and large, it might be said that the performance to-day conforms broadly to what was envisaged by the Rural Credit Survey Committee and the Committee on Co-operative Credit, though there have been lapses in the process of implementation in the field as also gaps which have become evident in the system in the light of experience. Thus, there have been instances of crop acreages inflated with a view to obtaining larger loans, and for credit to be drawn not only for production needs but also for others. The provision of credit in kind has not been uniformly successful from the point of view of the response of the borrowers as seen in the lifting of the supplies. The cultivator has also been reluctant to draw loans in instalments in certain areas where this involves some practical inconvenience. Even after allowing for some of these features, it is clear that experience in this State in regard to crop loan system has been in the direction of increasing conformity with its underlying principles.

5. The policy in regard to financing of defaulting society varies from bank to bank but the highest proportion of recovery fixed as condition for fresh financing in any bank is 60 per cent. Shareholdings have been linked to borrowings at all levels, the rate of contribution being 1:20 at the State Co-operative Bank level, 1:10 at the central bank and primary levels and 1:5 at the primary societies level.

6. Considerable progress has been made in this State in the matter of raising internal resources in the form of deposits. In this process, the banks have been assisted by their programmes of branch expansion. The 25 central co-operative banks had as many as 498 branches as on 30-6-1963. Another contributory factor was that they could provide various banking facilities in regard to remittance, collection of cheques etc; this was made possible by the mutual arrangements scheme operated by the apex and central banks in the State. The Government of Maharashtra has made co-operative banks

eligible for receiving deposits from village panchayats, public trusts, state commercial undertakings, educational and religious bodies etc. The fact that co-operative banks were made bankers to Zilla Parishads has also helped to add to the resources and prestige of the banks.

7. The structure of long-term credit consists of the central land mortgage bank and 27 primary land ~~mortgage~~^{development} banks. The emphasis on productive purposes may be seen from the fact that, of the total loans of Rs 865 lakhs issued in 1962-63, Rs 547 lakhs were for sinking of wells, Rs 283 lakhs for installation of pump sets and Rs 35 lakhs were for other types of land improvement, while the loans for discharge of prior debts amounted to only Rs 0.39 lakh. The central land mortgage bank has not drawn up any schemes for financing special development projects. The bank has already floated rural debentures of the order of Rs 150 lakhs successfully, pressing into service the co-operation of co-operative banks and other branches. An important factor of strength for the land mortgage banking movement in Maharashtra has been the decision of the State Government to transfer the responsibility for implementing the plan scheme of minor irrigation to the Land Development Bank together with the usual subsidies forming part of the scheme, and the statutory provision made for a simplification of the method of estimating the value of land as security.

8. The arrangements for supervision of agricultural credit societies in Maharashtra may be considered to be partly in the charge of the supervising unions employing departmental staff and partly in the charge of the central financing agencies which have their own inspectorial staff for the purpose. As for the former, the charge per supervisor is, on an average, between 30 to 40 societies, which is on the high side. The charge per inspector in the case of central co-operative banks was also heavy, e.g. 40 societies in Chanda, 36 in Bhir and 32 societies in Aurangabad. The whole question of the appropriate arrangements for

supervision is being reviewed in pursuance of a decision of the Maharashtra State Co-operative Council.

9. The progress made in the linking of credit with marketing has lagged far behind that in regard to credit. The recoveries of loans advanced by 1334 credit societies through 30 marketing societies in 1961-62 amounted to Rs. 120.57 lakhs. During the same year, loans advanced by 524 primary credit societies amounting to Rs. 297.73 lakhs were also recovered through processing societies, largely through co-operative sugar factories. In relation to the total value of produce handled by marketing societies, the amount of credit recovered does not appear to be significant.

10. The performance of co-operative credit institutions in Maharashtra conforms by and large to the recommendations of the Survey Committee and the Mehta Committee which were themselves, in part based on the experience gained in this State. Further refinement and improvement of practice so as to fully accomplish the basic objective of the integrated scheme is necessary and forthcoming.

Union Territories

Each Union Territory is now served by a State Cooperative Bank which functions both as the apex institution for the credit structure and the central financing agency for the primary societies. The individual members are few in Pondicherry and Tripura but fairly high in both Himachal Pradesh and Manipur. In each case, there has been State participation in the share capital of the apex bank, the proportion of such contribution to the paid-up capital being 15.5 per cent in Delhi, 30 per cent in Pondicherry, 65 per cent in Manipur, 66 2/3 per cent in Tripura and as high as 73 per cent in Himachal Pradesh. Representation of Government on the Board of Management is, in each case, restricted to three directors; however, in Delhi, no Government representatives have so far been nominated, in pursuance of this provision. Individuals are represented by 2 directors each in Himachal Pradesh, Pondicherry and Tripura and 3 directors in Manipur. Societies have 3 representatives in Himachal Pradesh, 4 in Pondicherry and Tripura and 7 in Manipur; representation for agricultural credit societies as such, being limited to one director, is inadequate in Tripura as well as Manipur; it is to be increased to 4 directors in the latter Territory. In all the cases, the chairman is a non-official.

2. At the primary level, in Delhi, which is a predominantly urban area, there are 361 agricultural credit societies, of which 26 are large-sized. Only 55 per cent of the rural population was covered by their membership. Ninety-nine societies were dormant. The average membership and loans per society as on 30.6.1962 were 50 and Rs.12,000 respectively. It is proposed to revitalize 180 societies in the Third Plan period, against which 92 have been taken up for revitalization by the end of 1962-3. In Himachal Pradesh, there are 811 societies, including 30 large-sized societies. All the villages in the State had been covered by the societies but only 28 per cent of the rural population was covered. 332 societies became dormant in 1961-2. No society was programmed for revitalization during the Third Plan. In Pondicherry, there

were 77 primary societies of which 5 were large-sized. No society was dormant. 34 societies had been taken up for revitalization and given managerial subsidy. In Tripura, there were 347 agricultural credit societies, of which 25 were large-sized. About 55 per cent of the societies were dormant. The programme of revitalization including managerial subsidy, at an average of 50 societies per year, during the Third Plan, had been drawn up but not much progress appears to have been made. In Manipur, the structure consisted of 181 small-sized and 19 large-sized societies. As many as 161 societies were dormant. A scheme of revitalization has been drawn up on the basis of the Eastern Region States' Conference for improving the position.

3. The financing of individuals is restricted to loans against fixed deposits and is of small magnitude in the apex banks of Delhi, Pondicherry and Tripura. In Himachal Pradesh, however, loans to individuals continue to be important and constituted about 22 per cent of the total loans of the apex bank in 1961-2. The proportion of such financing was 18 per cent in Manipur.

4. By and large, the crop loan system has not been introduced in any of the Union Territories, except in Manipur as also in respect of the financing of potato and ginger in Himachal Pradesh. In Delhi, the credit limit for a member is fixed with reference to the absolute limit for loans laid down in the byelaws of the society and the share capital held by him. In Himachal Pradesh also, the size of loans is generally determined only on an ad hoc basis. In Pondicherry, again, it is fixed on an ad hoc estimate of repaying capacity at up to 1/6 of the value of the land where the cultivator is the owner, and upto Rs.1000 in other cases. Even the loans to owners of land cannot, in any case, exceed Rs.3000. In Tripura, the quantum of loan is based on a multiple of shareholding and the value of assets owned. In Manipur alone does the size of loan appear to be based on the crops grown and the acreage under cultivation.

5. As for the practice in regard to security, in Delhi, loans upto Rs.1000 are said to be advanced on two personal sureties, those between Rs.1000 and Rs.2000 on four personal sureties, and those exceeding Rs.2000 against tangible security such as mortgage of land, building, etc. In Himachal Pradesh, personal sureties are accepted from tenant-cultivators in addition to a charge created by them on the crops cultivated, while land-owners have to create a charge on crops and land. In Pondicherry, short-term loans upto Rs.1000 and medium-term loans upto Rs.500 are based on personal surety and those above these levels, on the mortgage of property. In Tripura and Manipur, only short-term loans upto Rs.100 and Rs.240 respectively are given against personal surety, and mortgage of land is required for all short-term loans in excess of this limit as also for all medium-term loans; in Manipur, a charge is also to be created on the crops in favour of the society.

6. Loans in kind seem to be in vogue, to some extent, only in Delhi and Pondicherry. Seasonality in the disbursement and recovery of loans is not observed in any of the Territories except for the crop loans made for potato and ginger in Himachal Pradesh.

7. Full information is not available in regard to the conditions governing provision of fresh finance to defaulting societies in the different Territories. In Himachal Pradesh, only societies which have defaulted in the repayment of two consecutive instalments without sufficient reason are refused new loans. In Pondicherry, a defaulting society is allowed a fresh loan if its overdues do not exceed one-third of the outstanding loans and effective action has been taken for realizing overdues. In Tripura, it is said that loans are sanctioned if the overdues do not exceed 10 per cent but are disbursed only after the earlier loan is fully repaid.

8. As for the stabilization funds, the banks have not been permitted to credit to these funds a part of the dividend payable to Government. The Pondicherry apex co-operative bank has constituted a fund amounting to Rs.25,000 on 30.9.1963, by

contributing 10 per cent of its net profits. An appropriation of Rs.4000 out of the profits has been made for this purpose in Tripura in 1962-63. The Manipur State Cooperative Bank has constituted a fund by crediting a sum of Rs.500 out of its net profits for 1960-1. No Relief and Guarantee Funds have been constituted in any of the Territories.

9. The borrowing power of the apex bank has been fixed at 12 times the owned funds in Tripura and Manipur and at 15 times in the other cases. Within this ceiling, however, in Himachal Pradesh, the actual borrowing limit is fixed as a specific amount by the Registrar of Cooperative Societies. There is linking of shareholding and borrowings at the primary level, the ratio being 1:5 in Delhi, 1:8 in Pondicherry and 1:10 in Manipur. Shareholding at the bank level is also linked with borrowings, except in Delhi.

10. As regards mobilization of deposits, the Delhi State Cooperative Bank had 5 branches which helped it to increase its deposits but no steps had been taken for the deposit of resources of quasi-government institutions with the banks. The Himachal Pradesh Cooperative Bank could also show an improvement, following the opening of 18 branches and its being made eligible for acceptance of Gram Panchayat deposits. The apex bank in Tripura had three branches while that in Manipur had none.

11. Long-term credit business is also handled by the apex bank through a separate department in Delhi. A similar decision seems to have been taken in Manipur. In Himachal Pradesh, Pondicherry and Tripura, however, there are separate cooperative land mortgage banks. In Himachal Pradesh, lending for productive purposes is improving but still the major part of the loans is for the repayment of prior debts. In Tripura as well as Pondicherry, productive purposes account for only a small part of the total loans.

12. The general pattern in these territories is that overall supervision is to be done by the staff of Cooperative Department,

while the financial supervision is attended to by the State co-operative bank. In Delhi, the number of agricultural credit societies per supervisor works out to 16 while, in Himachal Pradesh, the 12 recovery supervisors of the apex bank have to deal, in all, with 800 agricultural credit societies. In Pondicherry and Tripura, on the other hand, the average charge per supervisor was only about 10 societies.

13. Audit, in all cases, is the responsibility of the Registrar of Co-operative Societies. Arrears of audit were in evidence in Delhi, 344 societies out of a total of 2048 societies not having been audited for 1960-1 till the end of 1961-2. Similarly, 135 and 281 societies were not audited in Tripura and Manipur out of 521 and 304 due for audit respectively. Audit arrangements in Pondicherry and Himachal Pradesh were generally satisfactory.

14. Linking of credit with marketing may be said to have made almost no progress because the marketing societies were mainly engaged in the disbursement of agricultural requisites and consumer goods, except for the apex marketing society of Himachal Pradesh which had undertaken some marketing.

15. Broadly speaking, implementation of accepted policies does not appear to have made much progress in the Union Territories except for State contribution to share capital at various levels. In almost every case, the rationalization of loan policies, mobilization of larger deposit resources, development of long-term credit and promotion of co-operative marketing are all yet to be taken up in right earnest.

General

1. From the foregoing review of the implementation of accepted policies, it is seen that the position varies widely from State to State and also from one aspect of the agreed policies to another. It is not easy to generalise in this regard or to place these states in different groups from this point of view. However, some general observations may be made. Firstly, it would be seen that Maharashtra shows the best record of performance with reference to the structural requirements, operational policies as also mobilisation of resources on the agreed lines. To some extent, it also reflects the fact that some of the policies recommended by the Survey Committee and V. L. Mehta Committee on Credit had already been in operation in this State and undergone some evolution and refinement even by the time these Committees commended them for general adoption. By way of qualification, however, it should be added that even in this State there is some difference in performance between the Western Maharashtra where these policies had their early implementation and the Vidarbha and the Marathwada regions, which came into the picture more recently.
2. Falling into a second group are the States of Gujarat, Madras and Andhra Pradesh which seem to show a generally satisfactory level of overall conformity with accepted policies, though there are points of weakness and strength in each of them. Thus, in Gujarat the position is bright in regard to the mobilisation of resources on the lines recommended as also in the matter of operational policies but in Saurashtra region the adoption of these practices and policies does not seem to be complete. This is also the region where there are still taluka banks. The higher level of operation of cooperative credit in this State does not seem to have meant, to a sufficient degree, extended coverage on which the accepted policies lay much emphasis.

In Madras and Andhra Pradesh the structure seems to be reasonably sound and conforms to the orthodox pattern but operational policies have not undergone the required degree of reorientation; nor has the structure been successful in the mobilisation of larger deposits than in the past. In regard to Andhra Pradesh, it should also be added that in respect of long-term credit, the State had initiated certain forward-looking policies.

3. In the States of Uttar Pradesh, Madhya Pradesh, Mysore, Punjab and Kerala though there is a broad and overall conformity with policies, there are certain aspects in which implementation has been defective. Viewed from the point of view of raising resources and pursuing rational loan policies, the position is not satisfactory though the structure is on the lines of accepted policies in these States. Punjab, in particular, shows a broadly satisfactory picture at the primary level. Rajasthan and Jammu & Kashmir may be considered as falling into a further category where steps have been taken to establish the necessary structural institutions but there has been little success in adopting new policies with regard to lendings and raising of the required resources, or increasing the managerial efficiency in the running of co-operative institutions.

4. Into a different category altogether fall the States of Assam, Orissa, Bihar and West Bengal. In these states, implementation has been slow and halting and has been affected in the case of Assam (as in Rajasthan) by other factors such as floods and other natural calamities for which the stabilisation facilities had not been built up on the lines envisaged. There has been some earnestness in evidence in Bengal as well as Orissa to bring about reform and strengthening of the structure but it has not been possible to make better progress because of handicaps in the

situation such as those arising from lack of traditions of co-operative leadership and functioning as also the paucity of administrative personnel capable of handling these difficult tasks.

5. For the country, as a whole, it does not seem to be wrong to say that except for a few pockets, the type of organisational framework which was envisaged by the Survey Committee has been brought into being over the last decade. It is in the actual implementation of liberal policies in the matter of lending and in the matter of positive and enterprising effort in the matter of mobilising resources that success has not been uniform. In part, this may reflect the lack of active interest on the part of co-operative leadership and governmental authorities. In the States where implementation has been poor, however, very often it was not perhaps for reasons which ^{were} strictly related to the credit policies themselves. The machinery for implementation has been weak and is slowly being built up. Information on the trained personnel employed in institutions at all levels in the various states is not available but it is generally true that the States where the implementation has been poor are also those in which shortage of qualified personnel, not to speak of trained personnel, was most acute. As regards co-operative leadership, again, it would appear that wherever the recommendation of the Survey Committee with regard to replacement of nominated boards by elected boards and of official chairmen by non-official chairmen has been implemented and greater responsibility and opportunity were provided to the leadership of the Movement, such leadership was not found wanting. In areas such as Marathwada and Telangana where institutions were previously headed by officials, today active and knowledgeable non-officials are handling the affairs of co-operatives in a generally satisfactory manner. To the extent that there has been

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implementation of agreed policies, therefore, there has been more satisfactory performance at all levels. From this point of view the states where co-operative credit might appear to have failed are broadly those where implementation was faulty, except for Rajasthan, where natural factors seem to have had serious impact and Jammu & Kashmir, where the performance at the primary level is fairly satisfactory despite the fact that the structure is deficient in many respects.

Statement No.I

Short-term loans for seasonal agricultural operations and marketing of crops sanctioned by the Reserve Bank of India

(Rs. in lakhs)

State Co-operative bank	Limit sanctioned in 1955-56	Limit sanctioned in 1963-64 (including Package)
Andhra Pradesh	398.00	2,179.71
Assam	100.00	-
Bihar	50.00	168.60
Bombay	640.50	
Maharashtra		3,705.00
Gujarat		2,019.00
Delhi		-
Himachal Pradesh		-
Jammu & Kashmir	-	44.00
Kerala	15.00	423.00
Madras	626.00	2,980.35
Madhya Pradesh	230.00	1,377.19
Madhya Bharat	27.00	
Manipur	-	5.00
Mysore	100.00	1,207.00
Orissa	50.00	351.35
Pondicherry	-	25.00
Punjab	193.75	866.46
Rajasthan	25.00	564.00
Tripura	-	5.00
Uttar Pradesh	122.75	2,208.25
West Bengal	150.00	451.50
Hyderabad	100.00	
Saurashtra	100.00	
Pepsu	30.00	
Coorg	5.00	
Ajmer	0.50	
	<u>2,963.50</u>	<u>18,580.41</u>

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Statement No.II

Medium-term loans for agricultural purposes

(Rs. in lakhs)

State Co-operative Bank	1956-57		1962-63	
	Amount sanctioned	Amount outstanding	Amount sanctioned	Amount outstanding
Andhra Pradesh	50.00	27.85	109.50	92.39
Assam	-	10.00	-	-
Bihar	53.00	-	-	-
Gujarat	-	-	93.09	71.51
Hyderabad	-	5.76	58.00	29.82
Jammu & Kashmir	-	-	-	3.33
Kerala	25.00	18.57	60.00	44.71
Madras	-	39.52	172.58	284.37
Madhya Bharat	15.00	23.67	-	-
Mahakoshal	12.00	12.00	-	-
Madhya Pradesh	-	-	119.90	86.27
Maharashtra	-	-	-	133.87
Mysore	-	-	88.30	123.96
Orissa	12.00	5.02	58.01	61.97
Punjab	-	15.83	-	49.96
Rajasthan	-	-	34.21	13.08
Uttar Pradesh	-	-	129.50	50.15
West Bengal	-	-	-	7.84
Pondicherry	-	-	5.00	2.85
Delhi	-	-	3.00	-
	167.00	158.22	931.09	1056.08

STATEMENT NO. III

Financial assistance provided by the Government of India for co-operative development under the Second Five Year Plan and first two years of the Third Five Year Plan.

	----- Second Plan	(Rs. in lakhs)	
		<u>1961-62</u>	<u>1962-63</u>
<u>MARKETING SOCIETIES</u>			
Share capital contribution	310.86	30.98	29.50
Loans for godowns	236.63	52.51	70.17
Subsidy for godowns	51.88	10.11	14.60
Managerial subsidy	33.66	5.84	5.16
<u>PROCESSING SOCIETIES</u>			
Share capital contribution	582.42	35.80	76.08
Managerial subsidy	3.10	1.33	1.98
<u>SMALL-SIZED SOCIETIES</u>			
Managerial subsidy	118.88	84.54	102.04
<u>LARGE-SIZED SOCIETIES</u>			
Share capital contribution	8.96	-	-
Managerial subsidy	82.45	1.82	0.30
Loans for godowns	227.69	69.24	68.13
Subsidy for godowns	55.17	14.66	14.23
<u>CENTRAL BANKS</u>			
Managerial subsidy	26.65	13.22	16.75
<u>LAND MORTGAGE BANKS</u>			
Managerial subsidy	5.80	5.85	6.51
<u>APEX BANKS</u>			
Share capital contribution	3.00	-	-
Managerial subsidy	3.39	0.30	0.69
<u>CREDIT UNIONS</u>			
Managerial subsidy	2.47	0.30	0.19
<u>SUPERVISING UNIONS</u>			
Managerial subsidy	5.39	4.17	-
<u>DEPARTMENTAL STAFF</u>			
Managerial subsidy	194.46	11.98	39.57
Outright grants to special bad-debts reserve		2.62	80.46

Note IIPERFORMANCE OF CO-OPERATIVE CREDIT1. COVERAGE OF CREDIT SOCIETIES:

1.1. An index of the coverage of co-operative credit in terms of potential and actual borrowers would be the proportion of the number of members who borrowed from co-operative credit societies to the number of cultivating households.

Figures of the number of borrowing members of primary agricultural credit societies are available from the Statistical Statements relating to the Co-operative Movement in India published annually by the Reserve Bank. Assuming that each member of an agricultural credit society represents a cultivating household, the proportion of the number of borrowing members to the total number of cultivating households would be an indicator of the extent to which potential borrowers are served by the co-operative credit structure.

1.2 The Rural Debt and Investment Survey has brought out the fact that not all the cultivating households borrow. In order to assess the extent to which co-operatives are providing credit service to the actual borrowing cultivators in the rural area, a comparison can be made between proportion of borrowing cultivator households to total cultivator households, and the proportion of borrowing members of agricultural credit societies and land mortgage banks to total cultivator households.

However, in regard to the latter figure, one difficulty is that the number of borrowers from the primary land mortgage banks is not available. Since, the number of borrowers who borrow only from the land mortgage banks is relatively very small as compared with the total number of borrowers who borrow from primary agricultural credit societies, the latter number is taken to represent the number of borrowers of both the agricultural credit societies as well as of the land mortgage banks.

1.3 The following table sets out the relevant data. In column 2, the percentages of the number of borrowing members of co-operative societies to all cultivating households are set out. Column 3 gives the proportion of cultivator

households borrowing from whatever source to total households. The proportion of borrowing members of co-operatives to cultivator households borrowing from all sources is given in column 4. In column 5 the proportion of borrowing members of co-operatives to all members is given.

TABLE I

State	Proportion of borrowing members of societies to total cultivator households (per cent)	Proportion of cultivator households reporting borrowing to total cultivator households (per cent)	Proportion of borrowing members of societies to cultivator households reporting borrowings (per cent)	Proportion of borrowing members to all members of co-operatives (per cent)
1	2	3	4	5
<u>First Group</u>				
1. Assam	2.4	20.5	11.7	12.8
2. Bihar	4.9	41.5	11.8	27.7
3. Madhya Pradesh	15.6	49.0	31.8	67.2
4. Orissa	6.5	20.6	31.6	35.3
5. Rajasthan	9.9	74.2	13.3	34.9
6. West Bengal	8.4	55.9	15.0	44.5
<u>Second Group</u>				
7. Andhra Pradesh	20.2	57.4	35.2	52.5
8. Gujarat	30.3	60.6	50.0	64.0
9. Jammu & Kashmir	43.2	50.0	86.4	85.7
10. Kerala	21.6	63.9	33.8	44.3
11. Madras	40.1	57.6	69.6	46.6
12. Maharashtra	34.9	50.4	69.2	67.1
13. Mysore	25.5	62.7	40.7	46.5
14. Punjab	42.2	63.7	66.3	48.1
15. Uttar Pradesh	22.5	52.6	42.8	54.6
All-India	19.7	52.1	37.8	50.9

1.4 For the country as a whole, the proportion of borrowing members of co-operative societies to total number of cultivating households is 19.7 per cent. This percentage is low and might suggest that, in the country as a whole, co-operative

agricultural credit societies are catering to the needs of only a minority of potential cultivator borrowers. States where the proportion of borrowing members to cultivator households is below the All-India average can be considered to be those in which the coverage is particularly inadequate. Such States are Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan, West Bengal and the Union Territories. This group of States may be regarded as a group which is particularly backward in terms of coverage of borrowers. The remaining States can be grouped separately and regarded as those where the coverage is somewhat better.

1.5 It will also be seen from the above table that in Assam and Orissa in the first group of States, the percentages of cultivator households borrowing from co-operatives as well as from all sources are remarkably low. These low percentages may partly be due to the inability of a proportion of cultivator households to obtain loans from any source and partly due to the prevalence of borrowings in kind. In Bihar, Madhya Pradesh, Rajasthan and West Bengal the proportion of cultivator households borrowing from co-operatives is low compared to the proportion borrowing from all sources. This is particularly so in Rajasthan. The wide disparity between the proportion in column 2 and column 3 in respect of these States also indicates that while the actual proportion of cultivator households capable of borrowing from all sources is high, the co-operatives are reaching only a small proportion and have considerable scope for expansion.

1.6 In the second group of States, the percentages of cultivators borrowing from co-operatives as well as from all sources are on the high side. However, disparity between the two is highest in Kerala and Andhra Pradesh followed by Gujarat, Uttar Pradesh and Punjab. In the remaining three

States, namely Jammu & Kashmir, Madras and Maharashtra the disparity is least. It is also noteworthy that Jammu & Kashmir has the largest proportion of cultivator households borrowing from co-operatives at 43.2 per cent and it is also in that State that the co-operatives are lending to more than 86 per cent of the cultivators borrowing from all the sources. Next to Jammu & Kashmir it is in Maharashtra that the co-operatives are lending to nearly 70 per cent of the total borrowing cultivator households.

1.7 From column 4 it is seen that in the first group of States, of the total number of borrowing cultivators, the proportion borrowing from co-operatives was relatively large only in Madhya Pradesh and Orissa. In the remaining States, co-operatives catered to the needs of only a small percentage of those who had to borrow. In the second group of States, this proportion was higher than in any of the States of the first group, thus indicating a better performance by the co-operatives. Among these States, the proportion was highest in Jammu & Kashmir at 86.4 per cent followed by Madras, Maharashtra and Punjab, in that order. In Gujarat half the borrowing cultivators were found to be borrowing from co-operative credit societies. In the remaining States, the proportion was less than half, the proportion in Kerala being least at one third.

2. COVERAGE OF VILLAGES:

2.1 The low figure of borrowing members may be the result of many factors. Inadequate coverage of villages by agricultural credit societies might be one of them. The following table gives the proportion of villages covered by agricultural credit societies for the two groups of States.

TABLE II

Proportion of villages covered by
agricultural credit societies (per cent)

<u>State</u>	<u>1957-58</u>	<u>1961-62</u>
<u>First Group</u>		
Assam	36.4	65.1
Bihar	32.3	60.5
Madhya Pradesh	54.7	74.6
Orissa	41.3	46.6
Rajasthan	32.3	67.2
West Bengal	46.9	67.7
Delhi	89.3	100.0
Himachal Pradesh	98.8	100.0
Pondicherry	75.9	100.0
Manipur	6.4	42.0
Tripura	17.4	22.0
<u>Second Group</u>		
Andhra Pradesh	61.1	80.7
Gujarat	95.3	99.7
	(59-60)	
Jammu & Kashmir	69.3	75.1
Kerala	98.3	100.0
Madras	82.4	100.0
Maharashtra	92.1	96.9
	(59-60)	
Mysore	77.7	82.0
		(60-61)
Punjab	71.5	95.5
Uttar Pradesh	56.5	100.00

2.2 It will be seen from the above table that in all the States in the first group, excepting Delhi, Himachal Pradesh and Pondicherry where there was full coverage, there was considerable leeway to be made in terms of extending the co-operative credit movement to the villages, even in 1961-62. It is, however, seen that excepting in Orissa, there is good progress made in terms of coverage of villages between 1957-58 and 1961-62. It is only in Orissa that not only the proportion of villages covered by co-operatives in 1961-62 is low but the rate of progress is also slow. In Manipur inspite of a rapid progress in coverage of villages, the position in 1961-62 showed an unsatisfactory coverage. In Tripura the progress in coverage was only gradual and the position attained by 1961-62 was still extremely inadequate.

2.3 In the second group of States, the proportion of villages covered by agricultural credit societies is satisfactory in all States excepting Jammu & Kashmir. Some of the States have reached or nearly reached the full coverage. Only in Jammu & Kashmir the percentage of villages covered was lower at 75.1 per cent in 1961-62 and the rate of progress was also slow.

3. DORMANCY OF SOCIETIES

3.1 Where villages are covered by credit societies, at least the organisational frame-work of credit can be assumed to be in position in the village. However, if the society in a village is dormant, it is nearly as bad as the village having no credit society at all. The proportion of villages covered by dormant societies therefore becomes relevant. Table III below gives the proportion of villages in which the societies were dormant over the years 1959-60 to 1961-62 for which alone figures are available. We have not attempted to work out the proportion of villages covered by living societies alone as it is likely that in some States both types of societies may be existing in the same village.

TABLE III

Proportion of villages covered by dormant societies (per cent)

	<u>1959-60</u>	<u>1960-61</u>	<u>1961-62</u>
<u>First Group</u>			
Assam	N.A.	7.6	10.2
Bihar	21.4	14.3	12.0
Madhya Pradesh	2.8	3.5	5.3
Orissa	11.3	8.6	16.4
Rajasthan	14.8	20.3	25.5
West Bengal	26.5	26.5	34.2
Delhi	38.7	N.A.	29.4
Himachal Pradesh	13.4	N.A.	N.A.
Manipur	4.7	3.3	20.0
Tripura	1.2	N.A.	8.7
<u>Second Group</u>			
Andhra Pradesh	4.3	11.6	8.1
Gujarat	6.5	5.6	5.7
Jammu & Kashmir	11.6	N.A.	N.A.
Kerala	N.A.	N.A.	21.0
Madras	N.A.	5.1	8.6
Maharashtra	2.8	2.2	6.3
Mysore	N.A.	N.A.	N.A.
Punjab	8.3	6.9	6.9
Uttar Pradesh	N.A.	7.8	6.8

3.2 It will be seen that the position in regard to dormancy in the first group was particularly bad in West Bengal,

Rajasthan, Orissa, Delhi and Manipur. The percentage of villages under dormant societies to total number of villages was on the increase in these States between 1959-60 and 1961-62. In Bihar, however, the percentage of dormancy which was 21.4 in 1959-60 declined to 12 in 1961-62. Even in the second group of States, the position in regard to dormancy is not satisfactory. In Kerala, the proportion for 1961-62 is high at 21 per cent. In Andhra Pradesh, Madras and Maharashtra, dormancy did not show any signs of decline.

4. TREND IN MEMBERSHIP COVERAGE

4.1 The following table gives the membership of cooperative credit societies for the years 1957-58 and 1961-62 and the percentage this membership represents in terms of rural population.

Table IV

State	Membership of agricultural credit cooperative societies (in thousands)		Percentage to rural population in villages served by credit co-operative societies in 1961-62
	1957-58	1961-62	
<u>First Group</u>			
Assam	122	291	20.5
Bihar	530	1066	24.4
Madhya Pradesh	589	1024	21.8
Orissa	286	436	20.4
Rajasthan	277	771	30.4
West Bengal	460	622	19.0
Delhi	18	23	35.4
Himachal Pradesh	50	72	28.0
Manipur	2	24	21.4
Pondicherry	2	10	19.2
Tripura	20	54	N.A.
<u>Second Group</u>			
Andhra Pradesh	1104	1572	N.A.
Gujarat	N.A.	895	30.0
Jammu & Kashmir	190	245	44.0
Kerala	434	985	34.0
Madras	1057	2908	80.2
Maharashtra	N.A.	1991	36.2
Mysore	895	1358	N.A.

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Punjab	804	1427	N.A.
Uttar Pradesh	1863	3797	29.5

(Rural population covered by co-operative societies is taken to be five times the membership)

4.2 It is seen that while the percentage of rural population covered in villages served by cooperative credit societies is low for all the States in the first group, there has been a general trend of increase in membership in all the States and the rate of increase is particularly high in Rajasthan. On the other hand, it will also be seen that in West Bengal not only the percentage of rural population covered is very low but ~~that~~ the rate of increase also is very low, in fact the lowest among the group of States.

4.3 In the second group of States, Madras had the highest percentage of rural population covered in villages served by cooperative credit societies in 1961-62 at 80.21 ~~percent~~ while the percentage was low in Gujarat at 30.00 and Uttar Pradesh at 29.5. Figures were not available for Andhra Pradesh, ^{Mysore} and Punjab. Seen in the context of cent per cent coverage of villages in Gujarat and Uttar Pradesh, it is clear that in these states there is particular need for increasing membership, now that the coverage in terms of villages is almost complete.

4.4 The progress in terms of membership would not, however, show the full picture of the utility of the co-operative credit societies to the rural population. The proportion of total members who actually borrow has also to be taken into consideration. It is quite likely that not all the members would feel the need to borrow each year and a part of the members may also not be eligible to borrow due to certain reasons such as default on their part or again due to the default of the society in repayment of old loans or the dormancy of the society/in repaying the central bank loan upto the minimum percentage

prescribed etc. The following table gives the proportion of members who borrowed during 1959-60 to 1961-62 to total members of the agricultural credit societies.

Table V

Proportion of members who borrow to total members of the agricultural credit societies

	<u>1959-60</u>	<u>1960-61</u>	(per cent) <u>1961-62</u>
<u>First Group</u>			
Assam	N.A.	35.20	12.75
Bihar	23.94	25.91	27.67
Madhya Pradesh	67.93	72.47	67.18
Orissa	35.23	40.09	35.32
Rajasthan	52.04	42.49	34.89
West Bengal	37.65	39.58	44.50
Himachal Pradesh	9.52	5.97	6.94
Manipur	100.00	93.75	20.86
Pondicherry	60.00	55.55	70.00
Tripura	30.00	34.04	18.52
Delhi	49.90	N.A.	N.A.
<u>Second Group</u>			
Andhra Pradesh	52.13	49.30	52.54
Gujarat	70.00	64.94	64.91
Maharashtra	60.94	66.99	67.08
Jammu & Kashmir	94.84	95.00	85.71
Kerala	43.65	47.89	44.26
Madras	52.71	47.93	46.63
Mysore	51.04	52.00	46.47
Punjab	55.41	43.37	48.06
Uttar Pradesh	87.13	59.00	54.57
All India	59.14	52.63	50.89

4.5 The proportion of borrowing members has decreased for the country as a whole during the three years. In the first group of States, it is observed that the position in Assam, Bihar and Himachal Pradesh is unsatisfactory in 1961-62 compared with the All India average and that in Orissa, Rajasthan, Manipur and Tripura only a little less so. Only in Madhya Pradesh amongst the States in the first group, the proportion of members who borrow to total members is quite high at 67.18 per cent

and is even higher than the All India average. When the trend over the years 1959-60, 1960-61 and 1961-62 is examined, it is found that the unsatisfactory position in Assam, Rajasthan, Himachal Pradesh, Manipur and Tripura in 1961-62 is combined with a falling trend during the three years. In Bihar and West Bengal the picture is a little better in that though the situation in 1961-62 is not satisfactory, there is a rising trend in the percentage of members who borrow.

4.6 In the second group of States, the proportion of borrowing members to total members was less than the All India average in 1961-62 in Kerala, Madras, Mysore and Punjab. In Gujarat, though the proportion was 64.91 per cent in 1961-62, there was a falling trend over the years. A decreasing trend is also noticeable in Madras, Jammu & Kashmir, Mysore, Punjab and Uttar Pradesh, the fall in Uttar Pradesh being particularly steep. It was only in Andhra Pradesh and Kerala ^{that} the percentage of borrowing members to total members remained more or less constant and in Maharashtra alone it showed a rising trend. The case of Jammu & Kashmir is a unique one in that though there was a falling trend, the level of borrowing members in 1961-62 was very high at 85.7 per cent.

5. PERFORMANCE OF AGRICULTURAL CREDIT SOCIETIES IN MEETING THE CULTIVATORS' REQUIREMENTS OF FINANCE.

An assessment of the requirements of credit of cultivators met by co-operative credit societies, can be made from the amount of loans issued by co-operatives as well as the requirements of credit of the cultivators. As regards the latter, a broad idea of the requirements can be had from the actual borrowings of the cultivators from all sources as reported in the All-India Rural Debt and Investment Survey. Data are not available separately for borrowings for short, medium and long-term purposes. It is also not known what parts of the total borrowings of the cultivator households were for agricultural and non-

agricultural purposes. A comparison can, however, be made usefully between the average total borrowings of cultivator households which reported borrowings during 1961-2 according to the Rural Debt and Investment Survey and the average quantum of credit made available by primary agricultural credit societies and land mortgage banks during the same year.

Table VI

Average borrowings of cultivator households reporting borrowings and average loans issued by primary agricultural credit societies and land mortgage banks in 1961-62.

(Amount in Rupees)

Name of the State	Total borrowings per cultivator household reporting borrowings	Loans issued by co-operatives per borrowing member.
1	2	3
First Group		
1. Assam	174	95
2. Bihar	246	83
3. Madhya Pradesh	339	270
4. Orissa	266	233
5. Rajasthan	523	205
6. West Bengal	258	170
Second Group.		
7. Andhra Pradesh	468	298
8. Gujarat	611	446
9. Jammu & Kashmir	296	63
10. Kerala	320	152
11. Madras	517	232
12. Maharashtra	435	347
13. Mysore	517	238
14. Punjab	573	235
15. Uttar Pradesh	320	175
All-India	393	242

5.2 Col. 2 gives the average borrowings of cultivator households reporting borrowings according to Rural Debt and Investment Survey. Col. 3 gives the loans issued by primary agricultural credit societies and land mortgage banks per member borrowing from the former. Comparing these two sets of figures, it is seen that at

the All India level, the scale of finance made available per borrower member by the co-operative credit societies is about 61.6 per cent of the scale of borrowings of cultivator households borrowing from all sources. Among the first group of States, in Assam, Bihar, Orissa and West Bengal the quantum of finance made available by co-operatives as well as by all sources is on the low side. In Madhya Pradesh, while the borrowings from all sources is not very high the co-operatives appear to be making available loans relatively on a higher scale. The case of Rajasthan is yet again different. While the scale of finance made available by co-operatives is low, the borrowings of cultivator households from all sources is very high.

5.3 In the second group of States, the scale of finance made available by co-operatives as well as by all sources are relatively on the high side. In Mysore, Madras and Punjab while the average borrowings from all sources are high, the loan per member made available by co-operatives is relatively low. The case of Maharashtra is different in that while the average borrowings from all sources are not high, the co-operatives appear to provide a relatively high amount. In Gujarat, both the borrowings from co-operatives as well as from all sources are on the high side. In Uttar Pradesh and Kerala, both types of borrowings are on a much smaller scale.

6. TREND IN CREDIT PERFORMANCE AT THE CENTRAL CO-OPERATIVE BANK LEVEL.

6.1 The central co-operative banks are the pivots of co-operative credit in the areas as they constitute the agency which meets the credit requirements of the primary agricultural credit societies. The progress of co-operative credit in any area can, therefore, be also seen reflected in the progress in credit performance of central co-operative banks. Moreover the study at the central bank level enables the study of

regional and local variations in the performance of co-operative credit in a State especially in the absence of readily available data about the loan operations of primary agricultural credit societies in the regions and districts. In the following paragraphs the credit performance of the central co-operative banks in the different States is examined. As data on the loans issued by central cooperative banks to primary agricultural credit societies alone are not available, the total loan advances by central cooperative banks to all societies in its area are used in this analysis, especially as the bulk of the loan advances of central co-operative banks is likely to be to agricultural credit societies. Further, advances in the form of overdrafts, cash credits etc. are excluded as such advances form the usual modes of financing non-agricultural credit ^{and non-credit} societies. The following table gives the loan advances (excluding cash credits and overdrafts) of central co-operative banks in the States from 1957-58 to 1962-63.

Table VII

(Rs. in crores)

<u>Sr.No.</u>	<u>State</u>	<u>57-58</u>	<u>58-59</u>	<u>59-60</u>	<u>60-61</u>	<u>61-62</u>	<u>62-63</u>
<u>First Group</u>							
1.	Assam	0.99	1.03	1.02	0.57	0.31	0.30
2.	Bihar	1.21	1.16	1.58	2.12	2.66	3.81
3.	Madhya Pradesh	10.14	13.06	15.70	20.68	19.25	21.84
4.	Orissa	2.24	2.36	3.12	3.48	5.10	6.18
5.	Rajasthan	2.75	3.32	6.23	6.91	5.93	5.88
6.	West Bengal	2.04	2.26	2.56	3.47	4.57	6.00
<u>Second Group</u>							
7.	Andhra Pradesh	16.24	19.16	22.14	25.00	27.46	26.53
8.	Gujarat	-	-	20.43	21.44	21.87	24.68
9.	Jammu & Kashmir	0.27	1.47	0.66	0.75	1.15	0.85
10.	Kerala	1.24	2.36	2.72	3.32	4.70	6.09
11.	Madras	11.13	16.46	20.46	26.41	35.19	40.69
12.	Maharashtra	-	-	41.32	51.25	50.91	51.78
13.	Mysore	10.00	13.13	14.38	18.50	15.50	13.44
14.	Punjab	8.30	8.54	12.30	11.72	14.67	14.47
15.	Uttar Pradesh	10.59	13.87	23.81	27.67	35.30	29.74
		<u>104.14</u>	<u>132.47</u>	<u>188.46</u>	<u>223.28</u>	<u>244.57</u>	<u>252.28</u>

6.2 The relative performance of the different States in respect of loan advances by central banks will be better brought out by considering the amount advanced per head of rural population in each State in each year. These figures are given below:

Table VIII

Loans issued by central co-operative banks per capita of rural population

	(Amount in Rupees)					
	<u>57-58</u>	<u>58-59</u>	<u>59-60</u>	<u>60-61</u>	<u>61-62</u>	<u>62-63</u>
<u>First Group</u>						
Assam(Plains)	1.01	1.87	1.05	0.58	0.32	0.31
Bihar	0.28	0.27	0.37	0.50	0.63	0.89
Madhya Pradesh	3.57	4.64	5.58	7.14	6.85	7.76
Orissa	1.56	1.37	1.90	2.12	3.10	3.76
Rajasthan	1.63	1.98	3.70	4.13	3.54	3.51
West Bengal	0.72	0.79	0.90	1.12	1.61	2.11
<u>Second Group</u>						
Andhra Pradesh	5.44	6.42	7.29	8.38	9.20	8.89
Gujarat	6.18	6.66	13.27	14.03	14.27	16.19
Jammu & Kashmir	1.75	9.52	4.27	4.83	7.44	5.51
Kerala	0.86	1.64	1.90	2.31	2.89	4.24
Madras	4.25	6.27	7.70	10.07	13.54	16.48
Maharashtra	5.88	8.67	14.53	18.04	17.54	18.24
Mysore	5.29	7.07	7.33	9.95	8.25	7.36
Punjab	5.10	5.25	7.50	7.24	8.96	8.90
Uttar Pradesh	1.75	2.34	4.10	4.67	5.62	6.70

6.3 It will be seen from the above table that Assam alone, amongst all the States, shows a decreasing trend over the years in the per capita loans issued by the central co-operative banks. The increase in loan per capita is only very gradual in the case of States such as Bihar, Orissa, Rajasthan ^{and} West Bengal, the rate being lowest in Bihar and highest in Orissa among these 4 States. Madhya Pradesh, however, recorded a high increase in loan advances by central banks, the rate of increase being higher than ^{that in} several States indicated in the second group.

6.4 Among the States in the second group, the highest rate of increase is observed in Madras and Maharashtra, followed by Gujarat. The rate of increase in Uttar Pradesh, Andhra Pradesh, Jammu & Kashmir, Kerala and Punjab was on a much lower scale and the rate of increase in Mysore was the lowest being on par with Orissa in the first group of States.

7. LOANS ISSUED BY CENTRAL COOPERATIVE BANKS PER HEAD OF RURAL POPULATION

7.1 The Statewise data in respect of loans issued by all the central co-operative banks in each State per head of rural population is set out in Table IX below.

Table IX

Rankings of States according to loan amount issued by central banks per head of rural population in 1962-63.

<u>States</u>	<u>Loan per capita</u> Rs	<u>States</u>	<u>Annual rate of increase</u> Rs
<u>First Group</u>			
Maharashtra	18.24	Maharashtra	2.47
Madras	16.48	Madras	2.45
Gujarat	16.19	Gujarat	2.00
<u>Second Group</u>			
Punjab	8.90	Uttar Pradesh	0.99
Andhra Pradesh	8.89	Madhya Pradesh	0.84
Madhya Pradesh	7.76	Punjab	0.76
Mysore	7.36	Jammu & Kashmir	0.75
Uttar Pradesh	6.70	Andhra Pradesh	0.69
Jammu & Kashmir	5.51	Mysore	0.41
<u>Third Group</u>			
Kerala	4.24	Kerala	0.68
Orissa	3.76	Orissa	0.44
Rajasthan	3.51	Rajasthan	0.38
West Bengal	2.11	West Bengal	0.28
Bihar	0.89	Bihar	0.12
Assam	0.31	Assam	Negative

7.2 The data show that the central banks in Maharashtra, Madras & Gujarat, in that order, issued the highest loans per head of rural population according to data for the year 1962-3. The loan amounts per head of rural population in these three States were between Rs 15 and Rs 20. The next group of States in which the loan amount varied from Rs 5 to Rs 10, were Punjab, Andhra Pradesh, Madhya Pradesh, Mysore, Uttar Pradesh

and Jammu & Kashmir, in the descending order of magnitude. In the remaining six States forming the Third Group, viz., Kerala, Orissa, Rajasthan, West Bengal, Bihar and Assam, in that order, the loan amount issued per head of rural population by the central banks was less than Rs 5/-. It is interesting to note that the three States in the First Group and the six States in the Third Group have the same ranking according to both the criteria, namely, the level of credit per head of rural population and the annual rate of increase in such credit.

In studying the position relating to individual central co-operative banks in the different States, we may classify the banks both according to annual rate of increase registered in each case and the level of credit reached in 1962-3, the latest year for which data are available. Where the annual rate of increase is found to be negative, deterioration in credit has occurred. Where the annual rate of increase ranges upto Re.0.50, we may assume that credit is more or less stagnant. Where the rate of increase ranges from Re.0.50 to Re.1.00 per annum we may assume that the progress is slow. It is only in cases where the loan per head of rural population increases annually by more than Re.1/- that it may be considered that the bank is making some progress in its credit performance.

As regards the level of credit reached by a bank during 1962-3, the classification may be (a) upto Rs 5, (b) Rs 5 to Rs 10, (c) Rs 10 to Rs 20 and (d) above Rs 20. If the level reached is a substantially high figure, it does not call for immediate action even though there may be stagnation in respect of growth or even a slight deterioration. Where the level of credit reached during 1962-3 is very low and where deterioration or stagnation in credit is found to have occurred, individual cases will have to

be investigated in greater detail to find out whether the reasons for the deterioration or stagnation are removeable. On the basis of the above classification, the following position is found in the different States.

Eastern Region

Among the States in the Eastern Region, the performance of Assam appeared to be the most disappointing as in this State the average level of credit per head of rural population reached in 1962-3 was extremely low (Re.0.31) and the trend in such credit showed a decline. The credit performance of each of the central banks in Assam was also found to have shown deterioration and the level of credit reached by these central banks by 1962-3 was also much less than Rs 5 per head of rural population. In West Bengal, the level of credit per head of rural population reached in 1962-3 was only Rs 2.11 and the annual rate of increase was low at Re. 0.30 indicating an overall position of stagnation. As regards individual central banks in West Bengal, although deterioration in credit was not found in any bank, in all central banks except the Burdwan, Kalna, Tamluk and Midnapur banks, growth was more or less stagnant and the level of credit reached by these banks was also less than Rs.5 per head of rural population. Bihar State is characterised by a very low average level of credit reached in 1962-3 (Re.0.89 per head of rural population) and also a very low annual rate of increase in such credit at Re.0.12. As regards individual central banks in Bihar, deterioration in credit was noticeable only in the Samastipur Central Co-operative Bank. However, in all the other banks stagnation in credit was observed. The level of credit reached by all central banks in Bihar was also much less than Rs 5 per head of rural population. In Orissa, which showed a better picture as compared to the other States in the Eastern Region, the level of credit per head of rural population in 1962-3 was Rs 3.76 but the

annual rate of increase was less than Re.0.50. In the case of individual central banks in Orissa, deterioration in credit was not found to occur in any central bank. In the Aska Central Bank in the Coastal Region, in the Boudh, Dhenkanal, Keonjhar, Nowrangpur and Mayurbhanj central banks in Central Orissa and in the Bolangir, Bhawanipatna and Sundargarh central banks in Western Orissa, stagnation in credit was found to have occurred and in these banks, the level of credit reached was also lower than Rs 5 per head of rural population.

Northern Region

In Uttar Pradesh, the level of credit per head of rural population reached in 1962-3 was Rs 6.70 but an encouraging feature is the relatively high annual rate of increase recorded in this State. Out of 56 central banks in Uttar Pradesh, deterioration in credit was observed only in the Bijnor bank in Western Uttar Pradesh. In the Dudhi, Ramnagar, Bara Banki, Makhdumpura, Purwa, Bahraich, Basti, Faizabad, Balrampur, Ranipur and Pithoragarh central banks, stagnation in credit was observed and in these banks the level of credit reached was also less than Rs 5 per head of rural population. In Punjab, although for the State as a whole, a fairly substantial level of credit was reached in 1962-3 and the annual rate of increase in such credit was also satisfactory, deterioration in credit was noticed in 3 central banks, namely, Rohtak, Tarn Taran and Phagwara. In the Ambala, Hissar, Karnal, Gurgaon, Dasuya, Fazilka and Kangra central banks, stagnation in credit was observed and with the exception of the first 4 banks, the level of credit reached by them by the end of 1962-3 was also less than Rs 5 per head of rural population. In Rajasthan, the level of credit reached in 1962-3 as well as the annual rate of increase were very low, the former being less than Rs 5 and the latter less than Re.0.50. In this State with 25

central co-operative banks, deterioration in credit was found to have occurred in as many as 6 central banks, namely in Barmer, Jodhpur, Jhunjhunu, Sikar, Banswara and Sirohi Banks. Again, in as many as 9 banks, stagnation in credit had occurred, namely in Bikaner, Jalore, Nagaur, Pali, Bhilwara, Sawai Madhopur, Ajmer, Dungarpur and Udaipur. With the exception of the Kotah, Tonk and Jhalawar banks among the 25 banks of the State, the level of credit reached by the central co-operative banks in 1962-63 did not exceed Rs 5 per head of rural population. In Jammu & Kashmir, the level of credit per capita reached in 1962-3 was only slightly more than Rs 5 and the annual rate of increase was P.0.75. Out of the 3 central banks in the State, the performance of the Baramulla bank alone was not satisfactory as some stagnation in credit was noticeable in this bank and the level of credit per head of rural population reached in 1962-3 was lower than Rs 5.

Western Region

Among the States in the Western Region, the position in Madhya Pradesh presents a relatively unsatisfactory picture as the level of credit per capita reached in 1962-3 in the State at Rs 7.76 was low as compared to Maharashtra and Gujarat and the annual rate of increase in such credit was also low at Re.0.84. Deterioration in credit was noticed in this State in 4 central banks, viz. Sohagpur, Korea, Ratlam and Shajapur Banks. Stagnation in credit was observed in 18 other banks, viz. Bastar, Raipur, Raigarh, Hoshangabad, Sihora, Narsinghpur, Sagar, Balaghat, Betul, Chhindwara, Mandla, Surguja, Seoni, Jhabua, Susner, Sanawad, Rewa, and Shahdol. Excepting in Sohagpur, Ratlam and Shajapur in the first category and in Raipur, Narsinghpur, Sagar, Susner and Rewa, in the second category, the level of credit per capita reached in 1962-3 was less than Rs 5. In Gujarat, both the level of credit per capita reached in

1962-3 and the annual rate of increase in such credit was high at Rs 16.19 and Rs 2.00 respectively. Although the central banks in Gujarat had reached a satisfactory position in regard to credit per head of rural population, deterioration in credit was noticeable in 5 central banks, namely, the Bhavnagar, Kaira, Junagadh, Morvi-Malia and Rajkot banks. Of these, the level of credit in the last four banks ranged from Rs 10 to Rs 20 per capita and in the Bhavnagar Bank, it exceeded Rs 20. Although in Maharashtra, the level of credit per capita reached in 1962-3 and the annual rate of increase in such credit were the highest among all the States, deterioration in credit was noticed in the Kolaba and Poona Banks; of these the level of credit reached by the Kolaba bank was between Rs 5 and Rs 10 per head of rural population while that in Poona exceeded Rs 20. In Ratnagiri and Thana banks, stagnation in credit was noticeable and in both these banks the level of credit reached was lower than Rs 5 per head of rural population.

Southern Region

Among the Southern States, Madras presented the best picture, followed by Kerala. In Madras, the level of credit per capita reached in 1962-3 was as high as Rs 16.48 and the annual rate of increase was also high at Rs 2.45. In all the banks ⁱⁿ the Madras State, both the level of credit reached and the progress in such credit were satisfactory. In Kerala slow progress was noticed in the Alleppey, Malabar, Kottayam, Quilon and Trivandrum central banks and in all these banks the level of credit reached was also less than Rs 5 per head of rural population. In Mysore State, although the level of credit reached was fairly satisfactory at Rs 7.40 per capita, the annual rate of increase in such credit was low at less than Rs 0.50. In this State in as many as six central banks, namely the Raichur, Kolar, Hassan, Chitaldurg, Bangalore and Mysore banks, deterioration in credit has been observed. In another five banks, namely, in the Tumkur, Gulbarga, Bijapur, North Kanara and Chikmagalur banks, the loan advances showed

stagnation in recent years. In all the six banks of the first category and in the first two banks of the second category, the level of credit reached was lower than Rs 5.00 per head of rural population. In the Bijapur and Chikmagalur Banks, the level of credit reached ranged from Rs 5 to Rs 10; and in the North Kanara Bank, it was Rs 10.50. In Andhra Pradesh, both level of credit per capita reached in 1962-3 and the annual rate of increase in such credit were fairly satisfactory. Deterioration in credit was noticed in this State only in the Nellore Central Co-operative Bank, where the level of credit reached was also less than Rs 5 per head of rural population. However, in as many as 10 central banks, stagnation in credit has occurred. The banks are the Srikakulam, Chittoor, Cuddapah and Kurnool banks of Andhra Area and the Mehboobnagar, Adilabad, Khammam, Bhongir, Nalgonda and Warangal banks of Telangana. Among these banks, with the exception of Chittoor and Bhongir banks where the level of credit reached ranged from Rs 5 to Rs 10, the level of credit in all the other banks was less than Rs 5 per head of rural population.