

REPORT

on

Special Detail Abroad  
(July 3 - Aug. 10, 1968)

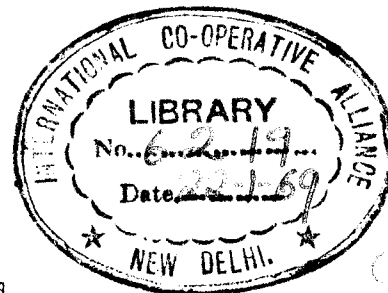
as a Participant of the

Teacher's Exchange Program

sponsored by the International Cooperative Alliance

by

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Aug. 22, 1968

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## FOREWORD

"A few hours but not many miles away at the end of a magic carpet flight, beckons a land of mystery and fascination - a land much older than my own - whose ancestors have left a rich heritage of beauty and tradition.

"In this proud land of contrasts, snow-capped peaks and pal-fringed waters guard both marble palaces and simple village huts. The hubbub and strange sounds of bustling cities accentuate the peaceful solitude of primitive villages, and bullock carts still ply their way as jet planes streak overhead.

"Fascinating would be the timelessness of jungle where neither man nor passing years has left a mark - where the majestic tigers, swift and dauntless still stalks on padded paws through his domains.

Thrilling was it to stand before the Taj Mahal, to marvel at its grace and femininity reflected in the tranquil water and then, in turn to reflect upon the skill and artistry of the creators of such delicate beauty. It was indeed a privilege to tread upon the ground once trodden by these ancient masters.

These are my impressions of India and where I had been from July 3, 1968 - August 7, 1968 as a pioneer in the International Cooperative Alliance's Teachers Exchange Programme (ICA).

The trip was financed by two sources: (1) The International Cooperative Alliance - Travel grant in the amount of Rs 3659.00 or \$479.10 covering the cost of economy class round-trip air passage Manila/Hongkong/New Delhi/Bombay/Poona/Manila and a daily allowance of Rs 4,500.00 or approximately \$600.00; (2) The University of the Philippines - ACCI Budget in the amount of \$100 as clothing allowance.

While attached to the Vaikunth Mehta National Institute of Cooperative Management, the receiving institution in my case, I had the rare opportunity to visit different institutions in India which have direct involvement in the growth and development of cooperatives in the country. These are the Agricultural Credit Department of the Reserve Bank of India National Cooperative Union of India, Bombay State Cooperative Land Mortgage Bank, the Maharashtra State Cooperative Bank, The Maharashtra State Cooperative Union, The Poona District Cooperative Bank Limited, All India Cooperative Instructors Training Centre under the National Cooperative Union of India, The Poona Madhyawarti Sahakari Grahak Bhandar Limited, The Kolhapur District Central Cooperative Bank Limited, The Rukdi Cooperative Multi Purpose Service Society Limited - the biggest in India, the Sahahu Market Yard in Kolhapur and the Shetkari Saharkari Sangh Limited, Shahapuri, Kolhapur. To these organizations and institutions particularly to the INTERNATIONAL COOPERATIVE ALLIANCE which financed my study pro-

gramme and the Vaikunth Mehta National Institute of Cooperative Management which meticulously arranged my program while I was in Maharashtra State I am deeply grateful. I am also indebted to many individuals who in one way or another made my trip fruitful, pleasant and a rewarding experience. These include Dr. S. K. Saxena the then Director of the ICA Regional Office and Education Centre for South-East Asia and now the Director of the International Cooperative Alliance, Mr. Lionel Gunawardana, Deputy Director for Public Relations, Publications and Publicity, Mr. J. M. Rana, Acting Director, ICA Regional Office and Education Centre for South-East Asia, Mr. Ragnar Arvidson, Joint Director, ICA Regional Office and Education Centre for South-East Asia, Mr. D. Vir Deputy Director, Mr. Rune Erixon, Joint Director Mr. Futagami, Mr. Danan Prakash, Publications Assistant, Mr. A. H. Ganesan, all from the International Cooperative Alliance, Regional Office and Education Centre for South-East Asia New Delhi, India, Mr. P. R. Dubhashi, Director of the Vaikunth Mehta National Institute of Cooperative Management Poona, India and to all his staff for valuable discussions on the techniques of conducting training and research programs: Prof. J. D. Jha, Prof. S. R. Rao, Prof. K. K. Mehta, Mr. Patwardhan, Mr. R. V. Nadkarni, Dr. G. S. Kamat, Mr. M. N. Rudrabasavaraj, Mr. K. R. Padmanabhan, Mr. S. A. Desai, Mr. G. P. Das, Mr. K. K. Taimni, Mr. D. R. Datar, Mr. S. D. Salungke, Mr. C. V. K. V. Shastry and Group Captain K. B. Joshi. I am also indebted to Mr. Dip Narayanan Sinha of the Committee for Cooperative Training of the National Cooperative Union of India for briefing me on the structure of cooperatives in India, Mr. Y. D. Deshpande, Asst. Chief Executive Officer Maharashtra State Coop Union for arranging my study visits in Bombay; Mr. Kamalakar Bhalerao, Publicity Officer of the Maharashtra State Coop Union for guiding me all the way through while I was in Bombay, Mr. Y. S. Borgaonkar, Managing Director, the Bombay State Cooperative Land Mortgage Bank, Dr. C. D. Datey, Chief Officer, Agricultural Credit Department, Reserve Bank of India, Mr. V. M. Das, Joint Chief Officer Reserve Bank of India Agricultural Credit Department, Mr. Ghulam House, Deputy Chief Officer, Mr. A. N. Choksi, Deputy Chief Officer, Agricultural Credit Department, Reserve Bank of India, Dr. Vicente U. Quintana, Officer-in-Charge and Assistant Director, Agricultural Credit and Cooperatives Institute, University of the Philippines, Gen. Carlos P. Romulo, President, University of the Philippines, Dr. Dioscoro L. Umali, Vice President for Agricultural and Forestry Affairs and Dean, College of Agriculture, University of the Philippines and concurrently Undersecretary for Agriculture, Department of Agriculture and Natural Resources, Mr. J. Laya, Assistant to the President for Finance and Development, University of the Philippines, and Dr. N. B. Tablante, Director, Agricultural Credit and Cooperatives Institute, University of the Philippines and concurrently Asst. Dean, College of Agriculture, University of the Philippines and consultant (Research and Planning Division) to the United Nations Economic Commission for Asia and the Far East. I wish also to express my appreciation to Mr. V. B. Shinde, Manager Kolhapur District Cooperative Bank Limited for making my stay in Kolhapur enlightening, to Mr. A. D. Shiveo, the

District Deputy Registrar Cooperative Societies of Kolhapur, India for briefing me on the operations of cooperative societies in his district. Appreciation is also due to Mr. Edilberto F. Castillo of the Agricultural Credit and Cooperatives Institute for typing this report.

In addition, on my way home I took the opportunity to visit the Cooperative Training Centre in Bangkok, Thailand which is under the Ministry of National Development. Special appreciation is also due to ~~Mr~~ Thep Saiyananda, Director, Economic Affairs of Cooperative Division, Ministry of National Development and to his staff Mr. Kwanthai Thaiyadhan and Mrs. Manit K. P. J. for arranging my program in Bangkok, Thailand.

This travel abroad has broadened my knowledge on agricultural credit and cooperatives. It has afforded me the rare opportunity to exchange experiences with some of the leaders of the cooperative movement in India. It has given me the privilege of acquiring new ideas and information particularly in the techniques and approaches in the conduct of our training programs. Undoubtedly these experiences will help me become a better worker in the interest of our cooperative movement. Above all, it has served as a medium of promoting better understanding and goodwill among peoples interested in enhancing the cooperative movement in our part of the globe. Evidence is the plaque given me by the Vaikunth Mehta National Institute of Cooperative Management expressing this sentiment.

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## I. The International Cooperative Alliance (ICA)

The International Cooperative Alliance is one of the oldest voluntary bodies entirely and exclusively dedicated in the promotion of co-operation throughout the globe. It's main task is "to propagate" Cooperative Principles and methods and to promote friendly and economic relations among Cooperative Organizations of all types both nationally and internationally.<sup>1/</sup> Founded by the International Cooperative Congress held in London in 1895, it has more than 215,000,000 members of cooperative societies in 60 countries with 142 member organizations directly affiliated to it.

In its main task, the ICA is constantly exploring avenues for international exchanges of cooperative experiences to the newly-developing cooperative movements of Asia, Africa and Latin America. This is done through promotion of education at all levels not only by holding international and national seminars on cooperation but also by assisting in the establishment and growth of National Cooperative Schools, Colleges and Training Centres. It also undertakes intensive researches on problems of all kinds affecting cooperative societies by highly qualified persons and helps promote the expansion of trade between cooperative organizations of the developing countries. It also renders technical assistance in creating secondary institutions of credit, banking and insurance and collaborates with the United Nations and other agencies in research, organization of courses, preparation of handbooks, production of cooperative films, selection and training of experts and sponsoring pilot projects.<sup>2/</sup>

In the pursuit of the Alliance's aims the establishment of Regional offices of the ICA in various parts of the world was included in its development plans. First to be realized is the Regional Office and Education Centre For South-East Asia, 43 Friend's Colony, New Delhi - 14, India and inaugurated in November, 1960 by no less than the then Prime Minister of India, the late Mr. Jawaharlal Nehru.

Since then the Centre has pursued the aims of the Alliance in this part of the globe. It has organized national and regional seminars and conferences attended by cooperators and experts in cooperative organizations. It has also embarked since 1962 on a Fellowship Programme grant granted to cooperators in the region for advanced training in cooperation. The Fellows spend six months at the ICA offices in New Delhi on a balanced programme of supervised readings, field investigations and report writing. They also participate in those programmes of the IC<sup>A</sup> which are of interest to them. It also renders technical assistance to the cooperative movement in terms of technical expertise and finance. Pilot projects on study circles were initiated in different countries in the region to discover possibilities of applying successful techniques of member education and researches in problems affecting cooperative societies were undertaken.

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<sup>1/</sup> International Cooperative Alliance In South-East Asia. A brochure published by the ICA Regional Office and Education Centre, New Delhi, India p. 2

<sup>2/</sup> Ibid.

The Centre also offers consultative services and helps promote cooperative trade. It also collects and disseminates news and information about cooperative developments in every part of the world.

## 2. Teachers' Exchange Programme of the ICA Regional Office and Education Centre

In its effort of assisting established cooperative training centers in the region, the Regional Office and Education Centre of the ICA has initiated a Teachers' Exchange Programme under which three selected teachers from Cooperative Training Centres in the region would visit three other training centres within the region on Teaching cum-Learning Assignment for a duration of four weeks. Mr. Promoon Vidhyananda, Chief of Cooperative Techniques and Promotion Division, Ministry of National Development, Bangkok, Thailand and who is also attached to the Cooperative Training Centre visited our Institute - the Agricultural Credit and Cooperatives Institute, University of the Philippines. In my case, I was attached to the Vaikunth Mehta National Institute of Cooperative Management in Poona, India.

The Exchange Teachers' Programme envisions the following objectives:

1. To lecture to students of the receiving institution on the subject of their specialization
2. To study the methods of teaching, the syllabi etc. of the receiving institution with a view to finding out the useful lessons for the teacher's own institution and
3. To study the developments in the field of his own specialization - agricultural credit in my case.

Upon my arrival in New Delhi, India last July 3, 1968 the International Cooperative Alliance, through Mr. Lionel Gunawardana, Deputy Director for Publications Publicity and Public Relations arranged for me a programme of activities for July 4-5, 1968 in New Delhi. Substantially it was on the activities of the International Cooperative Alliance and on clarifying the objectives of the Teachers' Exchange Programme in addition to discussions with the top officials of the Regional Office and Education Centre. Reading materials on the cooperative movement in the region and in India were given to me. I had also the opportunity to visit the offices of the National Cooperative Union of India (NCUI) and the Committee for Cooperative Training where I was given briefings on the programme of Cooperative Training and Education in India.

## 3. Cooperative Education in India

The building up of a cooperative sector in a planned economy is one of the central aims of the national policy of India. To this end the growth and expansion of the cooperative movement so as to bring every family within its fold and through it help these families



in meeting their various needs is envisioned. Schemes for organization revitalization and rehabilitation of cooperative societies have been adopted and modified over the years to achieve the objectives of the plan.

The policy planners of the country recognize the fact that the cooperative movement should be the people's movement. Hence, those who belong to it have to be well-informed on the theory and practices of cooperation. Training therefore is essential. No less than the late Prime Minister Nehru emphasized the importance of training the trainers to equip them with the necessary skills and art of reaching their specific audiences. To carry this out, the Government of India provides 100 per cent of the funds of the Committee for Cooperative Training, a special Committee of the National Cooperative Union of India.

### 3.1 The National Cooperative Union of India

The apex organization in charge of cooperative education is the National Cooperative Union of India registered under the Bombay Co-operative Societies Act of 1925 its area of operation extends throughout India, more than ninety percent of its finances is contributed by the Government of India.

The principal objective of the Union is "to promote and to develop the cooperative movement in India, to educate, guide and assist the people in their efforts to build and expand the cooperative sector and to serve as an exponent of cooperative opinion". In furtherance thereof, the Union may either by itself or in collaboration with a cooperative institution.

(1) organize co-operative education and training programmes and popularize the principles and practices of co-operation;

(2) develop inter-co-operative relationship and help the coordinated functioning of the co-operative movement in various sectors;

(3) organize, conduct, collaborate and assist in carrying out research, investigations of projects on important cooperative problems;

(4) arrange for the production and publication of literature and audio-visual aids including films, film -strips on co-operation and allied subjects;

(5) give publicity to the achievement of cooperatives through periodicals, journals, pamphlets, brochures, books, films, broadcasts and the like, for creating a favorable atmosphere for the development of the co-operative movement;

- (6) maintain an information bureau and a library;
- (7) express opinion on matters of co-operative policy and act as the accredited representative of the Indian Cooperative Movement in the national and international spheres;
- (8) convene and hold the National Cooperative Congress and co-operative seminars, meetings conferences, exhibitions etc.;
- (9) select delegates, representatives or observers on behalf of the Union for participation in the international, national and state conferences;
- (10) facilitate the promotion of co-operative institutions and assist the member-societies in resolving their problems and difficulties;
- (11) acquire, purchase, own or dispose of immovable property by way of sale, lease or otherwise for the furtherance of the objects of the Union; and
- (12) generally, undertake such other activities as functions as are considered incidental or conducive to the attainment of the objectives of the Union.

### 3.2 The All-India Cooperative Instructors Training Centre

The National Cooperative Union of India cognizant of training the trainers started an All-India Cooperative Instructors Training Centre in the cooperative year 1957-58. The Centre conducts training programmes for District Cooperative Educational Instructors in the art, methods and techniques of teaching cooperative theory and practice to the secretaries, managers, office bearers, members and leaders of cooperative societies. My programme in New Delhi afforded me the opportunity to visit this institution and had some discussions with its staff.

The Centre offers three types of courses, namely: basic training courses, refresher courses and refresher-cum-orientation courses.

#### (a) The Basic Training Courses and Refresher Courses

The basic training course is on the methodology and techniques of teaching cooperation. It is for eight weeks. Participants are sponsored by the State Cooperative Unions which are principally responsible for the cooperative training of leaders and officers of the cooperative societies in its territorial jurisdiction as well as member education. Candidates should be graduates and should have undergone training at the Junior Level Training Centre of the State.

The refresher courses aim at recalling Cooperative Instructors who have been in the service for at least two years after having undergone their basic training to give them the recent developments in the cooperative movement. The course lasts for ten days.

(b) Refresher-cum-Orientation Course

Participants in the course which is for a four-week duration are those Instructors who have already undergone the Basic Training Course. Of the four weeks, ten days are devoted to refresher part and the rest of the period is devoted to the subject of the course itself. Participant expenses are borne by the Centre which was provided by the National Cooperative Union of India.

(c) Techniques of Conducting the Training Programme

The techniques used envision the most effective ways of learning. Supervised study of the latest books and reports on cooperation and allied subjects is regularly done. Participants are to submit such study every week in addition to actual study circles formed during the course of the training. Participants are exposed to nearby village cooperative societies to study the operations, situation and problems for purposes of practice teaching. Week-end-assessment of each trainee is made and weak participants are provided tutorial assistance by the teaching staff. Educational films related to methods and techniques of teaching are demonstrated to supplement the classroom instructions. Other methods are also employed such as group discussion, role-playing, case study etc.

The centre also seeks the assistance of the Communication Media Centre of the USAID in India. In workshops conducted, meaning, need, use and modern tools of communication are explained through lecture cum discussions cum demonstration. Participants are then expected to determine what specific audio-visual aids they may need that are suited to their specific audiences. They undertake member education at various levels.

(d) Problems of the Centre and solutions

During the course of our discussions various problems encountered, came into focus. The centre does not have a library of its own nor does it have mimeographing machines for the reproduction of training materials. Neither does it have the necessary audio visual aid equipment. Another is the problem of motivation. Participants who have had years of experiences in the field felt that they know better than the staff. This calls for the continuous upgrading of the staff members of the Centre. Apparently while in the Centre the relationship between the staff and the participants is that of teacher-student relation. The design of the room and sitting arrangements where sessions are held reveal this.

Another problem is retention of those trained to continuously serve the cooperative movement. The basic pay of those in the field as per information is comparatively low vis-a-vis other government jobs of comparative duties and responsibilities.

The solution of these problem require serious efforts. The building of a horse-shoe session hall where the resource persons will be "most central" may minimize the feeling of teacher student relationship. Another is a continuous effort to build the "totality of the personality" of the centre to such a degree of recognition that participants will feel that by attending courses in the Centre they will enrich their knowledge and really profit from them. This calls for guest lecturers from renowned universities and research institutes and top-experts who are well-versed in the art of teaching and conversant with the latest trends in the techniques of learning in addition to serious efforts for the professional growth of its staff. On the problem of low pay the solution is obvious.

### 3.3 The Committee For Cooperative Training

The Committee for Cooperative Training a special committee of the National Cooperative Union of India was constituted in July 1962 with the concurrence of the Government of India. This was in answer to the recommendations of the Conference of State Ministers of Co-operation held in New Delhi in 1961. The Committee took over the responsibilities of co-operative training from the Central Committee for Co-operative Training of the Reserve Bank of India (equivalent to the Central Bank of the Philippines). All cooperative training institutions look upon the committee for financing and academic support. It is also responsible for the efficient running of the 13 Cooperative Colleges in the country and provides academic support to the 68 Junior Cooperative Training Institutes and to the All India Instructors Training Centre - New Delhi.

#### (a) Constitution and Functions

The main functions of the Committee include the following:

- 1) To formulate plans and organize and direct the arrangements in regard to the training for personnel employed in the cooperative departments and institution in the country;
- 2) To be in overall charge of the co-ordination of the programme of co-operative training and education including member education programme and in particular prescribe syllabus,

1. Constitution. National Cooperative Union of India  
Janty Printing Works, Jama Masjid, New Delhi - 6. -  
India, 1967 pp. 3-5.

methods of examination and to ensure that the standards of training and education are maintained;

3) To run a central organization to conduct research and studies in co-operation and for training of senior personnel of cooperative departments and institutions on an all-India basis;

4) To arrange for specialized courses in various subjects at the intermediate training centres;

5) To arrange for research at the central organization and at the intermediate and other co-operative training centres, universities and other educational institutions etc., and coordinate the programme of research;

6) To run intermediate training centres in states where they are not handed over to the State Co-operative Unions;

7) To evaluate the various courses in co-operative training and suggest measures for improvement; and

8) To generally advise the Government of India in regard to the steps to be taken to promote co-operative training and research.

(b) Sub-Committees of the Committee for Co-operative Training.

The Committee has two sub-committees.

- (1) The Training and Research Programmes and
- (2) Administration and Finance and a Working Group on Text Books.

The sub-committee on training and research has its own specific functions. Following are its principal tasks.

- (1) Formulates and coordinates research programmes in the Central Institute of Study and Research and other Co-operative Training Centres and Co-operative Institutions;
- (2) It formulates policies relating to duration, syllabi of various courses, examinations, practical training programmes etc.; and
- (3) Production of literature and publicity programme

The sub-committee for administration and finance has the following functions:

- (1) It lays down the criteria for recruitment of the teaching staff at the training centres.

- (2) Organization of courses including special and ad hoc courses.
- (3) Approval of the budgets of the training centres
- (4) Approval of the panel of practical training guides and their emoluments.
- (5) Formulation of constitution and functions of the local committees at the training centres directly run by the Committee.
- (6) Coordination of the activities of the Co-operative Unions.

The working group on textbooks of the committee reviews the progress made in the preparation of text books and allied subjects/publications suited to the training needs and that of the cooperative movement. It also reviews the operation of the Book Fund.

(c) Administration

The Committee for Cooperative Training is composed of representatives of the cooperative movement, the universities where cooperation is taught and of the government of India. There are at present 18 members: five from the National Cooperative Union of India, four representatives of the State Unions whose functions are principally on cooperative education within the state, two representatives of the National Cooperative Federations, one educator representing the universities, one from the Reserve Bank of India (which is the bank for all banks) one representing the Registrars of Cooperative Societies and four from the Government of India composed of representatives from the following ministries: Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation) with two representatives and one each from the Ministry of Finance and Ministry of Industrial Development and Company Affairs. The officers of the Committee are the Chairman, Vice-Chairman and Member-Secretary.

The Secretariat of the Committee is headed by its member-secretary who is also the Director, Cooperative Training, Department of Cooperation, Ministry of Food, Agriculture, Community Development. He is assisted by two Joint Directors, three Deputy Directors, one Administrative Officer, Accounts Officer and one Senior Technical Assistant with a complement of office staff.

The main functions of the officers of the Secretariat are the following:

- (1) General and academic administration of the National Institute and of the 13 intermediate training centres (Cooperative Colleges).

- (2) Provision of academic support to the junior training centres.
- (3) Servicing of the meetings of the Committees and its sub-committees and conferences, etc.
- (4) Creation and publication of text books and reports etc.
- (5) Inspection of all the training centres and the National Institute.
- (6) Follow-up action on the decisions of the Committee and its sub-committees.
- (7) Remission of funds and audit of accounts of the National Institute and the 13 intermediate training centres.
- (8) Coordination of training programmes and liaison with the Government of India, state governments, state cooperative unions, national federations, training centres and other concerned agencies.

#### 3.4 Intermediate Training Centres

The wide-scale recognition of the importance of development of a corps of well-trained personnel to man the cooperative movement is evidenced by the operations of 13 Intermediate Cooperative Training Centres for training of intermediate category of personnel. The administration of these centres is the responsibility of State Cooperative Unions of the state where the centre is located. However, nine of these centres are still under the administration of the Committee for Cooperative Training. For these nine, the committee has constituted local committees for each of these centres for an on-the-spot guidance and close supervision. Senior and intermediate officers and Extension Officers (Block level) are the participants in the training programmes in these centres. They include officers in charge of direction or control of state, division or district institutions. They are expected to possess sufficient knowledge on the theory and practices of cooperation. Institutional officers are also eligible for admission to these centres.

The syllabus at all these centres are uniform and include the following subjects: theory and practice of cooperation, banking, cooperative law, bookkeeping, accounting and cooperative audit, rural economics and business management. Optional subjects are land mortgage banking, cooperative audit, advanced banking cooperative banking in India, agricultural marketing and small scale industry and advanced accountancy and auditing.

Participants in these centres receive stipends during the duration of the course. They also receive certificates at the end of their training.

### 3.5 Junior Institutes

There are at present 68 junior cooperative training institutes. Their administration is the responsibility of the state cooperative unions where they are located. These were managed through special committees created for the purpose. The Committees for Cooperative Training provides technical and academic support to all these junior cooperative training centres. The officers of the committee visit these centres to study their progress and problems to suggest measures for improvement. A close watch on their progress is also done through quarterly reports received from them.

Participants in the courses held in these centers are junior personnel of the department involved in promotion, organization financing and supervision of cooperative societies. Office bearers and management personnel of cooperative organizations are also trained in these centres.

The course is generally of six months duration. However in states like Andhra Pradesh, Madras, Jammu and Kashmir, the duration lasts up to 12 months.

The financing of these training institutes is the responsibility of the state governments. The Government of India also shares with state Government the cost of training junior personnel and non-official participants.

### 3.6 Cooperation in Schools

The cooperative movement aims to bring about economic growth at the countryside. To this end it seeks to attract the interest and attention of the young and stimulate their curiosity and create in them the desire to know more about it.

The movement envisions drawing children and young people to it. The young can be reached through such activities and pursuits as are appropriate to their age group. Simple lessons in cooperation and cooperative methods are introduced in schools. At the secondary level, principles and practices of cooperation are incorporated in core subjects of social studies.

Cooperation is at present one of the subjects in Economics and Commerce degree courses in some universities. Facilities for Post Graduate Studies in cooperation are also available in the Universities of Andhra and Baroda and in one of the Rural Institutes run by the Ministry of Education. The Vaikunth Mehta National Institute of Cooperative Management at Poona recently offered research fellowships for the Ph. D. degree in cooperation.



The propagation of cooperation in schools of higher learning is also done through debates. A yearly all India debate on cooperation participated in by schools, colleges and universities has been launched. It is now on its eight year under the auspices of the committee for Cooperative Training of the National Cooperative Union of India. These debates arouse research and critical thinking on the part of students participating in these debates. These also merit considerable publicity and constitute a big help in bringing cooperation to the public.

The interest on cooperation is espoused no less by the late Prime Minister Jawaharlal Nehru. He said: "But my outlook at present is not the outlook of spreading the cooperative movement gradually, progressively, as it has been done. My outlook is to convulse India with the Cooperative Movement, or rather with Cooperation: to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally indeed to make the Cooperative approach the common thinking of India ... Therefore the whole future of India really depends on the success of this approach of ours to these vast numbers, hundreds of million of people. With that naturally come the processes of training etc. We can not just ask them to cooperate. Therefore, we have to train them in a very big way - educate them and give them special training."

### 3.7 The Vaikunth Mehta National Institute of Cooperative Management

The Institute is the apex cooperative training institution of India. It offers training programmes for cooperative executive development. It is the only institute of its kind in the country.

The Institute has its beginning in 1946 when the late V. L. Mehta became Minister of Cooperation, Finance and Village Industries in the government of Bombay. One of his first acts was to appoint a committee on Cooperative Education and Training in 1946. This committee recommended an integrated programme of cooperative education and training. One of the recommendations was establishment of a Cooperative Training College which started in 1947. The College was intended for the training of senior staff of the Cooperative Department of the then Bombay Province. Since there were no similar arrangements for training in India, it extended its facilities to candidates from other parts of the country. In 1952, at the suggestion of the Reserve Bank of India, the college started a six month orientation course for the senior cooperative personnel. And in 1953 the Reserve Bank and the Government of India jointly set up a Central Committee for Cooperative Training with Mr. V. L. Mehta and since then the College functioned under this committee.

However, in 1962 the Government of India appointed a study team on Cooperative Training under Mr. Shankdar Misra. On its recommendations the entire programme of cooperative training was transferred to the

National Cooperative Union of India which created a special committee - the Committee for Cooperative Training. Another committee the 1961 study team on cooperative training has recommended the establishment of a cooperative institute of advanced study and research. Instead of establishing another, the Committee for Cooperative Training decided to develop the college into such an Institute. A programme for its expansion was drawn up in 1963 in accordance with the vision visualized, the college was converted into the National Cooperative College and Research Institute. The Research Wing was started on a modest scale in 1965.

While conducting courses for departmental and institutional personnel at different levels, the Committee for Cooperative Training realized that the content of the training programs were not adequate to develop efficiency in cooperative business management. This was reinforced by the study of two experts: Dr. Glenn Hatlund and Dr. Wendell C. Binkley invited by the Ford Foundation. The two underscored in their report that there is a crucial need for the establishment of a top level institute on cooperative business management with a strong emphasis in business management in its educational and research programmes. Its staff should be of such degree of competence and excellence so as to achieve the vision that the Institute should become the recognized intellectual nerve centre and a leading source of cooperative thought and management development throughout India.

To give more concrete shape to the idea the Government of India appointed in April 1965 another committee with Prof. D. R. Gadgil as chairman to work out the scope and content of the courses, curricula and staff requirements of the proposed Institute. The Gadgil committee also decided to absorb the activities of the Central Institute of Management for Consumers' Business which provided training to managers of cooperative department and wholesale stores.

In gratitude of the entire cooperative movement for his prominent contributions to the movement in general and to cooperative education and training in particular, the Institute was named after Shri V. L. Mehta.

The Institute is presently located in three places. The main wing with administrative offices is at S B.J. Road, Poona 1. The diploma course in Cooperative Business Management is held at Napier Buildings, 10/1 Moledina Road, Poona. The Consumer Business Management Courses are conducted at 78, Koregaon Park, Poona. The senior officers' courses are held at the main wing.

The main objective of the Institute is to be the leading source of knowledge of cooperative management in India. To realize this the following are accepted as guides to policy formulation and programme development at the Institute:

(1) Selection and preparation of outstanding and talented young people for careers leading to management responsibility in cooperatives.

(2) Provision of opportunities for cooperative personnel, government officials and others in the middle and top level positions to acquire further training, education, management knowledge, attitude and skills.

(3) Provision of opportunities for Principals and Instructors in the various Cooperative Training Colleges and Centres to upgrade their knowledge and abilities in management so that the scope and quality of programmes in the several sectors may be broadened and improved.

(4) Provision of opportunities for teachers and researchers in the various Colleges and Universities of India to refresh and upgrade their knowledge and abilities to teach Cooperative Management and to do significant research in this area.

(5) Conducting action oriented research in cooperative management and presentation of the results quickly and to develop research scholars.

(6) Developing and publishing Indian literature on cooperative management through research and publications, and

(7) Providing selective management consultancy services to cooperatives and government departments.

The research wing aims to conduct researches on selected aspects of the cooperative movement in all its sectors and develop case studies and case materials. It also publishes books, ewpoera and case studies and runs the quarterly journal "Cooperative Information Bulletin. This publication seeks to inform all cooperators of the current trends, developments and literature on cooperation. It gives notes and news regarding the activities of the Institute and important developments in the different states of India, digest of articles published in various journals and periodicals and certain statistical information for use of executives, teachers and researchers.

The Institute true to its objective of being the intellectual nerve centre on cooperative thought in India started the Cooperative Forum last Nov. 6, 1967 to enable cooperators to discuss and exchange views on problems of cooperation. Professor R. L. Marshall, Principal of Cooperative College, Loughborough, United Kingdom, delivered in this forum a talk on Cooperative Education and Training in the United Kingdom." Likewise, Dr. Otto Schiller, the West German Agricultural Economist, and Director of South Asia Institute, Heidelberg spoke in the same forum on "New Trends in Cooperative Development: West Germany and India. I was also privileged to speak on that forum on "The Agricultural Cooperatives, Philippine Experience."

In its tasks, the Institute constantly endeavors to be in touch with leading universities, institutions and research centres in the country and abroad for exchange of ideas and experiences and collaborations for specific projects. A national inter-disciplinary seminar on cooperation was held in March 1968 in which leading professors and scholars representing various disciplines from various universities participated. It also endeavors to develop international contacts for its faculty members to get opportunities to visit abroad and participate in seminars and courses. One of its senior staff members Dr. G. S. Kamat visited the Cooperative College, Loughborough, England, on invitation from the said College, to work as a faculty member for a period of one year.

The Institute draws its funds from the National Cooperative Union of India. Hence, the Administration and Finance Sub-Committee of the Union acted as the Special Committee for the overall supervision, guidance and administration of the Institute.

The Committee for Cooperative Training recognizes the fact that academic and operational freedom is so essential for the growth and development of the Institute. Plans were adopted to make the Institute an autonomous organization with degree granting status.

The plan envisions that the Supreme Governance of the Institute be entrusted to a Governing Body on which the Government of India, the National Cooperative Union of India, Federal Cooperative Organizations, other organizations interested in cooperation, the Institutes of Management and educational institutions and distinguished non-official cooperators and scholars and experts interested in the growth and promotion of cooperation could be represented. This body should hold office for five years.

The Institute has elaborate plans for the construction of its buildings on a 15 acre site at Poona University where all activities of the Institute would be located. This will accord it accessibility to professional talents and management consultants for the academic progress of the Institute. It will also have access to academic facilities such as proximity to institutions of higher learning with well developed library and competent research personnel.

### 3.7.1 Educational and Training Programmes

The Institute conducts a diploma course in cooperative business management, senior officers' course, courses for the general managers of the wholesale stores and department stores, course for accountants and refresher courses.

#### (a) Diploma in Cooperative Management

The objective of the course is to strengthen India's cooperative structure by providing opportunities for executives in the cooperative

structure to develop management skills through constant exposure to modern scientific management methods, concepts and tools.

Participants in this programme are prospective cooperative business executives, administrators, departmental and institutional officers working above or earmarked to work above the district level and officers like the Reserve Bank of India, State Bank of India concerned with the cooperative development programme, principals and instructors at the intermediate level Cooperative Training Colleges, and principals of Junior Level Cooperative Training Centres. Preference is given to candidates below 40 years of age. Selected participants have to serve the cooperative institutions for at least three years after the completion of the training.

The first term which is for three months duration covers the following: cooperation, economics and statistics, management process and principles and personnel management and labour relations. Written examinations are given at the end of the term.

The second term which is for another three months has the following subjects and in which the participants have to be examined in each subject: Economics and Statistics, Cooperation and Law, Financial Management, Marketing Management Production and other Functional Areas of Management.

The third term treats of sectoral specialization. Subjects covered are cooperative processing, cooperative banking cooperative marketing, consumers' cooperation, foreign trade and labour cooperatives. There is only one examination given; that is in the field of specialization of the participant.

Participants are evaluated on the basis of participation, project report and general performance. The weightage for evaluation is as follows:

1. Written examination - - - - - 40%
2. Project Report - - - - - 30%
3. Seminars - - - - - 20%
4. General Performance - - - - - 10%

For purposes of grading, those who receive 75% and above are placed in First Class with distinction; 60% - 74% First Class, 50% - 59% second class. To earn a diploma a participant should not get less than 50%.

The syllabus of the course covers the following:

Economics and Statistics

Economic systems - economics of underdevelopment and growth - rural economics and sociology - economics of planning - agricultural economics - national income analysis.

### Cooperative Organization and Administration

Origin and growth of cooperative movement in India - cooperative principles - role and place of cooperatives in Indian economic development - organization and structure of cooperatives - democratic management - inter-cooperative procedures and practices - registration - appeals - amendment of bylaws - inspection - supervision - arbitration, audit and follow-up, state and cooperation.

### Public Administration

Constitutional basis of political organization - public administration - federal and unitary constitution - legislative, judicial and executive authority - the public administration in a police state as against a welfare state - planning and public administration - centralization and decentralization - law, administrative law, executive instructions. Organization of departments - organization of management of public enterprise - process of decision making in public administration, financial administration, budgetary processes and physical administration - administrative reports.

### Management Process and Principles

Evolution of management thought - scientific management pioneers - management in private sector, public sector and cooperative sector - definition of management - basic process and principles of management - management styles, approaches and philosophy - planning and its principles - organizing - staffing - directing - communicating - motivating - coordinating and controlling and their principles.

### Personnel Management and Labour Relations

Role of personnel management - manpower planning and recruitment - selection - induction - recruitment - performance appraisal and counseling - wage and salary administration - promotions - transfers - management and manpower development - training - various types of training - communications - formal, informal, grapevine and rumour - channels of communications.

Indian trade union movement - pattern of union-management relationship - labour legislation - individual and the organization - group dynamics - formal and informal groups - group pressures and norms - leadership - human needs - frustration, motivation and morale.

### Management Economics

Concept of firm - demand analysis - production functions - market - competition, monopoly - oligopoly - profits, time and uncertainty decisions - pricing.

### Statistics

Definition, scope and use of statistics - statistical methods and techniques - statistics of cooperative movement and organizations - sources of statistical information - research methodology.

### Financial Management

Financial planning - share capital - internal resources - borrowed capital - banking - functions of banks, role of banks, types of advances and operations - nature of securities - maintenance of liquidity by banks - mobilization of resources by banks - principles of good lending by banks - financial agencies - Reserve Bank - commercial banks - Agricultural Refinance Corporation - State and central government - Industrial Finance Corporation - Industrial Development Bank - Life Insurance Corporation of India - Accounting and Auditing - Budgetting - Administrative budget cash budget - follow-up - evaluation reports, accounting - cost accounting - standard costing break-even point analysis - financial accounts - stores accounting - interpretation of financial statements - audit - internal audit - statutory auditing.

### Marketing Management

Evolution of markets - types of markets - market systems - market functions - functions of exchange - channels of distribution - methods of grading farm products and industrial goods - storage - warehousing - marketing research - sales management - sales promotion - theory of consumer behaviour - market policies - advertising - purchase and procurement, process of pricing - competitive market price - market finance - market researches - speculation - forward trading - hedging - insurance - market research methods, procedures - application of market research - organizational market arrangements - institutional approach - role of statutory organization in marketing - commodity pools, Food Corporation - State Trading Corporation - Warehousing Corporation - commodity approach - marketing of farm products like sugar cane, cotton, ground nut, coffee, milk, paddy - marketing of manufactured goods - marketing of services.

### Materials Management

Principles of materials management - procurement analysis - transport - inventory levels - handling and storage standardization - production and inventory control, organizational set up.

### Office Management

Theory and function - organizational methods - work simplification - office procedures - systems and standards - filing systems - records management - office layout and designs - mechanization - productivity and efficiency.

### Public Relations

Scope of public relations - need and significance of Public Relations in cooperative sector - techniques of public relations - reaching different types of public and meeting their needs - image building - image of cooperative sector - tools and techniques of public relations - programming for public relations and evaluation - public relations research.

### Law

Cooperative Law, Civil Law, Business Law, Labor Laws, Taxation Laws.

### Sectorial Specialization

#### Cooperative Processing

History and progress of cooperative processing in India and abroad - organization of cooperative processing - operations of a processing cooperative - procurement of raw materials - binding contract with member cultivators - supply of farm requisites - linking with agricultural credit and supply cooperatives - disposal of wastes - utilization of by-products, sale of processed products and by-product - negotiated price - public auction - contract with consumer cooperatives - federations of processing cooperatives, their constitution and function - Electives (for specialists) - cotton, oil seeds, paddy, fruits, and vegetables - sugar cane and milk, fishery and meat, coffee.

#### Cooperative Banking

Economic background - central banking law and practice of banking - banking operation with special reference to Cooperative banks, advance to customers, accounting system in banking - banking organization and management, financial control, frauds, agricultural credit (short term, medium term and long term) non agricultural credit - study of constitution, functions and working of various cooperative banks - role of Reserve Bank of India in the sphere of cooperative and rural credit and the role of State Bank of India.

#### Cooperative Marketing

Concept and nature of cooperative marketing - principle of cooperative marketing - factors relating to formulation of cooperative marketing societies, structure of marketing societies, integration of cooperative marketing with other centres - cooperative movement - regulation of marketing and marketing cooperatives - policies of marketing societies - marketing finance - marketing societies in foreign trade - management of marketing societies.



### Consumers Cooperation

Consumer cooperatives in India and abroad - planning of consumer cooperative societies, retailing introduction to retailing - self-service shops indenting of goods - payment system - salesmanship - pricing policy - sales compaigns - handling of goods - purchasing, accounting and budgeting - stock accounting (value control system) financial accounting - income tax - sales tax - internal auditing - cash control - stock levels and stock rationalization - financial planning and cash budget - democratic control - delegation (Board and General Manager) Management reports - staff training - planning for expansion.

### Foreign Trade

Origin and economics of international trade - survey of India's foreign trade - balance of payments - GATT, UNCTAD, IMF, World Bank, International Commodity Agreements - devaluation, revaluation, economic union, international capital movements, role of foreign trade in Indian economy - composition and direction of India's foreign trade, Indian exports and their problems - cooperative foreign trade - market research.

### Labour Cooperatives

Need and scope of labour cooperatives - policy and programme of government regarding the development of cottage and small scale industries and development of workers and laborers' cooperatives - basis of organizing artisanal cooperatives - federal structure - problems of procurement and marketing - problems of financing - electives .

#### (b) The Senior Officers' Course

This course is designed to provide general orientation with reference to the recent trends and programmes in cooperative movement to personnel holding senior positions in cooperative departments and institutions. The course is for 14 weeks with a capacity of 30. They have to enter into an agreement with the sponsoring institution to serve it for a specified period after the training.

Candidates are expected to be College graduates and experienced officers of departments or institutions who are attending to general administrative work and likely to be posted in different branches of work. They should not be more than 45 years old and should have undergone basic training at an intermediate level centre. They should have worked in a senior post for at least three years.

(c) Consumer Courses

The consumer business management programmes are organized to help develop a competent corps of managerial personnel to meet the needs of the consumer cooperatives all over the country. To this end, specific courses are designed to meet the needs of specific managerial personnel. The principal objective is to provide the participants essential knowledge, concepts and methods in order to increase their operational efficiency in their respective stores. The course lasts for eight weeks. They are evaluated on the basis of written examinations and faculty assessment on leadership qualities exhibited in classroom work and seminar discussions. At the end of the course, participants are given certificates indicating satisfactory completion.

Candidates for this course should be college graduates preferably in Commerce or Economics and should be working as a general manager or section manager or in any other senior capacity or should be directly connected with the inspection and supervision of the department stores. They should not be more than 40 years old.

The programme of study consists of the following:

Consumer Cooperation in India and abroad - assessment and working of consumer cooperatives - cooperative principles, Government approach to consumer cooperatives - retailing, introduction to retailing - self-service shops and other types of shops - shop management - location - work organization - payment system - layout - stores - stock merchandizing and display - stock accounting - cash control - pre-packing and price marking - indenting of goods and arrival - modern methods of merchandizing.

Wholesaling - sales management - sales campaigns - pricing policy - advertising - purchases - techniques of purchasing and bulk buying - purchase of food, groceries, cloth and branded goods, functions of federations - handling of goods in godown - cooperative production and brands - transport - accounts and budgeting - management - business management - personnel management - office management - business laws - democratic control - board and the general manager, staff, incentives to employees, management reports.

Finance, Financial planning and cash budget, creation and allocation of surplus, credit from banks, planning for expansion, expert reports.

(d) The Course For Accountants

The course aims to orient the accounts personnel of consumer cooperatives into the modern ideas in accounting including the technique of interpretation of accounting information as a tool

of management. The course lasts for three weeks and at the end of the course, participants are given certificates of satisfactory completion.

The course embraces the following:

Introduction to accounting - consumer cooperation in India - Bylaws and accounts - shop accounting - value control system - indenting and receiving goods - cash and credit - sales returns value control of stock procedures - cash control and payment system - godown accounting - head office accounting - accounting expenses, accounting share capital - accounting reserves - accounting loans and deposits - accounting other liabilities - accounting cash and bank, accounting investments - accounts bills receivable - accounting fixed assets and others - trading and profit and loss account - balance sheet - auditing - sales tax - income tax - budgeting - sales budget - purchase and process budget - administrative budget - overall budget - cash budget - financial planning.

The Refresher courses are given to those who have undergone training. Developments and trends in the cooperative movement are covered. The course lasts for a period of one week to a few weeks. Seminars, conferences and workshops are also organized by the Institute for orientation of persons at the policy making level. Periodical conferences of the top most management personnel are convened to apprise them of the activities of the Institute and its usefulness for the development of their own institution.

### 3.7.2 Methods of Teaching and Attendance

In all its courses, the Institute attaches great importance to regular attendance. Participants are expected to attend all classes. If for any good reason, a participant cannot attend his classes, permission for absence is to be sought.

The techniques utilized to impart knowledge, develop attitudes and skills in the management of cooperatives largely determine the effectiveness of the training. A variety of teaching techniques such as lecture with questions and answers, case studies, syndicate sessions, role play, symposia, seminars, book reviews, executive exercises, conferences, educational visits and tours, essay writing, business games, executive listening and speaking are employed in the course of the training. Student-participative teaching techniques and project studies and reports are also used. Audio-visual aids such as films, film strips, exhibits, dummy shops, displays etc. are also utilized in the training programs.

### 4. My Programme of Activities

Upon arrival at the Institute, Mr. P. R. Dubhashi apparently has already prepared a programme of activities during the course of

of my stay. The objectives of the programme are as follows:

1. To enable me to study the work at the Institute, its principal methods and techniques of training and its organization and administration.
2. To make use of my knowledge through arrangement of lectures on ~~my~~ special subjects at the Institute.
3. To develop contacts between the Vaikunth Mehta National Institute of Cooperative Management and the Agricultural Credit and Cooperatives Institute of the University of the Philippines.

The specific details of the programme are as follows:

1. Attend inaugural session of the ten-week course in Management of Cooperative Processing Units starting from 8th July, 1968, the date of my reporting at the Institute. Participants in this course consist of managers, assistant managers and potential managers of cooperative rice-mills, sugar mills, spinning mills etc. and departmental personnel responsible for promoting these activities.
2. Listen to the statements of the above mentioned participants on their experiences in cooperation.
3. **Study of the syllabus of different courses and research studies and reports of the Institute.**
4. Attend from time to time lectures and discussions in the courses in Management of Cooperative Processing Units and the Purchase Officers Course.
5. Participate in symposia arranged as a part of the first course mentioned above:
  - (1) Financing of cooperative processing units
  - (2) A symposium of cooperative leaders on their experience in promoting and starting a cooperative processing unit
  - (3) A discussion on feasibility and project reports on cooperative enterprises.
6. Participate in a role-play session arranged as a part of the course on Management of Cooperative Processing Units.
7. Associate himself with the syndicate studies of the above-mentioned course.
8. Lecture to the trainees on Cooperative Credit as an aid to Cooperative Processing.

9. Participate in a discussion on the project studies of the trainees of the three-term course in Cooperative Business Management started on 15th January 1968 and is on its third term as of July 1968. This is a basic course in professional cooperative management. Participants are earmarked for holding key managerial positions in cooperative enterprises.

10. Attend initial part of the course on Consumer Cooperation to be started on July 29th 1968.

11. Have discussion on Research Work at the Institute with the Deputy Director for Research and with research workers at the Institute.

12. Address a meeting of "Cooperative Forum" on the "Agricultural Cooperatives, Philippine Experience." A copy of the paper is reproduced in this report.

13. Participate in faculty-meetings held to discuss work-programmes and other activities of the Institute. Such meetings are held every Friday.

In my first attendance I was asked to discuss the objectives of the Agricultural Credit and Cooperatives Institute of the University of the Philippines, its administration problems and activities. It could be surmised that the objective is to learn from our experiences and what lessons the Institute may draw from them.

14. Visit cooperative institutions in Poona and the surrounding areas particularly in Poona District Central Cooperative Bank, the Reserve Bank of India, Agricultural Credit Department, Bombay State Cooperative Land Mortgage Bank Limited, Bombay, Maharashtra State Cooperative Bank Limited, Bombay and Maharashtra State Cooperative Union, Bombay, Kolhapur District Central Cooperative Bank Limited, Kolhapur, Rukdi Cooperative Multi Purpose Service Society Limited, Rukdi, Sahahu Market Yard, Kolhapur and Shetkari Sahakari Sangh Limited, Shahupuri, Kolhapur. Salient points on these visits will be discussed in succeeding parts of this report.

15. Work in the library of the Institute which would be at his disposal.

16. Extra-curricular activities include the following: Local visits were arranged to Poona University, Gokhala Institute of Politics and Economics and College of Agriculture of Maharashtra State.

The Role of the Reserve Bank of India in the  
Development of Credit Institutions\*

In a developing country such as India which is desirous of achieving planned development, institutions, practices and attitudes must be attuned to new needs and new requirements for they are the instruments of change and have to be forged **abroad to meet new** conditions. In this process and where credit is concerned, it is the hypothesis that the Central Bank of a developing country has a very special role to play. It is a role which includes but transcends the functions of the Central Bank of an economically advanced country. In India for the last two decades, the Reserve Bank has attempted a great deal by way of promotion and development the development of institutions through which agricultural credit is extended. It has extended the horizons of banking and undertaken the financing of small scale industries.

But how is institutional development a matter of relevance? This is for many reasons but mainly because agriculture and small industry are for the most part, in the hands of those whose resources are small. A small farmer who owns a couple of acres is often at the grip of a money-lender or trader. He is paying a high interest or has sold in advance his produce at not too favorable a price. He is in need of money to buy seeds, fertilizers, insecticides etc. and barring the money-lender and the trader, he has no one to turn to. What would be of real help to him is the existence of an alternative, a proper one that is functional, a bank or a society which is capable of giving him an adequate and timely loan for production and marketing his crop when produced. Such an institution (together with others of course) would serve to provide him not only with increase means to produce, but also increased incentive to produce. Credit and marketing would have to be such to facilitate in production, maximum increase and for the producer, maximum benefit. Only an institutional agency, preferably a cooperative could be relied to do this. The money-lender may have virtues but he ordinarily does not possess a passion for larger production nor to grant loans at a lower interest rate.

There is another reason for the deliberate promotion of institutional credit with state aid if possible. A larger part of the country is still non-monetized. Moreover, agriculture in many areas is of the subsistence type. There is clearly no incentive for commercial banks to extend their activities to such areas. These are the very regions which are in urgent needs of economic growth and many of them have economic potentials but no financial resources. It is this combination of need and potentiality which is the rationale in the expansion of

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\* Lecture delivered by B. Venkatappiah - Deputy Governor, Reserve Bank of India at Gokhale Institute of Politics & Economics, Poona.

branches of the State Bank of India and in the planned reorganization and extension of state cooperative banks, district cooperative banks and the different types of credit societies.

One may put the same thing looking at it from the point of view of the Central Bank of the country particularly the Reserve Bank of India. One of the important functions of the Bank is to control and regulate credit. In the developing countries, there are large areas that the Central Bank is unable to fulfill this function. In India, it is particularly so, that a large sector of the economy represented by agriculture, small industries, cottage industries etc. is lacking credit. It is in this context that the Reserve Bank exerts various efforts to extend the area of organized commercial banking or to help set-up a cooperative credit system. In either case, the attempt is to effect a transition from the individual to the institutional, from the unorganized to the organized. Control implies organization and it is obvious that credit regulation and monetary management must remain incomplete if, outside a restricted arena, there is nothing to regulate or manage.

There is another point. By and large and till recently, the banks in India derived their traditions and procedures from a phase of British banking which even in Britain is now becoming obsolete. One result is that while Indian banking has given an excellent account of itself from the point of view of depositors of money on the one hand and the distributors of goods on the other, it has serious shortcomings from the point of view of the producer especially the small producer. How can banks and other financial institutions be made to conform to the needs of the developmental efforts and, in so doing, not be made to feel that they are being imposed upon by government or rendered less sound in their working? The problem is one for the banking structure as a whole, including the Central Bank of the country.

In many advanced countries, the present trend is for the banker to regard himself not as a mere supplier of credit but as a financier and counsellor who in promoting the good of his client also promotes the particular industry through an understanding of its technical and financial aspects. The outlook and the methods of working of commercial banks have thus undergone a great change. In India, substantial progress in this direction have to be made. Even cooperative banks, specially set up to meet the requirements of agriculture or of industrial cooperatives tend to take a predominantly traditional view. They attach a somewhat disproportionate importance to land as security for loans and persuade themselves that it is right to confine their activities to a relatively small proportion of cultivators, hand-craftsman and small entrepreneurs generally.

It is evident that any programme for the development, reorganization and modification of financial institutions and their procedures cannot be dealt with in isolation. They are intimately connected with

programmes of production on the one hand, on the other, with aspects such as the marketing or processing of the goods produced, their storage and distribution, the financial strength of the borrowing institutions and so on. These matters fall in the spheres of different institutions and different departments of the government both central and state as also of course within the ambit of a very large number of private individuals and institutions. Hence, any programme of the Central Bank without reference to other bodies and organizations would be futile. Indeed, in many cases, the more important items of policy or action, where the state is concerned with these, will be related to one or another government or department rather than to the Central Bank, while in certain other matters, the Central Bank will of course be directly concerned. All this emphasizes the need for a genuine sharing of purpose, besides effective coordination in actual action. It implies that there will be proper definition of the functions and responsibilities of the particular institutions involved in the scheme.

The framers of the Reserve Bank of India provided at the very inception of the Bank a special responsibility of the Bank to provide agricultural credit. At the start it was on the provision of advice on agricultural finance rather than agricultural finance itself. The Reserve Bank could not be blamed for this performance. The finance could be channelled only through the state cooperative banks and central cooperative banks. Few of these measure up to the requisite standards and even those few were not doing much business. There was therefore little that the Reserve Bank was called upon to do in the beginning. It was after World War II and more especially during the last two decades that a very considerable change took place. This can be taken to indicate the great transformation which has been effected. How has this come to pass? Though the Reserve Bank remains by and large the same institution as in the original act that gave birth to it, a few amendments have been made here and there though not fundamental in character. The most significant development has been the Bank's own changed conception of its role, a change made meaningful by the developmental effort as a whole including the new emphasis on agricultural production and cooperative credit. The change in attitude is revealed in the following: in loans granted to agriculture, the Bank was prepared not only to make them to deserving state cooperative banks as laid down in the statute, but also to collaborate with others, including the borrowing bank, in a programme for rendering the borrowing institution efficient and increasingly credit worthy. In the interpretation of this new role, it was then the responsibility of the Bank to take the initiative itself and by a combination of advice, incentive and assistance, persuade the borrowing institution to put through an agreed scheme of reorganization. Moreover, in this kind of loan, the rate charged is two per cent below the existing bank rate.

How the Bank came to assume this role is perhaps of interest to others. The first approach is the evaluation of the cooperative banks and what were their difficulties. This showed that much more could be



done if certain procedural changes were effected. Thus all loans for agriculture were made for nine months and were strictly payable at the end of September each year. This resulted in a difficult problem for many agricultural societies. The seasons differ in different regions and the duration of the crop is different for different crops. Both loans and repayment have to be realistically phased in the light of actual requirements. The Reserve Bank accordingly agreed to a more flexible procedure; it also suggested to the government that the act might be amended to make the period longer than nine months. This had an almost immediate effect and much larger loans for agriculture started being drawn by cooperative banks throughout the country.

The second step was more comprehensive. An All India Rural Credit Survey was undertaken and the Committee in charge of the survey made its recommendations in 1954. The theme of the recommendations centered on the need for massive and coordinated action on many fronts for bringing about institutional development. The development would be possible only through the full support, financial and others by the central and state governments and the powerful organ of the state - the Reserve Bank. The details of the study on credit revealed that 70% of all rural credit in India was supplied by money-lenders. Loans from institutional sources constituted only about 3 per cent of the total borrowings of the cultivator. The cooperatives for their part accounted for just as little. An institutional substitute for the money-lender is thus an imperative necessity if production was to increase and the cultivator to benefit. Various proposals such as large-scale increase in government loans, the enhancement of agricultural financing by commercial banks, and the formation of agricultural Credit Corporations - state-wise or India wise were mooted, but considered inappropriate. Millions of cultivators had to be reached and in the long run nothing would work which was centralized or bureaucratic, or in which the producer himself did not have a voice. Cooperation was the alternative. However, the Committee noted that cooperation has failed but it must succeed. There were two aspects which the committee emphasized. One is the wholly unequal competition with which in Indian conditions, cooperatives are faced. The other is the wholly inadequate financial and technical resources with which they have to face that competition. Distinguishing between the urban and rural sectors from which cooperatives and their competitors maybe said respectively derived, the Committee said that the one was a federation of weakness from below, whereas the other was a projection of strength from above. It was against this background and in the conviction that there was no alternative but to make cooperation a success that the Committee formulated what was called the integrated scheme of rural credit. The main features, in so far as these affected cooperatives were: (1) state partnership at different levels to the extent needed (2) development, along with credit, of marketing, processing, warehousing and storage and (3) extensive provision of training facilities. In matter of state partnership the committee emphasized that the state should not interfere in the workings of the society.

In the context of state partnership, the committee feels that unless at the very start there is a minimum of financial resources at the disposal a cooperative would never get going, let alone become successful; and to the extent this minimum is lacking, the state should step in as partner and make up the gap. As the institution progresses, however, that is, as more members join and larger funds are collected by way of share capital, the government part of the contribution can be retired. State partnership will last as long as necessary, but need not be permanent. The duration might be a few years in one case, or more than a decade or so in another. But all this will depend on how effectively the programme is pursued. The partnership will be required not only in the cooperative banks, but also in marketing and processing organizations. If the development of credit institutions in the cooperative sphere could be regarded as the appropriate special responsibility of the Reserve Bank and the state governments, the programme of marketing, processing, warehousing and so on could be regarded as more especially the responsibility of the Central Government and state governments. The direct responsibility would be that of state governments. This is as it should be for cooperation is an item which falls in the State Lists of the Constitution. The state governments would not only legislate, administer, supervise, and subsidize in this sphere, but would also under the new concept, be partners in the cooperatives. It was precisely in order to facilitate such partnership which in financial terms, implies an investment of several millions by each state government in the share capital of its cooperative credit, marketing and processing institutions - that provision was made in the new legislation that state governments could borrow long-term loans from the Reserve Bank if they desired to take shares in a cooperative bank or society or from the National Cooperative Development Board if they wish to be partners in marketing or processing societies. This was the broad framework. There was co-ordination in that the authorities of the Bank and the Board meet in common committees. So far as the Reserve Bank was concerned, the Act was amended to provide for a Long-Term Operations Fund, built up from part of the profits otherwise transferable to the Central Government. Out of this fund, loans could be made from time to time to State Governments. The loans would usually be for periods ranging from 12 to 20 years. They would be used by state governments for buying shares either direct in society or bank, or where appropriate, indirectly through the apex cooperative bank. The Reserve Bank, it has to be borne in mind, is banker to the Central Government as well as to the State Governments. The change, far reaching and pervasive from the point of view of development implies no more than a slight addition to this role in that through the Long Term Operations Funds, the Reserve Bank now becomes a long term financier for specific purposes to state governments. The new role enables the Reserve Bank to keep an eye on the programme of development as a whole and to support the plans and efforts of state governments by giving them financial accommodation in accordance with programmes previously agreed upon.

There is another aspect which is even more important. This concerns short-term accommodations to cooperative banks. Under the Reserve Bank Act, this accommodation is available to the cooperative banking structure in much the same way as to commercial banks. In other words, the financing is in the nature of re-inbursement or refinancing rather than of direct financing. A bank lends to a person or institution and with the appropriate bill or security comes to the Reserve Bank for replenishing its resources should it so need. Essentially the same idea is applied to cooperative banks, including the apex bank, on which the Reserve Bank provides accommodation. Only, it takes the guarantee of the State Government, in addition to the signature of the apex bank, in those cases where the cooperative central bank is presently weak but is in the process of strengthening and reorganization. Further, the volume of accommodation needed and made available is, bank for bank, much larger for the cooperative sector than for commercial banks. This is for the obvious reason that the latter are much better placed in regard to deposits whereas by and large, the former have yet to do a number of things in order to achieve a comparable level of normal banking resources. Moreover, unlike commercial banks, they are geared to a programme of purposive lending, and both purpose and lending are related to a sphere which is today as poor as it is important - namely agricultural production. In making loans to cooperative banks, the Reserve Bank applies rather special criteria all of which pertain to the present soundness and future programme of the particular institution. The share capital and owned resources generally are one important consideration; sound banking, which avoids the extremes of laxity and rigidity is another. An increasingly important item is supervision over utilization of loans - the method and machinery for ensuring that the loans are used for productive purpose for which they are intended. Performance in loan recovery is another criterion. Briefly the elements involved are structure, both financial and organizational, standard of operations and degree of progress towards achievement of objectives. In making its assessment of individual banks, as also of the performance generally of individual states, the Reserve Bank is aided in three ways. First is by cooperative audit, conducted by state government itself which classifies banks into A, B, C and so forth on the criteria which are broadly similar as indicated above; second by the Agricultural Credit Department of the Reserve Bank which has instituted and fast developing a machinery of inspection of its own, consisting of regional units which cover the whole country; and as part of the same system, the Deputy Governor and senior officers of the Reserve Bank visit different States at intervals and hold consultations with state governments and their departments. Third, the Research Department of the Reserve Bank has Rural Economics and Rural Statistics Division which organize sample surveys each year to assess, in a selected number of districts, the degree and quality of the success achieved by the integrated scheme of rural credit, or to put it differently, the range and gravity of the shortcomings in its operation. It is on the basis of a combination of all these factors that the Reserve Bank decides how much assistance to make available to which State and on what terms.

A substantial part of this assistance is short term accommodation to cooperative banks.

The aspects of operations need not be viewed significantly from the quantitative aspects of credit as its implications to institutional development. It should be stressed that it was the confidence that a substantial amount of credit would be available in this fashion from the Reserve Bank that led to a very great effort in setting up new societies, new banks and other new institutions in different states. The process was greatly helped by the availability of these funds at a concessional rate - two per cent below the bank rate. The concession is primarily intended for promoting the relevant credit institutions and incidentally for cheapening the loans to the cultivators. On a long term view, it seems clear that our object has to be not the indefinite dependence of the co-operative credit structure in the Reserve Bank, but the re-fashioning of the structure in such a way that it increasingly commands its own resources and with little or no help from outside, is able to give loans to cultivators at reasonably low rates of interest. This is essentially a long-range objective, and no one can say today when it is likely to be achieved. Meanwhile, the structure has to be built up, and this is being done in a number of ways including state partnership, liberal short-term accommodation, a concessional rate of interest and other special types of assistance. The special assistance includes arrangements for making medium and long-term finance available to cooperative banks including land mortgage banks. These are important aspects with which, however, for want of time I do not propose to deal. Nor would the handloom sector be dealt with, where by parallel development, the Reserve Bank is playing an increasingly important part in the financing of cooperatives and the building-up of a proper credit system.

Since it is a significant aspect of the developmental programme, a few words on training is indispensable. This is a function which the Reserve Bank has taken up for entirely practical reasons. It was discovered at a very early stage of the present effort, that is sometime in 1951 or thereabouts, that in the larger part of India no progress at all would be possible unless very special efforts were made to train personnel at all the different levels for both Cooperative Departments and cooperative institutions. The Bank first collaborated with the Bombay State Cooperative Training College at Poona. Thereafter, it established training centres for other categories of staff at various places. Meanwhile, the government of India and the Bank together constituted a body known as the Central Committee for Cooperative Training. This Committee gets funds from the Reserve Bank of India for certain institutions and from the Central Government for others. Its administration, however, is unified in the sense that its activities are channelled through the Agricultural Credit Department of the Reserve Bank. A whole network of institutions has been set up. Today hardly any state is without any training centres. Various specialized courses,

such as those in marketing, land mortgage banking, business management and so on have been introduced. All these courses are available to officers of the Cooperative Departments as also to personnel of banks and societies. In regard to Junior staff, the state governments have steadily increased the number of their own training institutions. Here again, both form and cohesion have been imparted to the programme by a system of grant-in-aid operated through the Central Committee for Cooperative Training whose functions were subsequently taken over by the Committee For Cooperative Training of the Cooperative Union of India. The expenditure is partly borne by the State Government and the government of India. The training programmes as a whole constitutes one of the most important features of the Reserve Bank's role in institutional development, for there are few aspects as crucial for the success of its financing operations as the provisions of proper and suitable personnel for managing the institutions which borrowed funds, or at a higher level, for supervising the work of these institutions.

It was the training programme that enabled many states to proceed with the structural, especially administrative reorganization. Finance and advice from the Reserve Bank helped. Naturally, the task as a whole has been complicated by the fact that the political redrawing of the map of India which independence together with the integration of States had made necessary, was not of course carried out all at once, but has been taking place by a series of steps, some small and some big. A major territorial readjustment was effected in 1956 - shortly after the integrated scheme had been launched. The consequent structural changes, apart from the programme of reorganization as a whole, fell within the spheres of the states, and implied coordination not only between the concerned states but also between them and all India institutions such as the Reserve Bank. By and large, such coordination has been amply secured. Indeed the Reserve Bank itself took the initiative in convening conferences of the concerned administrations and affected state cooperative banks, central land mortgage banks and so forth. Programmes were drawn up and in large part implemented; only a few steps have yet to be taken including those consequent on the last remaining installments of territorial reorganization. In the main, however, the process is complete, though it has meant a certain amount of inevitable showing down of the progress of the development plan. The basic structure is gradually taking shape; a state Cooperative Bank, and a Central Land Mortgage Bank for each state; a network of central cooperative banks on the scale normally of one bank for each administrative district; and at the primary level, a cooperative marketing society at each marketing centre, a primary land mortgage bank generally for one "taluka" and a primary credit society for a village or convenient group of villages. Mention has been made that the State governments have made contributions to the share capital of these institutions, thereby adding to their financial strength, reinforcing public confidence in them, and increasing their borrowing power. Central cooperative banks have greatly gained by the amalgamation of smaller and weaker banks into stronger district units.

Perhaps the most important aspect of structural reorganization is that which relates to the primary cooperative credit societies, for it is after all on these that the whole scheme of integrated credit rests. The main idea which the Rural Credit Survey report had put forward in this respect was that the ultimate organization in the village, the one which lent direct to the cultivator, should not only be a cooperative, but also a business unit. If it had to deal with adequate amounts, and not the small funds that primary societies had hitherto been accustomed to dole out; if its operations were to be such as to inspire confidence in the central cooperative bank from which it would have to borrow most of its working funds; if it was to meet diversified credit needs, short and medium, kind and cash, as and when these arose during the agricultural season; and if it was, in due course, to attract fixed deposits by having established itself in the eyes of the villager as a sound, safe and serviceable organization - if the primary society was to do all these things, it would have to have trained staff, the trained staff would have to be paid salaries, and the salaries could not be met indefinitely from subsidies. The Survey Committee therefore recommended a size that would simultaneously make for compactness and viability. In terms of area, number of villages and families covered, the society should not of course be unwieldy from either the cooperative or administrative point of view. Subject to this, however, it should presently possess, or have in near prospect, enough business to enable it to pay its way; and all assistance from government would be directed to the object of enabling it to become self-supporting as early as possible. It was computed that the annual turnover in prospect should to make the society viable be not less than Rs 150,000. A margin of 2 per cent on this would enable the primary society to earn a gross profit of Rs 3,000 per annum. Societies designed to fulfill this requirement were called 'large size' societies and the second five year plan made provision for slightly over 10,000 of these. About 7,000 such societies have been set up during this short period, it would appear that many of them have shaped the way they had been envisaged; their progress in membership, loans and deposits, is much more satisfactory than that of non-viable units. Meanwhile, certain differences in point of view have developed and some of those in authority appear to think that every single village should have a society, save in exceptional circumstances, and that even if two or more villages joined, the membership should not exceed 200. This is alleged to follow from cooperative ideology on the one hand and on the other, from the twin concepts of village community and social cohesion.

What lessons may be drawn from these experiences hitherto in this matter of an integrated scheme for the institutional development of agricultural credit? Any such programme involves action on the part of many, including governments institutions, non-official bodies, communities and individuals. This coordination, in objective as well as in operation is not always easy to achieve. One temptation, however,

which must be avoided at all cost, is to generalize on the basis of limited experience and impose deliberately or inadvertently, certain patterns on people and regions whose conditions and history are widely different. There has to be a readiness to see the other man's point of view and if possible, accommodate it, provided this can be done within the framework of the larger purpose. A more difficult situation arises when there are conflicting but influential views on important or even fundamental aspects of the scheme. Briefly, the future success of the scheme will be gravely jeopardized if two things are not kept in mind; the need for flexibility in detail and the need for consistency in policy.

A second set of problems arises from the fact that planning involves the fixing of goals and targets, which reflect aspirations, as also at the same time the formulation of realistic means of achieving those objectives on the basis of given resources in men, money and material. In a programme of rural credit, the targets tend to be fixed in terms of number of societies, amount of credit to be distributed and so on from year to year. This has obvious dangers if the quantitative aims are taken not only seriously, but also literally or mechanically, regardless of the fact that unlike a steel mill or an irrigation project, the programme here is primarily dependent on the conduct and behaviour of individual human beings and their organizations. A target mentality unless corrected in time may indeed lead to hasty organization of societies and indiscriminate stepping up of credit, which in the long run can do no good to either production or producer. There have to be built-in safeguards against such a tendency. So far as the basic programme is concerned such as audit classification of banks, training of personnel, increase of owned resources they have been described. It is nevertheless necessary for those concerned with the programme as a whole to be constantly on the alert against any tendency to sacrifice what is sound for what maybe merely impressive for the time being.

Third, a number of difficult issues arise in connection with the day to day operation of the credit structure. Some of these are centered in administration; e.g. the need to provide a sufficiently large body of staff for audit, supervision, administration and management. There are serious lacunae in all these which the training programme is seeking to fill. Another difficulty is concerned with the coordination of marketing with credit. In India while cooperative credit has expanded fairly rapidly in recent years, cooperative marketing has lagged far behind. This constitutes a serious handicap to the effective functioning of the integrated scheme of rural credit.

Fourth, there are issues immediately connected with the role of the Reserve Bank in rural credit. One of these is the question of the possibility of the inflationary pressures being increased as the result of rapid expansion of cooperative credit based in large part on loans obtained from the Reserve Bank. Such a situation will

arise if much more credit is pumped in than is utilized for production. It is at the same time necessary to remember that if through undue caution, the Central Bank withholds assistance from the cooperative credit structure, the latter may never get really started at all and therefore never have the opportunity of being self-reliant in resources or competitive in operation. One might then as well give up the idea of building up an institutional alternative to the money-lender in thousands of villages. The problem nevertheless remains; it is that of constantly, and in fast-changing circumstances, reconciling two equally important aspects of the working of the Central Bank of the country; its developmental role of helping credit cooperatives towards a "take-off" and its normal role as regulator of credit and lender of last resort.

One thing is clear. There is no routine way of administering and implementing the rural credit scheme, particularly on the part of the Central Bank whose role is indeed crucial in a programme which has been described. While not forgetting the main objectives, it has to watch for pitfalls all the time. While drawing on its own previous experience and that of other Central Banks, it has to adapt those lessons to the conditions and circumstances of the particular country and its economy as these change from time to time, and find solutions as best it can to the problems encountered. The approach cannot be dogmatic, rigid or isolated. It has to be enlightened, flexible and integrated.

Discussions have been principally on agricultural credit and the Reserve Bank's relation thereto. In the same context - the developmental role of the Bank, reference has to be made on extension of banking and finance for small industries. It is clear that the extension of banking is a matter of vital concern to both agriculture and small scale industries, since the issue involved is that of providing adequate banking services to areas, categories and purposes which are relatively devoid of such services and which at the same time are relatively important from the point of view of a developmental plan. A case in point is the State Bank, which, as shaped in recent years, is one of the greatest ventures in the extension of banking. Indeed, the establishment of the State Bank stemmed from the recommendations of the Rural Credit Survey Committee, which had conceived this new institution as organically connected with the whole programme of development devolving on the Reserve Bank and the commercial and cooperative credit structure generally, in other words, with the integrated rural credit scheme in its entirety. Moreover, the concept of state partnership entered as much into the Committee's proposals for a State Bank as it did into its recommendations for cooperative reorganization. Accordingly, the statute provides that not less than 55 per cent of the share capital of the State Bank shall be held by the Reserve Bank. In actual fact a much larger part of the share capital is owned today by the Reserve Bank which operates in close contact with the State Bank. The dividend due to the Reserve Bank on 55 per cent of the share capital is, in accordance with the statute, placed in a fund called the Integration and Development Fund. This is available for meeting such losses as may accrue



to the State Bank in respect of new branches opened by it in accordance with a programme previously settled with the Reserve Bank and the Government. Thus, from its inception in July 1955 up to the end of March 1960, the State Bank has opened as many as 374 branches. Of these branches, 263 are at places with a population of 25,000 or less, that is to say, in rural and semi-urban areas which hitherto have been most lacking in banking services. The process of branch expansion will be further accelerated by the subsidiaries of the State Bank which have been recently constituted out of what were called State - associated banks by the Rural Credit Survey Committee. The areas of subsidiaries are complementary to those of the State Bank of India. In its totality, this structure, in the concept and building up of which the Reserve Bank has played a prominent part, may be said to be of the greatest possible significance for branch expansion and banking development in India. This was what exactly the Rural Credit Survey Committee had envisaged when it said that the object of the recommendation was "the creation of one strong, integrated, State-sponsored, State-partnered commercial banking institution with an effective machinery of branches spread over the whole country, which, by further expansion ... can be put in a position to take over cash work from non-banking treasuries and sub-treasuries, provide vastly extended remittance facilities for co-operative and other banks, thus stimulating the further establishment of such banks, and, generally, in their loan operations, in so far as they have a bearing on rural credit, follow a policy which, while not deviating from the canons of sound business, will be in effective consonance with national policies as expressed through the Central Government and the Reserve Bank."

To turn now to small industries, it may be recalled that reference has been made to banking traditions and practices which are sound enough no doubt in their special context, which nevertheless have on the whole prevented the banks from meeting to any appreciable extent the requirements, short-term or long, of small industrial entrepreneurs. It is now about two decades since special arrangements started being made for long term loans to medium and small industry. These have taken the shape of financial corporations. The Reserve Bank not only collaborated in the promotion of the programme but is one of the principal shareholders in each of the Financial Corporations. Its representatives are on the Boards of all the corporations and in some cases, in the Executive Committees of the Boards as well. The statute enables the Reserve Bank to inspect the corporations and the Bank has taken it upon itself to convene annual conferences of these institutions. The coordination between the corporations on the one hand and the banking institutions, including the State Bank and the cooperative banks, on the other, has been one of the Reserve Bank's main pre-occupations in this sphere. The coordination has had to be extended to the Industries Departments of the State Governments and the various organs of the Central Government, such as the Small Industries Service Institutes, the National Small Industries Corporation and so on. Quite early in the development of the State Bank of India, the Reserve Bank and the

State Bank in collaboration formulated a Pilot Programme for the financing of small industries. This had two aspects: greater attention to small industries by each of the institutions, and greater coordination inter se so as to reduce the difficulties encountered by a borrower who has to go to one institution for short term loans and another for medium and long term. The pilot scheme has enabled the State Bank substantially to enlarge the portfolio of its loans to small industries. Basically, the question is how to institutionalize a type of credit which is unorganized, sporadic and individual. This was discussed at length in a Seminar conducted by the Reserve Bank in 1960 at Hyderabad. As a result of those deliberations, a scheme has been drawn up for guaranteeing to a certain extent the losses that might accrue if a credit programme for a small industries was actively pursued by banks. In return for a small charge, the guaranteeing authority will reimburse losses on a graded scale. But the bank must belong to a selected category and itself share part of the loss. The institutions so selected will be a manageable number of demonstrably good banks. But the scheme is not necessarily confined to them. Its facilities can be extended to any one of the numerous other banks, scheduled and non-scheduled, provided there is participation in the particular loan between this and one of the selected banks. This idea of participation with a selected bank has great possibilities, since it will enable small outlaying banks, some of which would be more in touch with the small entrepreneur than the bigger banks, to take advantage of the guarantee scheme and greatly extend their loans to small industries. There is reason to hope that the scheme will come into operation in the near future. It is expected that the guaranteeing authority will be the Reserve Bank, which will operate the scheme on behalf of the Central Government.

In conclusion it is to be noted that during the last few years the Reserve Bank has begun to operate on a new conception of its own role in a developing economy. That conception is not only in conflict with the normal functions of a Central Bank, but gives new meaning and new scope to those functions within the framework of planned development. The Central Bank of an economically advanced country is in a different position. It is likely to find little reason to depart from the more orthodox pattern of Central Banks. But in India that is not the case. While strictly providing for all those services which a Central Bank ought to provide in any country, it is necessary for India to have in its Central Bank an institution which collaborates with commercial and cooperative banks and other financial institutions, with the many organs and boards of governments, and with the Governments themselves, Central and State, for the promotion of credit institutions and practices which helped planned development and, in that process and in particular help the small producer. This, in India, means millions of farmers and thousands of small industrial entrepreneurs. Helping them implies helping the country itself and helping the nation to fulfill, to some extent, the objectives it has laid before

itself in its Constitution. In this task, many have to participate. The objective and the purpose are one but the instruments are many and not until these are made to work in accordance with a correlated pattern will there be chance of real success. It is too early to say whether in the sphere of credit we are anywhere near such an eventuality. But it can be said, that the lines of approach adopted are broadly correct. They appear to hold promise for the future. The Reserve Bank has achieved partial - but only partial - success in its efforts to bring about institutional development in the sphere of agricultural credit, in that of finance for small industries, and in the context of providing banking services for relatively undeveloped areas. But what has been done only serves to emphasize the great deal that has yet to be accomplished.

#### Observations on Study Visits

The credit structure as is obtained in Maharashtra is a three tier structure consisting of the primary, rural and urban societies at the base, the district central bank at the intermediate level and the state cooperative bank at the apex. While deposits under the system from rural areas are mostly received by the district central banks and, from central banks and urban areas by the State Bank, advances to individual agriculturists, artisans, etc. are made entirely by the primary societies. External funds made available to the system, mainly by the Reserve Bank, are channeled through the Apex Bank and the district central banks to the primaries. Thus the district central cooperative bank functions as a balancing centre and has a notable part to play in the economic development of the district.

The problem of collection arises when the primary societies are weak. This will be aggravated when individual members do not produce enough to pay for the loans made plus interest and for subsistence requirements. Needless to say, the society becomes strong when the members are financially able to shoulder the burdens of repayment as well as to improve their levels of living. The financial stability of a primary society aids the ease of collection.

#### The Rukdi Seva Society

An illustration is the Rukdi V. K. S. (Vikas) Seva Society Limited at Rukadi Taluka, Hatkanangala, District, Kolhapur. It is organized in 1938 principally as a cooperative credit society. It is located at the Village Rukadi which is 8 miles from Kolhapur by railway.

The village has a population of 8000 as of 1961 census. It has a total area of 4112 acres of land planted to sugar cane and other crops. The economic potentials of the area are enhanced by irrigation facilities and good rainfall.

The main functions of the Society is the provision of credit to its members. Of the total number of 470 members, 302 are borrowing. Besides loaning the society also supplies factor inputs and agricultural implements. In fact the society has purchased one raizer, 14 iron plough and one sowing machine for the use of members. Very recently it has received permission to run a rural food grain supply centre.

In its loaning program, the society has achieved a 98% recovery. Loans are given both in kind and cash according to the needs of individual members. Major portion of the loan is recovered through the Cooperative Sugar Factories where members deliver their cane and through the Sale Purchase Unions. The technique of linking of credit with marketing has been efficiently practised.

The working of the society is supervised by the committee of management. The committee consists of nine elected by the members. One of them is elected as chairman. The society also has appointed one secretary and two assistants to look after the accounts and official correspondence. Besides these 2 persons are appointed as peons.

The financial position of the society is sound. Continous expansion of business year after year and economical management have enabled it to build up substantial reserves. The society has declared a 9% dividened for the year 1966-1967. The following comparative table will give a full picture of its rapid development during the last five years.

Year	Members	Share capital Rupees*	Working capital Rupees*	Deposits		Reserve Fund	Audit Class
				Members	Non-members		
<u>R u p e e s</u>							
1963-64	207	22,575	74,400	5,835	30	5422	B
1964-65	234	29,465	89,042	6,797	30	5804	B
1965-66	305	56,165	278,976	17,933	2196	6178	A
1966-67	362	79,510	402,478	23,195	5446	7614	A
1967-68	470	129,365	671,394	94,888	15074	11260	N.A.

\* \$1 = 7.50 rupees

Cooperative Marketing  
The Shetkari Sahakari Sangh Ltd. Kolhapur

The Shetkari Sahakari Sangh Ltd. Kolhapur has the reputation of being one of the largest Co-operative Marketing Societies in India. Established on Nov. 23, 1939, it started with the objective of promoting the economic interests of agriculturists by securing better price for their produce and by providing them agricultural requisites at reasonable prices. From its inception to the merger of Kolhapur State with The Bombay State in 1949, its area of operation was Kolhapur State. Since the merger, its area of operation has been the Kolhapur District. It was the first Co-operative Marketing Society to be established in the Kolhapur District. Up to 1948, it was the only Co-operative Marketing Society in the District. Since June 30, 1964 each Taluka or Mahal in the District had its separate Taluka Co-operative Marketing Society (Co-operative Purchase and Sale Union) and the number of such societies in the District was 12. The Sangh continues to operate in the whole District as the District level marketing society.

The record of its achievements in its 29 years has been remarkable and spectacular. It started its illustrious career as a marketing society. Later, having established itself firmly and securely in the business of agricultural marketing, its activities were extended to several other activities such as procurement and distribution of fertilizers, manufacture and distribution of manure mixture, distribution of iron, steel and cement, oil mill, medical shops, wholesale and retail grain shops, cloth shop, stationery stores, printing press, utensils shop, etc. It has handled all these activities without prejudice to agricultural marketing which continues to be its principal function and concern. Today the Sangh is known not only as the leading co-operative marketing society but also as the premier co-operative society in the District. It provides a large and progressively increasing variety of services to the people. It has established its reputation as a model co-operative institution serving agricultural as well as non-agricultural interests.

In the year of its inception, its membership was 17 Society members and 213 individual members. Its share capital and working capital were Rs 4,564 and Rs 25,522 respectively. After 25 years of existence its membership increased to 442 society members and 5,123 "A" class individual members and 7,470 "B" class individual members. Its share capital was Rs 391,425. The working capital amounted to Rs 14,670,948. Gross income during the year was Rs 2,717,034 and the net saving was Rs 569,364. By its example, the Sangh has shown that co-operative societies are capable of handling business on a large scale and in an efficient manner.

Progress of the Sangh

During the period 1939-40 to 1942-43 the progress of the Sangh was extremely slow: It had to fight against heavy odds the vested interests. It was confronted with numerous difficulties and problems, which were mainly financial and organizational. Time was when the promoters took a rather pessimistic view of the prospects of the venture. It was under such difficult circumstances that the late Shri Tatyasaheb Mohite, a young and promising man with high co-operative ideals took up the responsibility of managing its affairs as its Managing Director. He was a man of vision, imagination, tremendous drive and remarkable organizational ability. With the full and unstinted support of the Director Board, he applied his dynamic abilities to the affairs of the Sangh and within a short period laid the strong foundations of its future growth and prosperity. The remarkable success of the Sangh during his tenure as Managing Director from 1943 to his untimely death in 1959, shows what a co-operator of missionary zeal and dogged determination can contribute to the building up of a co-operative institution.

Broadly, the progress of the Sangh was gradual during the period 1943-48. Thereafter it gathered momentum. Membership, share and working capital increased at a rapid rate. The following figures for selected years indicate the magnitude of its progress since 1951.

Year	Society Members	Ind. Members		Share Capital	Working Capital
		"A" Class	"B" Class		
<u>R u p e e s</u>					
1951	150	2190	-	175,225	1,335,000
1957	285	3563	5927	257,650	1,295,000
1960	334	4396	7366	283,525	7,800,000
1963	417	4862	7447	329,100	7,091,000
1964	442	5123	7470	391,425	14,670,000
1967	524	10061	7493	1,096,750	23,112,326

### Financial Position

The finances of the Sangh are very sound. Continuous expansion of business year after year and economical management have enabled it to build up substantial reserve and other fund and strengthen the base of its owned funds. Right from its organization, the Director Board has laid special emphasis on building up owned funds. Progressive augmentation of share capital and reserve funds have contributed to its sound financial position.

Quite a substantial part of the funds are raised by accepting deposits. The finances of the Sangh being sound and its reputation being high, it is attracting deposits on a fairly large scale. These deposits could have been and can be larger but for the maximum limit set by the Director Board on total fixed deposits at any given time. The public of its own accord keep fixed deposits and savings deposits with the Sangh. Bulk of the deposits are fixed deposits which are generally renewed by the depositors.

The Sangh is getting credit facilities on an adequate scale from the District Central Co-operative Bank. Its repayment performance is exemplary.

### Profit and Dividends

The success and efficiency of a co-operative society are not to be measured only by the volume of profits it earns. Service and not profit is the object of a co-operative. Nevertheless, profits are quite important and significant in the sense that together with efficiency of service they indicate the success of the society as a business concern. More so, since the building up of reserve and other funds, the augmentation of owned funds and the prospects of expansion of business depend on the volume of profits. Besides, profits are quite an important consideration to the members and depositors. The progressively increasing variety of its operations and services and the growing volume of its turnover of business coupled with economical and efficient management have contributed to the continuous increase in the profits earned by it. These profits have enabled it to build up year after year reserve funds and a variety of other funds and thereby to strengthen the base of its owned funds. Increasing profits have made possible payment of reasonably high rate of dividends to members. The following figures for selected years indicate the progressive rise in reserve funds, owned funds, deposits profits and dividend.

Year	Reserve and other funds (Rupees)	Total owned (Rupees)	Amount of Deposits	Income	Profits (Rupees)
<u>R u p e e s</u>					
1951	143,307	318,532	98,809	398,000	- -
1955	410,478	668,128	92,984	361,000	68,314
1960	907,847	1,191,372	768,767	1,200,000	303,534
1963	1,674,961	2,004,061	774,508	1,641,000	386,555
1964	2,248,944	2,740,369	912,565	2,343,000	569,364
1967	4,100,351	6,557,733	1,269,054	4,909,552	2,866,603

This record is splendid. The Sangh has consistently followed the policy of charging minimum profit margin on its business. "Low margin of profit and high turnover of business" has been the motto of the Sangh in business and this is the secret of its success. Mention should also be made here of the policy of giving very attractive rebates to co-operative societies and to agriculturists on the agricultural produce brought by them for sale to the Sangh.

Right from its inception in 1939, it has earned profits every year and has paid yearly dividends to members with the solitary exception of the year 1942-43. Making full provision for reserve and other funds, it has paid the maximum possible dividend allowed. During the period of 28 years it has paid more than Rs 200 on shares of Rs 100.

For this exemplary performance of the Sangh it was placed in "A" class of audit since 1951-52. This record has been maintained. It has the rare and unique distinction of being in "A" class of audit during the last 18 years.

#### Diversified activities and Volume of Business

The Sangh in its diversified activities in the field of co-operative marketing, co-operative processing, co-operative supply, etc. has been able to build up a very high standard of service and has made a positive impact on the economy of the whole District.



The Sangh's operations are carried on through its 48 branches and 61 distributing centres. Distributing centres are principally the village primary cooperatives in the district to whom fertilizers; oils; food-grains and other essential commodities are supplied on consignment account;

The diversified activities of the Sangh have increased at an enormous rate. The progress in the performance of a wide variety of its functions - particularly in respect of agricultural marketing; and supply of agricultural requirements and consumer's goods has been spectacular.

The principal activities of the Sangh cover many aspects of economic endeavors of the district. Specifically it performs the marketing of agricultural products, supply of agricultural requisites undertakes services to consumers in terms of food grain supplies, sugar, clothing, utensils, drugs and runs a processing oil mill and granulating fertilizer plant. It also renders service to the general public through its transport facilities and through its printing press.

#### Marketing of Agricultural Produce

The Sangh was started with the aim of promoting co-operative marketing of agricultural produce and although its activities and operations have branched out to an increasingly wide variety of new lines of business, its principal function and concern continues to be marketing of agricultural produce. Up to 1948, it was the only marketing society in the District. Although subsequently the whole district is served and covered by the Taluka Marketing Societies (Purchase and Sale Unions) it continues to be the biggest and most prominent marketing society in the district and one of the biggest and most outstanding not only in Maharashtra state but also throughout India.

The principal agricultural produce handled is jaggery (sugar). During the last 28 years Kolhapur has become one of the biggest assembling market for this commodity. The Sangh has been operating in the marketing of this commodity and has made positive impact on the jaggery market of Kolhapur. Its successful working contributed to many sided improvements of agricultural marketing in Kolhapur market even before the regulated market was started in 1945 when the Kolhapur Agricultural Produce Market Act of the same year was applied to this market. It charged a very low commission on sales effected by it and gave attractive rebates to the cooperative societies and individual agriculturists. Very soon it was able to attract jaggery on a massive scale and occupied a commanding position in the market. The operation of the Sangh contributed immensely to the bargaining power of the agriculturists. They began to get better prices for their produce. Not only the agriculturists who brought their produce

to the Sangh but also those who for one reason or another had to go to the private traders benefited. The private trade had to fall in line with the policy and practices of the Sangh.

#### Agricultural Produce Market Committee and the Sangh

Kolhapur District is known as a leading and well developed sugar cane producing area in Maharashtra and as such, there is the biggest jaggery market with six sugar factories. Kolhapur jaggery is especially famous for its color, taste, texture and durability. Sugar is also produced in abundance.

The economic potentials of the area are enriched by water in springs and rivers aside from fertile soil and adequate rainfall. Agriculturists efficiently utilized these resources by lift irrigation and other schemes.

Prior to 1895, there was no jaggery market in Kolhapur and hence agriculturists had to carry their produce to neighboring markets at high costs. Seeing this difficulty of the producers the late Chhatrapati Shahu, Maharaja of Kolhapur State then, offered facilities to merchants and traders and established the Jaggery Market at Kolhapur in 1895 to give the agriculturists better prices for their products. To safeguard the interests of the agriculturists, against exploitation of the traders and middlemen, the Agricultural Produce Markets Act of 1945 was implemented giving birth to the Market Yard of the Agricultural Produce Market Committee. Commodities entering the market principally jaggery and groundnut are marketed according to the systems of operation of the regulated market.

With the inception of the regulated market, the Sangh has been playing a big and prominent role as General Commission Agent in the Market Yard of the Agricultural Produce Market Committee, Kolhapur. It was mainly instrumental in shifting trading in jaggery to the new market yard. The Government of Bombay had published in the Gazette that trading in jaggery was to start in the new market yard effective December 1, 1958. The private trading interests were opposed to this and pressed for the continuance of trading in the old market place. They threatened to dissociate themselves from trading in the New Market Yard. The Sangh was convinced that regulation of the market could not be effective without shifting trading to the suitably planned market yard. It assured full cooperation and support to the government in its resolve to shift the trading to the new market yard. The private trading interests refused to cooperate. The Sangh announced its decision to purchase all jaggery brought by the agriculturists to the new market yard and started trading. It was given, along with the Co-operative Purchase and Sale Unions and some Multi-Purpose Co-operative Societies the necessary facilities and support by the Government. Eventually, the private trading interests had to yield and start trading in the new market yard which is today one of the most spacious and well-

planned and developed market yards in India. The Sangh has thus played a monumental role in making regulation of marketing effective in Kolhapur Market.

in making regulation

The Sangh has constructed 3 market halls and godown in the Market Yard. It has set 9 shops for "adat" business and one for outright purchases. Adat shops are run with a view to effect quick sales by auction. Sales are effected every day and as such the agriculturists get the benefit of market fluctuations and quick disposal of their produce.

The Sangh occupies a prominent position in the Kolhapur market where it handles about 11% of the total arrivals of jaggery. In recent years, besides operating as commission agent, it makes outright purchases on a fairly large scale. Outright purchases of jaggery in Kolhapur market and groundnuts in Wadgaon Market have been increasing. It operates in the Malkapur market also as a general commission agent.

One of the noteworthy features of the activities of the Sangh in respect of jaggery trade is that in recent years it has acted as agent for purchase of jaggery on behalf of the apex Co-operative Marketing Society and the District Co-operative Purchase and Sale Unions at Ratnagiri, Kolaba and Poona.

#### Supply of Agricultural Requisites

The Sangh has undertaken keen interest not only in marketing of agricultural produce but also in encouraging agricultural production. Adequate and timely supplying of agricultural requisites such as manure mixture, insecticides, sprayers, hybrid seeds, etc. at minimum possible prices together with free advice and technical assistance rendered by its Agricultural Development Centre encourage producer to adopt improved methods of cultivation. This the Sangh has been performing in the interest of greater productivity for the area. In the initial stages its operations were limited to obtaining fertilizers from the government and other available sources and distribute them. The growing use of these by agriculturists has had its impact in production thus increasing the demand for them but the available supplies being limited, it was not possible to cope with the demand. The Sangh foresaw the potentials of undertaking its own manure mixture section and started it in 1959. Its "Bull Brand" manure mixtures became very popular among its users. Production and sale of the kinds of fertilizer progressively increase year after year and proved a great boon to the agriculturists. It also distributes nitrogenous fertilizers on a large scale. In addition the Sangh also maintains a soil testing laboratory for soil and water tests, free of charge. Through this laboratory, the agricultural development center was able to give guidance and advice to agriculturists what crops to raise and what manure to employ.

The Sangh also served the agriculturists by supplying lubricants and fuel and diesel oils for the installed oil engines for lift irrigation at minimum possible prices. These are distributed through its numerous branches, depots and distributing centres all over the district. These are also transported by the Sangh's fleet of tankers to depots in the interior which were easily accessible to agriculturists. Machinery spare parts, iron, cement and steel, electric motors, diesel engines, pipelines and electrical equipment are also sold. The agriculturists deeply appreciate these services as they get these agricultural requisites of guaranteed quality and at much lower prices than the prices they had to pay before the Sangh started these operations.

#### Services to the Consumers

In recent years the Sangh has engaged in a variety of consumer service activities. During the period of rationing and up to 1951-52 food grains were sold through several shops of the Sangh spread in strategic places of the district. In 1952-53, rationing was discontinued and prices of food-grains began to soar up. To minimize the increase of prices of these necessities the Sangh began to import food grains from outside and sold them through its branches and depots at uniform prices throughout the district charging only 4% profit margin. In 1956, the food-grain situation was so acute that the Sangh started its wholesale food-grains shops in the market. Food-grains were sent to the Sangh by farmers, marketing societies and traders from distant places on consignment basis with only 1 per cent commission.

With the introduction of sugar central the wholesale distribution of sugar to the distributing agencies at the Taluka level was entrusted by the Government to the Sangh. This was handled by the society in the interest of the consumers and as a form of assistance by the government. The Sangh also operates cloth stores, utensils and medical shops in response to the suggestion of a large number of members.

The medical section which is a monumental contribution of the Sangh to the public bespeaks of the dynamic approach and attitudes of the Sangh to find solutions to the problems and difficulties of the people. The section was pushed through in response to the demand from the people who had to pay exorbitant prices for medicines in private drug stores. The margin of profits charged by these shops is highly disproportionate to their procurement costs. Thus in the annual general assembly meeting in 1957 some members narrated their experiences regarding the high prices charged for medicines in the medical stores. They could not afford to pay those prices thus they strongly suggested that the Sangh should start a medical shop even at the risk of loss. In 1958 the Sangh's medical drug store commenced operations with medicines sold at reasonable prices charging a profit margin of 5-6 per cent. The public response was encouraging. However, the local chemists foreseeing the grave threats to their monopoly position started lowering their rates even at a loss to destroy public confidence

in the shops of the Sangh. The Sangh carried on the business even at a loss of clients in the early days on its price policy. The chemists could not for long carry on this unhealthy competition of their own making and were forced to restore their original rates after which the business of the Sangh's stores increased rapidly beyond all expectations. To date the medical shops of the Sangh garner more than 70% of the volume of sales of drugs for the entire district.

### Processing Oil Mill

The Sangh started the Oil Mill in 1952 at Wadgaon with a view to secure better prices for the groundnuts, the principal commercial crop of the area. Wadgaon is a prominent assembling market for groundnuts in the district. Since the trading in groundnuts was dominated by private traders who maneuvered to keep the prices down, the Mill was started in response to the demand from agriculturists and in pursuance to the Sangh's policy of safeguarding and serving the interests of the agriculturists. To put an end to this exploitation, the Sangh decided to enter the market as a purchaser of groundnut to feed its oil mill. This resulted in the agriculturists getting the true value of their production.

The operation of the Sangh printing press was in answer to the increasing requirements of printing its own forms and stationery. Printing work of other cooperatives is also done at reasonable prices. Large quantities of printing paper, inks etc. are kept in stock and are supplied at very reasonable prices to small printing units in the district. This press also aids in printing publications of the Sangh. The efficiency of the press section won for the Sangh additional public recognition. In the printing competition in 1966 held under the auspices of the Maharashtra Mudran Parishad, it won First Prize in Marathi Letter-heads in Maharashtra State.

This cooperative with its manifold operations amply proves that co-operative societies can carry on trading activities more successfully than other capitalistic enterprises. But hidden in this society which do not surface in many reports are the dynamic men who steer the course of its direction.

### Management

The Sangh is a model of systematically planned, disciplined and efficient management. Meetings of the Board of Directors are held regularly, on the 11th of every month. If necessary, the meetings are held more often. In any case, the Board meets on the 11th of every month without fail. Records show that this had been maintained since 1943.

Ordinarily, the Board lays down policies and formulates programmes of development. Besides, it reviews the working of the Sangh

every month at its monthly meetings. Business decisions on matters of detail, implementation of policy as laid down by the Board are left to the discretions of the Managing Director who controls operations, assisted by the general secretary, secretary and office superintendent.

Procedures and practices on operations, maintenance of accounts, regular checking of accounts, periodical inspection and supervision are firmly established and scrupulously followed.

For the purpose of administrative convenience and operational efficiency the multifarious activities are divided into separate sections. Each section maintains its accounts separately. There are as many balance sheets as there are sections. They are consolidated at the main office which prepares the consolidated balance sheet of the Sangh. Each section has to complete its cash ledgers, stock etc. every day. Sections situated in Kolhapur City have to send their daily reports every day before 5 p.m. Branches outside the city are to send their daily reports to the Head Office by post the following day. These reports are sent to the Managing Director by the secretary with his remarks. Branches and sections have to send their monthly reports, monthly balance sheets, profit and loss statements etc. to the Head Office by the 5th of every month. From 6th to 9th these papers are scrutinized at the head office by the accounts section and the consolidated balance sheet of the Sangh is prepared. This balance sheet reports and other relevant papers are presented to the Board of Directors at its meeting on the 11th of every month with the remarks of the Managing Director. Proceedings of the meeting of the board of directors are written within 24 hours after the meeting.

The Sangh has maintained an Internal Audit Section. It carries out continuous and concurrent audit of all the sections and branches. The accounts are checked by the Audit Section every month. This has helped greatly in the maintenance of proper and correct accounts.

#### Efficiency of Service

An important factor which helps to develop healthy and sound relations between members and their societies on a stable basis is efficiency of service. The Sangh has always kept before itself the service motive. Its motto has always been maximum service and minimum rate of profits. It has throughout its history of 28 years, shown its readiness to serve the members to solve their difficulties and serve their requirements. Its functions and activities have increased progressively in response to the call from members, and the general public. The Sangh has become a byword for efficiency and whenever they experience difficulties, they look to the Sangh with confidence, to come to their help by providing necessary services. The Sangh has shown deep interest in and concern with the needs of its members. It has maintained effective and continuous contacts with its members and the general public which had been progressively drawn towards it by its

increasing range of services. By virtue of its variety of functions and activities efficiently handled, it has established its roots in a wide base of population.

### Factors of Success

The factors responsible for the continued success and progress of the Sangh are many and varied. First and foremost is the economic potentials of the area and the leadership of a man of vision whose dynamic energy, drive and indefatigable labor were largely responsible for the remarkable record of the Sangh as an ideal cooperative. He was the late Shri Tatyasaheb Mohite who was its managing director for 17 years, from 1942-1959. Always a visionary, he tried to meet the needs and wishes of the members and strengthened the foundation of the Sangh. As a co-operator he worked with a missionary zeal till his untimely death in 1959. The managing directors who succeeded him have ably continued his life work.

Right from its inception to the present day the Sangh was singularly fortunate to have the benefit of enlightened and enterprising co-operators of the District to guide and direct its operations. Its Board of Directors has always worked as a team. Scrupulously keeping themselves away from party politics, the directors have kept the Sangh above the currents and undercurrents of politics. They have devoted their time and talents to the cause of the Sangh with single mindedness. The members of the board of directors have confined to themselves to policy, direction and general control and have given adequate powers to the managing director to manage the day to day affairs. There is harmonious understanding between the Board and the managing director. This has greatly helped the smooth working of the Sangh.

The Sangh provides a model example of what the members of the staff can contribute to the reputation and efficiency of the cooperative. It has a team of able, experienced and trained officers who are devoted to their work. These officers and other employees have a good opinion of the management. Group morale is high and over the years the board of directors have imbued them with the spirit of belonging and the confidence that as the co-operatives grow so also will they grow. Working therein has been both a career and a challenge. Thus besides being highly efficient and honest, they are found to be very courteous and respectful in their dealings with the members of the Sangh and the general public. This has greatly contributed to the reputation and progress of the Sangh.

The interest of the Sangh in the welfare of its staff has telling effects on efficiency and performance. Permanent and temporary employees get provident fund benefits in addition to improvement of the scale of pay as the financial position of the Sangh improves. They contribute  $8\frac{1}{3}\%$  of their wages to the provident fund matched by the Sangh. Bonus equal to two months pay was paid to all employees. Provision is also made for paying gratuity to the staff.

Food-grains, cloth, provisions, etc. are supplied on credit to the members of the staff up to a limit of 75% of their pay. Fixed quantities of food-grains, oil, kerosene are supplied to them at subsidized rates. Medical facilities are given to staff members and to their immediate families.

There is a trade union of the employees. The relations between the Sangh and the Union have been cordial. In fact when the union established its own credit society, the Sangh provided it with facilities and encouragement.

Appointments of members of the staff are made on the basis of merit. Promotions are based on seniority and performance. Generally the experience is that once a person gets employed in the Sangh, he is inclined to continue in its service till the age of retirement. Always appreciative of the importance of developing group morale, the management has given maximum opportunity to them to improve their qualifications and prospects. They are encouraged to join the Sangh as members and accordingly, most of the permanent staff members are members of the Sangh.

Hence, judged by any standard, the Sangh has become a model co-operative institution in employee-employer relations.

#### The Sangh and the Cooperative Movement

The Sangh has played a significant role in the growth of the cooperative movement in the District. It pioneered in giving the services desired and assisted cooperative societies to grow in the area. It should be noted that when it was established in 1939, the cooperative movement in the area was in its infancy. The movement's growth was quite slow till 1951. During this period the Sangh established a network of branches and depots in Taluka and villages in the district while encouraging the growth and development of Purchase and Sale Unions and Agricultural Credit Societies through investments in their capital requirements. As these societies grew and developed, the Sangh withdrew from the area of their operations and handed to them its branches and depots. These societies are further helped with supplies of agricultural requisites and consumer goods on consignment basis. These services bolstered the growth of the volume of business of these societies. Moreover, the Sangh lent the services of its experienced and talented staff members to these organizations at their initial operations. This gesture has greatly benefited several co-operative societies in the district and actively helped the Taluka Purchase and Sale Unions and the Agricultural Credit Societies to establish their commission shops in the Kolhapur Market Yard in 1959.

In its programme of assistance to the movement the Sangh played an important role in the promotion and organization of cooperative sugar factories in the district and invested in their capital require-



ments. It has developed business connections with these factories as supplier of manure mixture, fertilizers, fuel oils and lubricants, etc. and served as wholesale distributor of sugar manufactured by them. It has also developed business connections with consumers co-operative societies on consignment basis and closely associate with other district level marketing societies in the state and with state level co-operative organizations like the State Marketing Society.

In its programme of public relations the Board and the staff are zealously keen on and deeply interested in maintaining cordial relations with the members and the general public. The importance given to regular maintenance and checking of accounts - to efficiency and discipline of the administrative machinery while maintaining high group morale among the staff and loyalty of its members earned greater dividends in terms of public trust and confidence in its efficiency and integrity. It has always shown its readiness and vision in expanding its operations in handling new activities and shouldering new responsibilities at the suggestions of the people. It has in its heart the welfare of the co-operative movement in particular and the welfare of the community in general.\*

#### The Kolhapur District Central Cooperative Banks

Authorities on credit agree that the credit institution designed to serve the rural economy to be of lasting benefits must be built on solid foundation. Its operations should be suited to the traditional habits, customs and set ways of the rural people for acceptance and must embrace and conform to the idiosyncracies of rural living which have insured the growth and survival of money-lenders; such as the face to face personal relationships, the informal and simplified procedures, the efficiency of loan release and localized and small scale operations but without usurious rates and adequacy of loan amount. Not only must it operate in an atmosphere of growth but also aid, stimulate and promote the initiative of rural people for greater savings, tap more funds from other sectors of the economy and transfer the control of funds from owners and render to them technical assistance and guidance for a more effective utilization of borrowed funds.

The Kolhapur District Central Cooperative Bank Limited, Kolhapur of Maharashtra state is one of the many district cooperative banks in the state. It was registered in 1933 as a financing agency for the whole of Kolhapur district. In 1958, the Registrar of the Cooperative Societies of the state appointed a nominated board and by 1960 the

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\*Based principally on the Case Study on the Working of Shetkari Sahakari Sangh Limited by S.L. Shirodkar, Head Department of Economics, Galgal Krishna Gokhale College, Kolhapur and on discussions with the management staff and annual reports of the society.

whole of the district was entrusted to this bank for finance, except the cooperative sugar factories in the district, which are even to this day financed by the apex bank. After the term of the office of the nominated board, an elected board came to existence in 1961 for the first time. This was the product of the bold decision to strengthen existing credit institutions instead of the government establishing another bank and branches of state bank in the area.

The present board with 19 members is composed of representatives of member cooperative institutions, individual members and of the state. Presently, the Bank has an affiliated membership of 2403, of which 1484 are cooperative societies, the rest being individual members. A break-up of membership of co-operative societies reveals the multi-sided cooperative societies financed by the bank. Agricultural credit societies form the bulk and the rest, is composed of urban banks, salary earners societies, producers, consumers, marketing processing including other types of societies like printing, transport, housing etc. In fact there is no cooperative venture in the district to which the Bank is not extending its helping hand whenever necessary. Of the total paid up share capital of 12,116,000 rupees, 81.02 per cent is contributed by member cooperative societies, 18.32% by the government and .76% by individual members.

In the last 7 years, the Bank has achieved a dynamic progress. Working capital has increased by 137.7% from Rs 44,500,000 to Rs 105,700,000. Likewise total owned funds expanded by 197.6% or from 4,794,000 to 14,169,000 rupees.

The Bank in its efforts to accumulate funds for its lending operations always endeavors to attract idle funds to be deposited in it. Measure of success in this drive depends on the ability of the bank to inspire confidence of the community and of the public at large that their money is as safe as in the Bank of England. Performance in this line speaks for itself. During the last 7 years deposits increased from Rs 20,389,000 to Rs 49,530,000 or an increase of 143%. These deposits came from societies and individuals, Rs 28,643,000 of which were made by societies and Rs 20,887,000 by individual depositors. As a result of this performance, the borrowing of funds from other institutions has consistently declined while lending operations substantially increase.

The major operation of Bank lending is confined to short term agricultural finance to primary cooperative societies. The district which the Bank serves has a nation wide reputation for its best product - jaggery. Hence sugar cane production is the predominant occupation of people in the area. Recovery from cane is much better than that obtained in other parts of the country. It follows therefore that of the total lending in respect of short term finance is devoted to financing sugar cane crop. Return to the cultivator is much higher compared to other crops.

The bank has developed a system of overlapping finance which consists of giving fresh finance in cash and in kind to the cultivator for agricultural operations of new sugar cane crop while the old finance due from the member given for the standing crop has not yet been paid since the old crop has not yet been harvested. In this operation the Bank is reimbursed by the Reserve Bank payable in twelve months.

The amount of loans given to individual cultivators is related to total production, percentage of loan utilized in kind and to the recoveries effected also in kind. Those members utilizing major portion of their loans in kind and recoveries done through the cooperative marketing agencies or sugar factories are given higher scale of finance than those who do not observe those pre-requisites of cooperative discipline. Due to the timely and adequate finance given by the Bank coupled with a strong marketing structure and predetermined higher sugar prices with the linking of credit with marketing, the recovery performance of the Bank had been satisfying. In the last seven years the percentage recovery is 90%. For the last 9 years, more than 58% of the recoverable dues have been effected through the sugar factories and the cooperative marketing agency.

The bank has consistently endeavored to educate farmers to concentrate their credit requirements in the bank. In cases of drought, floods and other natural calamities, the bank embarked on the refinancing scheme. To this end, it has always been the policy of the bank to pay special attention to this aspect of finance. Its inspectorial staff is instructed at the beginning of the cropping season to pay special attention to dormant and stagnant societies and to send fortnightly recovery reports during the season. This enables the senior staff members of the bank to assess the position of recoveries accurately. To stimulate recovery, the General Manager along with the Chairman or Vice Chairman pays repeated visits to such problematic societies. The appointment of two special recovery officers has resulted in recoveries of sizeable amounts of overdue accounts locked up in legal action for long periods.

Due to the economic progress achieved in the area with the bank being looked upon to provide financial leadership it has been stepping up its medium term operations for the purchase of pipes, tractors, electric motors and irrigation development from loans made from the Reserve Bank of India and from its own funds.

The Bank also provides loans to marketing institutions principally the Purchase and Sale Unions to strengthen their financial structure and become purchasers in the competitive regulated market. Efforts are being exerted to mould all the different units on the district and taluka level into a strong and efficient federation.

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With the experiences gained in the past decade while the agricultural credit institutions were being developed, the Bank feels that it can surge ahead boldly and effectively in helping the needy cultivators. While it has helped the sugar cane cultivators to become prosperous, it would be better if sizeable funds could be channeled to the poor farmers and agriculturists of backward areas to improve their levels of living. After all the sugar planters can avail themselves their needed credit requirements from the conservative banking institutions. This is an experiment worth venturing with the concurrence of the Reserve Bank and the State Cooperative Bank even at the cost of increasing the volume of overdues at the initial stages. This can be done with the establishment of an extension department composed of competent technical personnel to assist those whom the Bank wishes to help. Such a department will have to be financed by the bank itself. Thus the Bank would become the premier cooperative agency in the district trying to ameliorate the economic conditions of the rural people. This would give it a true measure of satisfaction for such a worthy cause.

The Maharashtra State Co-Operative Bank Ltd.

The area of operation of the bank is the entire state of Maharashtra. It has been in existence for the past 56 years. It's members are the cooperative societies and individual members. Of its total paid up capital of Rs 57,825,000, 62% is contributed by 1144 societies, 35.2% or Rs 20,292,000 is contributed by the government and only 2.8% is paid up by individual members.

Its board of directors consist of elected representatives of various co-operative institutions and individual shareholders. Of the 40 members of the board, 25 represent the district central cooperative banks, one representing societies not otherwise represented in Greater Bombay District, one representing the apex co-operative marketing society, 2 directors from urban banks, one representative from the Bombay State Co-operative Land Mortgage Bank, 5 directors representing individual shareholders, one from the co-operative processing societies, one from the regional and district industrial cooperative banks, one director representing the State Government and the General Manager who serves as member- Secretary.

By provision of the by-laws the Board appoints a sub-committee which works as the executive committee of the Board. It consists of not less than 7 nor more than fifteen directors with the General Manager of the Bank as a member and takes all important decisions about the day to day working of the Board. It has also a staff committee whose members are elected from among themselves with the Manager as its secretary for drafting policies related to general administration. The Bank also maintains six divisional offices in order to exert continuous supervisory control over the district banks and other borrowing societies in the district.

In order to ensure efficiency in the working of the Bank by a decentralized arrangement, the General Manager and the Manager were assisted by five Chief Officers at Head Office in charge of five departments viz: accounts, administration, Central Financing Agencies, Agro-Industrial Co-operatives and Audit and Urban Cooperatives. The names of the first three departments clearly indicate the duties assigned them. The Agro-Industries Department was concerned with all the societies in Greater Bombay District and also processing and other societies financed by the Bank in other districts. The Audit and Urban Co-operatives Department was charged with a continuous and concurrent audit of the head office and branches under it. With the passage of Banking Laws (Application to Cooperative Societies Act, 1965) which were enforced from March 1, 1966, the inspection of State and Central Co-operative Banks as well as primary urban banks carried out on a voluntary basis by the Reserve Bank, was now undertaken as a requirement of law. Under sub-section No. 35 of this Act, the Reserve Bank is empowered to cause an inspection of primary co-operative bank to be made by the State Co-operative Bank of the State in which the urban bank carries on business. The works of the inspection of primary urban banks in the State as desired by the Reserve Bank, is entrusted to this department.

This legislation is expected to benefit the co-operative banks in their efforts to secure deposits. With the application of this act to co-operative banks, the government of India has decided that all Co-operative Banks and the District Central Banks which have been in audit class A or B for a period of not less than three years, continuously, will rank equally with the State Bank of India and its subsidiaries in the matter of acceptance of deposits from local bodies, statutory authorities, Government Corporations and Companies, Universities and educational institutions. Hopes are also high that cooperative banks would be admitted in due course to the Deposit Insurance Scheme, which undoubtedly will enhance public confidence in these banks.

The resources of the bank can be grouped into two classes: owned funds and borrowings. The borrowings can still be grouped under the following: deposits, loans from the Reserve Bank of India and from other government institutions and other liabilities. Of the total resources only 9% constitute owned funds and 91% of the funds are liabilities. Of the total borrowings, 49.6% constitute deposits from members and of the public, 33.4% constitute the amount borrowed by the Bank from other institutions and 8% other liabilities - principally contributions by the State Government to the share capital of central co-operative banks and primary credit societies.

The resources of the bank are principally for lending. Loans made account for 75.4% of the total resources and 18.3% were invested with 5.8% liquid assets to meet demands of depositors. Only 0.5% was in other assets.

In the grant of loans to borrowers, the policies of the Reserve Bank of India were followed. Cash credits were granted by the Bank to the processing and marketing societies in the districts whose demands being large could not be met by the district central cooperative banks. The major beneficiaries of this type of loans are the sugar factories and the processing and marketing societies. The bank also grants credit to the district cooperative banks with the appropriate credit facilities so that they in turn can give credit to the purchase and sale societies in carrying their fertilizer distribution business. For this operation, the Reserve Bank of India has sanctioned a credit limit to the Bank at 2% below the Bank rate.

The Bank also grants medium and long term loans to both agricultural and non-agricultural cooperative societies.

Along with the acceptance of deposits of various type and making advances to needy co-operatives, the bank also continued to undertake inland exchange business which included the issuing of demand drafts, arranging mail and telegraphic transfers of funds and collection of inward and outward bills. The bank is also a member of the Bombay Bankers' Clearing House and also of the clearing house at Nagpur.

In its growth over the years, the Bank has been consistently making net savings. In the distribution of the earnings, 25% goes to Reserve Fund, 15% Agricultural Credit Stabilization Fund, 5½% dividend pro-rata 1½% contribution to Education Fund of the State Co-op Union. Provisions were also made for Reserves for Building and sizeable bonus to the Bank staff.

The Bank in its more than 56 years of experience has been assisting the development of cooperative societies in the state of Maharashtra. In the development of cooperative processing industries principally the sugar factories, the Bank has been instrumental in their growth. The question of finance for expansion of these factories was considered by the Bank and given adequate support. In the field of developing marketing federations, rice mills and spinning mills, the Bank has been in the forefront to make them succeed. It's financial leadership and performance in helping develop the cooperative movement is a model for other states to emulate.

The Agricultural Cooperatives, Philippine Experience

The salient need of the Philippine economy as ever before is a broadened production base to cope with the multifarious requirements of socio-economic growth. Massive developmental efforts have to be constantly pursued to effect a breakthrough against the barriers to economic development. However, for this to effectively proceed, various factors - social, political and economic must be progressively unravelled and remedied.

The Situation

The socio-economic conditions in the country that have prevailed and still prevail today in the agricultural areas can be readily appreciated in their impact and implications upon the whole structures of the economy.

These are:

(a) 56 per cent of the labor force of close to 11 million are in agriculture and over 64 per cent of the population live in the rural areas. Of the average of 28.3 months of potential labor of a farm family, only 8.9 months are utilized productively on the farm, 6.2 months in off-farm work and 13.2 months are idle.

(b) The average size of farm is less than 3 hectares and the majority of farms grow only one crop - rice each year with about 27.4 cavans average yield per hectare. On the whole 38 per cent of all farmers are share tenants with the prevalent 50 - 50 sharing arrangement. In the principal rice-producing provinces, the incidence of tenancy is as high as 89 per cent. Moreover, farm production is oriented mostly for the satisfaction of family needs with only about 34 per cent of the produce sold.

(c) Capital resources of the farm family are very limited. Of an average capital of ₱7261, 92 per cent are in fixed assets of land and buildings including dwelling and only an average of ₱224 as operating capital in the form of tools, equipment, fertilizers etc.

(d) 76.1 per cent of all families have an income of less than ₱2000.00 with 46.3 per cent having an average income of less than ₱1000.00. The farm family of an average 6 members has an average income of ₱982 annually, close to 50 per cent of which is derived from non-farm sources.

(e) Until the Agricultural Credit and Cooperatives Financing Administration now the Agricultural Credit Administration (ACA) and the Rural Banks' Act became laws in 1952, 88 per cent of all farmers have no source of credit except relatives, traders, landlords and moneylenders. Usury rates go up anywhere from 20 per cent to 200 per cent or more.

(f) Marketing of agricultural crops was controlled by middlemen traders in most cases non-Filipinos.

Thus, greater urgency for sustained growth, suited to the tempo of changing times, particularly in the agricultural sector is the imperative need of the day. The rapid increase of population of 3.2 per cent annually, exerting strong pressure on the man - land ratio calls for bold measures in recasting and reconstructing the national socio-economic structure in agriculture to achieve growth objectives as well as to minimize if not eliminate the breeding grounds of seething social unrest. The urgent demand for self-sufficiency in food requirements and the rising expectations for improvement of the levels of living with maximum speed demands determined remedial actions.

The development of the economy in general and of the agricultural sector in particular, for which measures had been formulated, adopted and modified over the years has clearly and compellingly taken the direction towards expanding the people's participation in the ownership and production of economic wealth, goods and services and in the progressive refinement of the tools of cooperation within the framework of freedom to bring about effective participation from the broadened base of the productive sector of the economy in order to strengthen the foundation of the democratic institutions. The bold and revolutionary land reform measure of 1963 (Republic Act No. 3844) embraces these objectives, specifically in creating a truly viable social and economic structure in agriculture conducive to greater productivity and higher farm incomes of farmers by establishing owner-cultivatorship and the economic family size farm as basis of Philippine agriculture in order to achieve a dignified existence for the small farmers, free from pernicious institutional restraints and practices of tenancy.

Under the present agricultural land reform measure, the cooperative movement in agriculture is deliberately and directly reposed within the context and stream of a bold program of recasting and reconstructing the national socio-economic structure in agriculture. To this end, the agricultural cooperatives are expected to be one of the instruments of enhancing the economic status and well being of the rural people along with the other instrumentalities of the government. For it need not be emphasized here that cooperative societies help bring about in some degree, closer integration and greater interdependence among rural people and groups. They also serve as effective channels for the dissemination of practical technical improvements to farmers. They help reduce the cost of credit, cost of goods and services and in some measure increase the net prices received by them.

#### The Present Agricultural Cooperatives Situation:

To date there are 539 registered agricultural cooperatives of all types in the Philippines with a recorded membership of 310,901 farmers and



a total paid-up capital of P7.1 million. On the whole their total business exceeds P150,000,000 as of last year.

By type, 515 of these associations are primary societies, the majority of which serve municipal jurisdictions with a few having members and operations on a regional coverage; 20 are provincial federations; 2 are regional and 2 are national federations. Most of the societies are marketing organizations but are multi-purpose in their activities. Two of the primary societies are specialized processing societies.

Classified by major crops handled, 342 are rice and corn cooperatives, 80 are tobacco associations, 51 copra, 15 sugar and the others deal in poultry and livestock, coffee and cacao, vegetables, fish and others.

Of the number of registered cooperatives only 149 or 30 per cent are fully stable and are practically on their own, without in many cases, any assistance from the government except tax exemption privileges, which however, are granted under the law for all cooperatives. Forty three per cent or 213 of these cooperatives are in very weak financial and operating conditions and for all intents and purposes maybe regarded as failures. The rest, 142 in all, are in the in-between cases with limited activities. They are presently under study and evaluation for a systematic revitalization program.

#### Early Attempts on Agricultural Cooperatives

The idea of promoting cooperatives in agriculture in the Philippines, dated as early as 1915, even earlier, with the enactment of Act No. 2508 otherwise known as the Rural Credit Law. This gave birth to Agricultural Cooperatives Associations, but the movement as it is today, did not begin until 1927. In that year, the Cooperative Marketing Law was passed which covers marketing and purchasing association. Still existing with some amendments, this is the basic authority under which agricultural cooperatives are organized.

After 1927 for more than a quarter of a century, little significant progress was achieved along the lines of agricultural cooperatives. Some 571 agricultural credit cooperative associations were organized and 160 marketing cooperatives were registered with the Securities and Exchange Commission but they were short-lived. What cooperatives there are today are the results of a massive government program boldly started in 1952.

In that year the Congress of the Republic of the Philippines, cognizant of the chronic poverty and want among the rural people and the social unrest and organized rebellion that had erupted in many agrarian provinces where the incidence of tenancy was high, laid down a program of promoting agricultural credit and cooperative institutions in Republic Act No. 821 otherwise known as the ACCFA law. It was declared a national policy to

a) promote the organization of cooperatives among farmers for greater unity of effort in production, processing, storage and marketing of their products, and b) to extend liberal credit to small farmers and to their associations. To carry out the program, an administrative machinery, the Agricultural Credit and Cooperatives Financing Administration (ACCFA) was created. This law, later amended by Republic Act 1285, also authorized the ACCFA a revolving fund of ₱100 million to finance its credit extension activities to small farmers and their cooperatives.

From late 1952 to August 8, 1963, when the ACCFA was reorganized by the Land Reform Code and renamed Agricultural Credit Administration (ACA) to align its activities with the land reform program, it has granted to farmers and their marketing associations (FaCoMas) a cumulative total of more than ₱210 million. Its liberal credit program provided the inducements for farmers to join cooperatives and the magnet for organizing new ones, since as a matter of policy, loans were granted only to farmers who are members of Farmers Cooperative Marketing Associations. Of these loans, some ₱70 million are due and outstanding, threatening the continuation of the program itself. The program saw almost spectacular achievements during its first six years after which it suffered serious breakdowns.

#### Causes of Failure

Several factors in combination with one another caused the decadence of many agricultural cooperative societies in the country. They permeated the structure of these societies and undermined their growth and stability. They are the malignant cancer which if unchecked and not booted out of the anatomy of these cooperative institutions will setback the cooperative movement for a good number of years. These are:

1. Lack of understanding of the true spirit of cooperation on the part of the members, intensified by improper motivation. There was a time when the attitude of farmers toward their loan obligations with the ACCFA worsened to the point that it was held preferable not to repay rather than to repay their loans.
2. Weak financial structure.
3. Lack of trained and competent management personnel coupled with opportunism on both the members and cooperative officials. Inadequately trained government supervisors.
4. Insufficient volume of business due to the fact that the base of membership was made up of marginal or subsistence farmers. Furthermore, for lack of experience, aggravated by mistrust, farmer members were reluctant to deliver their surplus to their FaCoMas despite the presence of marketing contracts they signed with the cooperative.

5. Manipulations of middlemen and landowners who naturally opposed and tried to undermine the cooperatives.

Under the economic, social and political climate and conditions under which the ACCFA program was launched and intensified, these weaknesses which were known to exist, were overlooked as a matter of political, social and economic necessity. It would have been more costly to the social economy and the nation itself had the program were made to wait until all the requisites for success were at hand. Had the program not been quickly and boldly implemented along with the other social reforms and military measures, it would have been uncertain whether the acute and seething social unrest then obtaining could have been contained or rebellion averted. It is widely recognized that at the critical period of the nation's history when democracy in the country was imminently threatened with the seat of the national government in proximate danger of being overthrown by the Huk rebellion and the peasantry disillusioned, that the FaCoMas and the ACCFA program served as an instrument to renew the farmer's hopes for improvements and win back their confidence in their government. It is indeed a setback in the cooperative movement in agriculture, but in the painful processes of growth, failures of many cooperative societies do not spell the death of the movement itself. On the contrary, such failures provide practical and priceless lessons for succeeding generations to build on.

Ten years of experience in the ACCFA venture provide lessons that are beginning to pay dividends in the Philippines today. We have now an increasing number of FaCoMas that have pulled their bootstraps out of a state of practical bankruptcy a few years back, to a state of strong and genuine cooperatives with substantial financial strength and stability. Benefitting from this experience, the government reorganized the ACCFA and placed the whole program of cooperative development in agriculture within the context of an integrated land reform program.

In its original conception, the ACCFA program of developing cooperatives was envisioned to provide the small farmers with the instrument of organization and credit to help enhance their economic and social well-being. The program, concerned as it was with social welfare, if half successful is tremendously dynamic in reconstructing the traditional socio-economic structure. Under the present scheme where the ACA is a vital and integral element in the implementation of Land Reform it has acquired a vastly greater significance to make the small farmers achieve a dignified existence free from the institution of tenancy and all the depressive and repressive social, economic and political relations it has engendered. The Land Reform Code has modified its functions, increased its capitalization to P150 million and re-christened it to Agricultural Credit Administration.

Hand in hand with the other agencies of the massive land reform administrative machinery of giving the farmers a dignified existence, the ACA is to operate jointly with the Commission on Agricultural Productivity (CAP). In the present set-up, it is incumbent upon the CAP along

with its extension services to farmers to stimulate the promotion, organization and guidance of cooperatives in agriculture and to attend to cooperative education. The ACA for its part extends financing and supervises cooperatives with powers to audit and prosecute erring officials of such cooperatives through the appropriate provincial or city fiscal. Credit extended to farmers is on a supervised basis with the extension personnel of CAP and ACA credit personnel working as a team.

In the task of promotion, the CAP whose division of cooperatives is presently undergoing organization can count on the assistance of the barrio officials on whose shoulders, in a separate legislation known as the Revised Barrio Charter of 1963 were reposed the powers and duties of undertaking cooperative enterprises in their respective areas that will improve the economic and social well-being of the barrio residents. The seeds, therefore, of a dynamic cooperative movement have been sown awaiting vigorous nourishment and implementation to remedy some of the ills plaguing the social economy, for there are more than 30,000 barrios in the Philippines.

#### Status of Cooperative Education

The pitfalls of cooperative experience in the country stem from lack of understanding of cooperative spirit on the part of the members and from the scarcity of trained, competent and dedicated leaders, officers and management personnel in the rudiments of cooperative endeavor aside from their dishonesty and opportunism. By and large, there is no substitute to an enlightened membership and competent and dedicated management leadership for the success of genuine cooperative societies. For in the words of Mr. Basil Loveridge, "cooperation is an exercise in education. Whenever attempts have been made to form cooperatives, there have first been discussions and preparations which call for wise understanding of the economic problems to be solved and the way in which the solutions are to be attempted." It need not be emphasized that in a cooperative society the ultimate authority resides in the members. In the judicious exercise of such authority, they must know cooperative principles and practices; they must be informed generally about the business activity in which they engage. They must believe in the spirit of cooperation and must understand it firmly.

Enriched with the experiences of years back, various organizations for training have emerged either by law or by design to serve the needs of cooperative societies for professional leaders of the cooperative movement, government cooperative officers, teachers of cooperatives, staff and elected officials of cooperatives and also to provide education and training for the rank and file cooperative members. To date there are 20 organizations conducting cooperative education of all types in the country.

At the apex of these institutions is the Agricultural Credit and Cooperatives Institute (ACCI) of the University of the Philippines. It was envisioned as the regional training center for agricultural credit and cooperative organizations for Asia and the Far East in a resolution

passed by the delegates of the First Far East Agricultural Credit Workshop held in the Philippines in 1956. Starting its operations in 1960, the Institute has been training officials and officers of government agencies dealing with the promotion and supervision of agricultural credit and cooperative organizations and leaders and personnel of agricultural credit and cooperative institutions by the holding of seminars and workshops to discuss operations, management and problems of these organizations. The Institute also conducts scientific research specifically directed toward solving current problems of these institutions and provides advisory and consultatory services to them.

The experience of the ACCI is an example of the realism of cooperation. Despite the fact that the committee which drafted the Charter for the proposed Institute failed to appropriate a regular allocation for its maintenance and operation, it is now a well-known and stable institution. In its infant years, it was seriously handicapped by lack of well-founded sources of regular income to meet operational expenses. It operated solely from contributions and grants from Philippine government agencies, cooperatives and international organizations interested in cooperative development. There were times when it was uncertain whether the Institute would continue its operations for lack of assurance of funds to be made available to it. However, the National Economic Council firmed its shaky financial predicament by providing ₱120,000 in counterpart funds out of appropriations made by the Philippine Government. In 1964, the Cooperatives Administration Office of the Department of Commerce and Industry made available to the Institute ₱200,000 out of its appropriation. This was part of the counterpart of the Philippine Government in a scheme jointly arranged with the International Labour Office of the United Nations to help strengthen cooperative education in the Philippines through the assignment of three cooperative experts to the ACCI. For its part, the ILO has promised assistance to the total of about \$300,000 in furtherance of cooperative education and training. From a shoe string budget of ₱55,000 in 1959-1960, the Institute has now a budget of over ₱400,000 integrated with the regular appropriation of the University of the Philippines.

### Conclusion

The cooperative idea offers tremendous dynamism in the broad vision of recasting the social economy from the grip of deepening poverty and in regaining the people's confidence in our democratic institutions. This has been proved in our experience. But in the present set-up it is called upon to meet a far greater challenge of transforming the Philippine heartland into a land of plenty and of peace. This is the great vision of the bold land reform program in assaulting with concerted efforts the institutional bastions of poverty and stagnation in the rural areas. With the weaknesses of past cooperative endeavors corrected, with legal sanctions embodied in the present land reform law for malfeasance and misfeasance of cooperative officers and officials, with the stability of cooperative training institutions for cooperative leaders, employees and members alike and with our vast and priceless experience on cooperatives, the cooperative movement in the country is assured of a bright future in the difficult task of recasting and remoulding the endemic rural socio-economic structure.

## Comments and Suggestions

### A. On the ICA Teachers' Exchange Programme

The Teachers' Exchange Programme is a milestone in the efforts of the International Cooperative Alliance to propagate the cooperative movement around the globe. In the task of assisting to strengthen cooperative training institutions there is no other programme as effective as this one in achieving the objective of exchange of experiences in the cooperative movement of a particular country and training institution and recent developments in another with a minimum of expenditures. Furthermore, the receiving institution not only will gain deeper insights on the problems and techniques employed by participant's training institution in carrying its tasks but also is in the best position to prepare a comprehensive and realistic programme suited to the interests of the exchange teacher with suggestions from the International Cooperative Alliance of course! The receiving institution is knowledgeable of what cooperative societies to visit from which the participant may draw lessons applicable to his own country.

However, based on my experiences, improvements could be made to make the programme more effective, fruitful and a pleasant experience. First and foremost is that the objectives of the programme should be communicated well in advance. This will afford him the opportunity to prepare himself on what is specifically expected of him. Likewise the receiving institution should have foreknowledge of such objectives so that the programme prepared should have objectives jibing with those of the alliance. Specifically, the twin objective of teaching and learning lessons from the host country should be clearly spelled out and which of the two should be emphasized more. I feel that the learning aspect should be the main objective since the participant as an exchange teacher no matter how well-experienced in his own country cannot be in the best position to contribute much in terms of teaching in a training programme that is job oriented. This is so since his expertise is mostly based in his experiences in his own country while the host country may have a different approach in developing its own cooperative movement. In India for example, the government actively supports the cooperative movement in terms of provision of capital to all cooperative societies including sizeable loans and provides adequate funds in furtherance of cooperative education and training. Here in the Philippines the agricultural cooperative movement is in dire need of such support. Hence, since my field of specialization is agricultural credit it was imperative that I had to know the rural credit situation, the structure of credit organizations and institutions in India from the Reserve Bank down to the primary societies including their policies and operations. For me to intelligently discuss agricultural credit to an Indian audience that is suited to the needs of their societies as well as to their members in so short a stay in the country is to

say the least a difficult job. Moreover, in such a context, knowledge of the workings of a planned economy as India is, is a necessity. The best that the exchange teacher could do under such circumstances is to discuss the experiences of the cooperative movement in his own country and what lessons can be gained from them which are of particular relevance to the country and the host institution.

Secondly, viewed from the twin objective, the programme is short. The first problem that the participant has to encounter upon reaching his country of assignment is adjustment. In this, a week or so of study on the political structure economy, psychology, philosophy and religion of the host country may not be sufficient. More so since he has to know the structure, operations and management of cooperative societies of the country to give him deeper insights on the history and development of the cooperative movement as well as recent developments. To have the "feel" of the study he has to see for himself the workings of different societies and spheres of operations. This involves a longer period for him to truly appreciate the contribution and role of the cooperative societies in the economy and social life of the area. Numerous variables such as the level of technology, levels of education and aspirations, rural values and value systems, marketing institutions and structure etc. have to be studied in their perspective for him to truly appreciate and learn lessons from such set-up, operation and experiences. Field visits to different societies will undoubtedly reinforce the accomplishments of the learning objective. Such visits should be preceded by information such as management structure and activities so that the limited time can be devoted to discussions on its past history, problems and measures undertaken in the interest of growth and development of societies under study.

Another consideration worth commenting on is the information on currency regulation. The \$20 daily allowance given by ICA is quite adequate. However, information as to whether it would be given in US \$ or in the currency of the country is desirable especially in a country where there is foreign exchange control. This will afford the participant to bring along adequate amount especially if he wished to pass by other training centers on the way home.

The Vaikunth Mehta National Institute  
of Cooperative Management

The Vaikunth Mehta National Institute of Cooperative Management is singularly fortunate to have the all-out assistance of the government of India in all its requests for funds. Envisioned to be the nerve center of cooperative thought in the country and chartered as the National Institute of Cooperative Management, it is seriously and conscientiously working towards national recognition through improving the quality of its performance. It has a well-planned programme of training and research activities. The administration of its programme is undertaken by competent staff. However, I feel that for the Institute to more effectively carry its training programmes, the appointment of an audio-visual specialist who will articulate ideas into presentable and easy to comprehend teaching materials, is a must.

Since India wishes to achieve "unity in diversity", the cooperative institution can be the vanguard in this grand design. Hence in its 9 month core course, "Indian Nationalism" should be introduced with that end in view.

In the treatment of Rural Economics and Sociology, the following should be included in the treatment of the subject: Farm Management, farm planning and budgeting and supervised farm credit, and rural values and value systems affecting operations of cooperative societies. In all its training programmes pointers on public speaking should also be taken. Also, possibilities should be explored on making all prospective participants to be self-motivated.

The research programmes of the Institute should consider the possibilities of including interdisciplinary case studies on cooperation in its research, activities. The human and social elements of cooperation need to be explored in such researches.



Recommendations to the Philippine  
Cooperative Movement

The cooperative idea is a social movement with a business ethics of its own. Developed well, it connotes social justice in the concrete, for essentially it holds that justice is the birthright of every man. The cooperative society when financially stable and efficiently managed affords the economically weak the collective strength in the economic sphere. It is an inherent characteristic and an attribute of the cooperative society to uplift the levels of ~~level~~ of the small.

Policy makers interested in social welfare can not just watch and see that cooperative societies develop by themselves. The weak deserves assistance from the strong and the state in its avowed objective of doing justice to every man must support the cooperative movement to develop it at a rapid pace. The cooperative movement in our country n needs massive support if they are really to serve especially the weaker sector of the economy.

The revival of interest in the cooperative movement in the agricultural sector can not but be a flash in the pan affair without a well conceived programme of assistance in three fronts: namely, finance, training and research.

In the aspect of finance, the government should seriously consider adopting a law providing counterpart capital on a peso per peso basis to agricultural cooperative societies. Such government counterpart can be contributed by the Development Bank of the Philippines or from the profits of the Central Bank or from the proceeds of reparations goods. Such government counterpart should not have the right to vote and should be preferred as to assets of the society in case of dissolution and ~~retirable~~ after several years if and when the society is financially strong. So that agricultural cooperative societies be able to have a good source of loanable funds the following should be considered:

1. Establishment of an Agricultural Cooperative Bank in the Provincial Level with primary societies as members and also individuals who wish to subscribe to the capitalization of the bank with government counterpart. Such bank should be granted the rediscounting privilege of 2 per cent below the bank rate.
2. In lieu thereof the possibility of amending R.A. 2023 to open the gates of the Philippine National Cooperative Bank to agricultural cooperative societies should be considered.
3. Another is the amendment of the Rural Banks Act R.A. 720 as amended by giving the agricultural cooperative societies first

priority in the purchase of government equity investments in the rural banks. This amendment is in support of the declared policy of Congress embodied in R.A. 720 as amended, "to promote and expand the rural economy ... and to encourage cooperatives."

4. Possibilities should be explored to allow cooperative societies to accept savings and time deposits from members and from the public.

5. Possibilities should also be explored regarding the establishment of an Agricultural Cooperative Credit Fund for the purpose of subscribing capital stock in cooperative societies among farmers. This fund should be coming from the annual earnings of the Central Bank not otherwise appropriated.

In the field of cooperative education and training, the government should consider helping and assisting the establishment and operation of provincial cooperative unions. Administration of such unions for purposes of cooperative education (member education) should be the function of Committees set for the purposes. Funds of the union should be contributed by the government until such time that the member cooperative societies themselves can finance the union. At the moment a working organization designed to carry and spread the gospel of cooperation is an urgent necessity for the health of our cooperative movement.

No less important is the training of the leaders of the cooperative movement particularly in the government sector. To this end the government has to allocate sizeable amounts of money for a long-range training programme for government personnel and for the training of the trainers - instructors to be employed by the cooperative unions. Presently funds for training purposes are very scanty and the training Institute - the Agricultural Credit and Cooperatives Institute of the University of the Philippines does not have sufficient funds for the training of leaders and management personnel of cooperative societies, much less the control of such funds. For the Institute to realistically adopt a long-range training program and develop a corps of well-trained management personnel and carry it effectively, the training funds should be given to it in the form of specific budgetary allocation.

In the field of research which is very vital to the cooperative movement the following research projects are suggested:

1. A Survey of the Manpower Requirements For The Management of Cooperative Societies for the Next Five Years
2. Establishment on a Pilot Project Basis of Multi-Purpose Agricultural Cooperative Societies with Government Counterpart Capital

3. Inderdisciplinary Case Studies of Selected FaCoMas.
4. Establishment of Three Pilot Projects on Study Circles for selected FaCoMas
5. An Evaluation of the Impact of Training of Management Team on FaCoMa Business Operations
6. Feasibility Studies - Determining Technical and Economic Feasibilities of Organizing Cooperatives of Specific Types
7. Studies on Consolidation of Inactive FaCoMas
8. A Pilot Project on a FaCoMa Tractor Pool in Land Reform Areas.

The three-pronged approach of government capital assistance to cooperative societies together, with the establishment of credit institutions for cooperative societies or opening the gates of such institutions to cooperatives, training of leaders and personnel of the cooperative movement on a wider scale than has hitherto been done and undertaking research projects for the cooperative movement will undoubtedly add more vigor to the revival of interest on the cooperative societies. Capital infusion is the need of the hour for if cooperative societies are to compete successfully with private traders and develop themselves, they must have adequate finance at their disposal to be able to pay for the produce when the farmers need immediate payment. This is also the reason for the proposal to open the gates of credit institutions to cooperative societies and preferential concessional rates in the rediscounting facilities of the Central Bank. The step-up of training programmes will undoubtedly supply the cooperative movement the management expertise indispensable for successful cooperative business operations. Research will unfold the vistas for doing things in more efficient and enlightened manner. The three pronged approach is deemed the answer to hasten the growth of our cooperative movement in the interest of peace with progress.