COOPERATIVES AND RURAL POVERTY IN INDIA - A DESK STUDY PREPARED BY COPAC SECRETARIAT IN CONNECTION WITH THE STUDY ON "COOPERATIVES AND INVOLVEMENT OF THE POOR IN THEIR OWN DEVELOPMENT*

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July 1976

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* The opinions expressed are those of the author only and do not necessarily represent the views of COPAC.

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Preface

COPAC was established in 1971 in response to the emphasis of the Second United Nations Development Decade on the mobilization of the people, particularly the poor, for their own development through their own organizations. United Nations agencies and international non-governmental organizations came together in COPAC with a view to better coordination of their activities for the promotion of cooperatives in the developing countries. COPAC maintains close relations with many non-member agencies active in this field.

COPAC undertakes the organization of biennial symposia where the problems of cooperative development strategy and aid can be discussed in a neutral atmosphere by all parties concerned - government officials and cooperative leaders from developing countries, donor agencies of all types and representatives of international organizations. Three such symposia were organized prior to the formation of COPAC in the late sixties and early seventies by SIDA (Sweden), DANIDA (Denmark) and ODM (UK) respectively. The third symposium to be held under the aegis of COPAC will be held in 1978 and will devote attention to "Cooperatives and the Involvement of the Poor in their Own Development".

The symposium will consider two basic questions:

- what are the characteristics of cooperative structures and procedures best suited to the involvement of the/poor in their own development /rural/ under varying environmental, social, political and economic conditions?

- what are the essential environmental, political, social and economic pre-conditions for cooperatives to involve the rural poor in their own development?

This paper forms the second of a series of desk studies which will be released by COPAC Secretariat during the period prior to the Symposium. The views expressed are those of the author only and do not necessarily represent those of COPAC. The scope and depth of the papers is restricted by the limited staff resources available to COPAC Secretariat and the difficulty of obtaining published material covering all aspects of the problem. However, it is hoped they will contribute to constructive dialogue and knowledge of the role cooperatives may play in the battle against poverty and inequality.

COPAC Secretariat will be grateful to receive comments, suggestions and corrections so that the papers may be improved and understanding of cooperatives potentials and limitations increased.

RURAL POVERTY IN INDIA

The poverty of India needs little documentation. The extreme deprivation of this populous country is notorious. The Government of India, in a statement to Parliament in September 1974, estimated that 60 percent of the population were below the poverty line. Average per capita GNP in 1972 was US $ 110. This picture, bad/itself, does not, however, reveal the extreme stratification of a /in/ rural society in which the poor are very poor and very numerous and the rich are very rich and comparatively few in number. Taking India as a whole, P.D. Ojha and V.V. Bhat 1/ estimated that in 1964 the poorest 40 percent of the population received 16 percent of the GNP whilst the middle 40 percent and upper 20 percent received 32 percent and 52 percent respectively. The 1971 census revealed a rural population of 440 million, 80 percent of the total. In 1961, there were 31 million agricultural labourers, by 1971 this had risen to 47.3 million, of which 16 million were women. Thus, 25.8 percent of the total work-force or 37.5 percent of those employed in agriculture are landless.

INTERSTATE VARIATIONS IN RURAL INCOMES

Both income differentials and absolute levels of poverty vary from Indian state/and, of course, within different areas of the states. Data on rural income, /to state or even state production, is at best scanty. In 1960/61 annual agricultural income per head of the agricultural population was highest in the Punjab and Haryana at around Rs. 313. There is then a considerable gap to the next state, Gujarat, at Rs. 238 and a steady decent from there through Uttar Pradesh, Maharshtra, West Bengal, Karnataka, Jammu and Kashmir, Assam, Tamil Nadu, Kerala, Rajasthan, Orissa, Madhya Pradesh at Rs. 198 and then another precipitous drop to Bihar with Rs. 136. These figures cannot be taken as entirely indicative of the overall welfare of the rural population, however. Prices of cereals, the most basic of food stuffs, vary from state to state and, of course, year to year; but they are not necessarily lowest in the poorest states and tend, if anything, to compound the effects of low income. On the other hand, figures for calorie intake, the validity of which must be treated with caution, indicate that although the Punjab eats well, Bihar eats better than Gujurat, for example, and Rajasthan best of all. Similary, services are much better distributed in Kerala than elsewhere with Tamil Nadu also a poor state, second and Maharashtra, the richest state in overall terms, third. Bihar, the poorest state by all definitions, except calorie intake, also has some of the worst services.

Economic growth has been by no means uniform between states. Dayanatha Ja 2/ calculates that during the post-independence period prior to 1960 rates of growth were linked to population increase and were similar for all states, although the Eastern states of Assam, Orissa and West Bengal did not do so well. During the period 1958/61 to 1963/65 the rate of growth of many states slowed, but between 1963/65 and 1969/71 several states, notably those affected by new wheat production technology, recorded accelerated rates of growth (Haryana, Punjab and, to a lesser extent, Rajasthan). The rate of growth in many of the rice producing states further declined; in Andhra Pradesh it was actually negative and very low growth rates were recorded in Bihar, Kerala, Madhya Pradesh, Mararashtra, Karnataka, Orissa and West Bengal. Therefore, agricultural income disparity between many of the poorest and the wealthier states increased in recent years.

INCOME AND LAND DISTRIBUTION IN STATES

Income distribution within the states themselves has been calculated by M. Farbman 3/ on the basis of 1961 figures (see Table 1). He has calculated rural income disparity on a state by state basis. There appears to be no particular relationship between the wealth of the state and the share of the poorest ten percent of the population, or the richest ten percent in the total rural income. On the basis of these figures Assam has the most favourable income distribution, followed by Jammu and Kashmir. Bihar and Tamil Nadu are amongst the worst. Thus, income distribution is not necessarity more egelitarian in states which have emphasised provision of welfare services either. Kerala with the best services has an unfavourable income distribution situation and likewise Tamil Nadu and Maharashtra.

In India, where there is little state or cooperative farming, the problem of rural poverty is inseparable from that of access to land. In 1961/62 4/, of an estimated 72.5 million rural households, 8.5 million or nearly 12 percent of the total owned no land at all. A further 23.6 million or 32.5 percent owned less than an acre, i.e. 44 percent of the rural households owned less than an acre. Since then the position has, if anything, deteriorated, particularly in areas affected by new production technology. Laxminarayan, 5/ for example, found in three villages of Haryana the proportion of land in the hands of the farmers with more than 15 acres increased from 50 percent to 61 percent, 56 percent to 62 percent and 59 percent to 65 percent respectively, following the introduction of high yielding varieties. It is interesting to note that this expansion took place at the expense of farmers in the middle size range, rather than small farmers with less than five acres. * The number of agricultural labourers rose from 31 million in 1961 to more than 47 million by 1971. The proportional distribution of land holding is shown in Table 1. It will be seen that the states with the worst income differentiation with a few exceptions, notably Tamil Nadu, have the greatest concentration of land holding in the hands of a minority, whilst the states with the least income inequality also have a more equitable distribution of land holdings. For example, in Kerala in 1961, 83 percent of holdings were less than 2.5 acres, but this size group only occupied 26 percent of the land area and in Bihar 55 percent of holdings were less than 2.5 acres, but only 14 percent of cultivated land fell in this size range.

Taken overall of the 50.7 million operational holdings in India, 40 percent are less than a hectare ** in size and 62 percent less than two hectares, but their share of the total cultivated area is only 20 percent. 28 percent of holdings are more than three hectares and occupy 70 percent of the land area.

The national government has recommended to the states that each family should be permitted a maximum of 18 acres of irrigated land or 54 acres of dry land. A family is defined as a wife, husband and three minor children. Larger families should be allowed land holdings up to twice the normal ceiling. Cash crop plantations

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* Unless, of course, the ranks of the small farmers were swelled by former middle farmers which may have been the case.

** 1 hectare = 2.471 acres.

are excluded. Land over and above the ceilings should be expropriated at below market prices and the land distributed with priority given to landless/scheduled /labourers, castes and tribes. The recommendations have been incorporated in state legislation. Despite the fact that they are extremely liberal, the states have been slow in most cases to implement the reforms and people have had adequate time to divide land amongst the family and adopt other avoidance procedures. So far 24,000 hectares, of an estimated 1.8 million hectares which should become available have been distributed to 35,000 people. The Government of India instructed the State Governments to complete land reform by June 1976. This has not been achieved. In fact the Hindustan Time Delhi reported on the 6.7.1976 that of 28 million hectares estimated to be available for redistribution in 1950 only 0.7 million hectares had been declared surplus in 1976.

Problems of land holding are not restricted to the disparity of the areas under cultivation. Many farmers continue in reality, if not in theory, to have the status of tenants and informal sharecropping relationships exist where the tenant has no security whatsoever. The Fourth Five Year Plan 6/ states percentages of cultivating households who were tenants in 1969, as Bihar (37), Jammu and Kashmir (25), Kerala (31), Karnataka (25), Punjab and Haryana (39), Himachel Pradesh (27), Pondicherry (45) and Tripura (36). Minimum rents have been fixed at rates not exceeding one quarter of the gross crop in all states except Punjab, Haryana, Jammu and Kashmir, Tamil Nadu and the Andhra area of Andhra Pradesh. Under existing laws, tenants, especially sharecroppers, have little security of tenure in Bihar, Tamil Nadu, the Andhra area of Andhra Pradesh, the Saurshtra area of Gujarat, Punjab and Haryana.

Holdings are also frequently fragmented and C.B. Mamoria 7/ notes that in Bombay and Assam the average holding contained about four plots and in Maharashtra fields measuring less than half an acre were often sub-divided into 20 separately owned plots. In Uttar Pradesh farms of 2.5 acres had on average 3.6 fragments with an average of two per acre. In West Bengal, farms of less than 1.25 acres had averages of 3.6 fragments per farm and 5.3 per acre. In the upper size range in both states, although farms had a greater number of fragments, fragmentation per acre was much less. For farms in the 10-15 acre size range, an average of one and 1.4 fragments per acre in Uttar Pradesh and West Bengal respectively were reported.

Legislation to facilitate consolidation of holdings has been adopted in all states except Tamil Nadu and Kerala. The legislation in Uttar Pradesh, Gujarat, Maharashtra, Punjab, Delhi and Orissa permit consolidation at the state's initiative. In Madhya Pradesh and Jammu and Kashmir the government may compel a minority to consolidate where the majority wish it. By 1972, 32.6 million hectares of land had been consolidated. The work was completed in Punjab where 9.2 million hectares were consolidated, Haryana with 0.1 million hectares consolidated, Uttar Pradesh with about 12 million acres consolidated, Maharashtra and Himachal Pradesh had made some progress. Other states were lagging.

SOCIAL DIVISIONS

Indian society is not only stratified economically, but socially. Social division, due to wealth, has to some extent superimposed itself on stratification due to caste, which itself has its origins in economic, spiritual and military power. Within the concept of caste, Indian society was divided into five broad groups: Brahmins, Kshatriyas, Vaisyas, Shudras and outcastes or Harijans. The first three divisions (varnas) Brahmins, Kshatriyas and Vaisyas - the twice born - were near equals and represented intellectual, political and economic power. The fourth group, Shudras, enjoyed a much lower status in the social hierarchy. The Harijans were literally outside the system, although they formed an integral part of the rural economic organization.

The tribal societies of India which tended to live in remote areas and practice shifting cultivation were not differentiated into castes. To some extent their land has been alienated in their own areas and others, as in West Bengal and Bihar, have moved away from their homes, taking up work as agricultural labourers or sharecroppers, where their social position is at the very bottom of the hierarchy. Large absentee landlords are usually Brahmins, Kshatriyas and non-farming Vaisyas. Generally they operate land through tenants and sharecroppers, but they are increasingly operating large farms as changes in technology and tightening of the tenancy laws make this more profitable. They have interests in trade and money lending and are frequently former Zaminders. * Large farmers come from all castes, but are not generally Harijans. The group is dominated by the Brahmins, Kshatriyas and Vaisyas (twice born). They have interests in trade and money lending in addition to farming. They are the major employers of agricultural labour and, together with money lenders and traders, wield tremendous influence. The middle farmers come from the same caste grouping, but include more Shudras. They may operate land in addition to their own on a sharecropping or tenancy basis. Many of them gained ownership of their land when the Zaminder system was abolished. Agricultural labourers are predominantly outcastes and tribals. Artisans and village servants are mostly Shudras. They constitute a small but distinct group amongst the poor of every village. Traders and money lenders are generally from twice born castes and have an interest in agriculture. They, together with the civil servants, landlords and large farmers represent power. They favour maintenance of the status quo and are linked by caste and economic status.

There is in India a social stratification of caste which, although it has its origins in the distant past, conforms largely to the distribution of economic power in the rural areas. The presence of some of the highest caste members amongst the very poor may work against change. Such people have been and are still to some extent respected on account of their high social origins. They feel close ties, although poor, with their wealthy fellow caste members and act as a brake on a cohesive movement of the rural poor for economic reform. The preservation of the existing power structure severely limits the likelihood of success of measures which in any way impinge on the wealth or power of the hierarchy.

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*/ Zaminders were land revenue collectors appointed by the British, who came to occupy the place of landlords over the area for which they were responsible. They were abolished shortly after independence, but many of them managed to assume direct ownership of a portion of the land for which they had been responsible.

A BRIEF REVIEW OF INDIA'S EXPERIENCE IN TACKLING RURAL POVERTY

The draft Fifth Five Year plan states 8/ "the existence of poverty is incompatible with the vision of an advanced prosperous democratic, egalitarian and just society implied in the concept of a socialist pattern of development. In fact, it holds a potential threat to the unity, integrity and independence of the country. Elimination of poverty must, therefore, have the highest priority".

Since independence the plight of India's rural poor has received considerable attention in Government thinking. The First Five Year Plan 1951-1956 9/ emphasized a package of measures in the rural areas designed to increase incomes and equality. These included the abolition of the Zaminders, rent control, security of tenure and the progressive replacement of the informal credit structure by an institutionalised one in which cooperatives were seen as being particularly important.

COOPERATIVE VILLAGE MANAGEMENT

The ultimate objective for the rural structure was seen as cooperative village management whereby the village managed its land as a block. Rights of ownership were to be continued, to be recognized and compensated by an ownership dividend. Land and the resources of the village were to be administered so as to provide maximum employment. Owners of land who worked in the village and workers who were non-owners were to receive renumeration for work done according to the nature of the work. The blocks within the village farm were to be leased from the village management body on terms which would provide financial incentive to those holding the blocks. The land might be cultivated by individual families or groups with the land split up into appropriate blocks. It was stated in this way the possibility of securing maximum production through the provision of individual or group incentives would be fully preserved. Thus, the village management conceived was socialist rather than communist in nature.

The advantages seen for cooperative village management included, creating units large enough for productive investment, making the position of landless workers more similar to that of other cultivators, and facilitating the setting up of secondary industries. It was envisaged that there would be serious problems in the immediate implementation of cooperative village management on a large scale. The most important of these was that agricultural rationalisation would throw a large number of people out of work.

It was also thought that a period of education for the people and cadres was a prerequisite of widespread implementation of the scheme. It was therefore recommended that the immediate programme would be to establish village production councils, registered farms and cooperative farming societies.

Village Production Councils were foreseen as sub-committees of the Panchayat (village committee) or where no Panchayat existed of a cooperative credit society. It was suggested that the cooperative societies and some of the best farmers would be represented on the Council. The Council would be expected to frame village production programmes and budgets, act as the channel through which all government aid reached the village, and service and coordinate all village production and community activities.

Registered farms were envisaged as a system of registering large farms (defined as at least six times larger than the minimum economic holding for the area) and effecting some control over production and wage levels on them. People with farms below the registered farm size were to be encouraged to pool their farms in cooperative farming societies which would also have a minimum size of six times as large as the minimum economic holding for the area. Cooperative farming societies were to receive priority in the provision of government services and assistance in land consolidation. Preference would be given to them in leasing cultivatable government land and land acquired under agrarian reform. In settlement of newly reclaimed land not required for state farms priority was to be given to landless workers' cooperatives. Little progress was made with this programme and in the Second Five Year Plan, 10/ in 1956 village production councils as separate from the village panchayats received no emphasis.

AGRICULTURAL CREDIT

The All India Rural Credit Survey Committee recommended in 1954 that the main drive to provide agricultural credit should be through cooperatives. As the internal resources of the cooperative movement were quite inadequate to this task, the Committee also urged state participation in cooperatives and increased finance from the Reserve Bank of India, which was to coordinate agricultural credit development. The recommendations of this committee have resulted in the cooperative movement being the primary source of agricultural credit.

COMMUNITY DEVELOPMENT

Following the success of a Community Development pilot project at Etawah (1948-1953), the programme was extended to most of the country in the second plan. The Community Development programme once diffused, ran into problems of lack of finance and shortage of qualified personnel. The country was gradually divided into community development blocks, each of 50 to 100 villages with 50,000 to 100,000 people per block and there are now some 5,000 blocks. The blocks are coordinated at the district level by a team working under the collector (district magistrate/ deputy commissioner) or the district planning officer. At the block level, a Block Development Officer coordinates a team of extension specialists in agriculture, animal husbandry, cooperatives, public health, social work, etc., who continue to be employed by their own departments, but work through village extension agents (gram sevaks), of which there are generally ten per block. In areas taken up for intensive agricultural development under the high yielding varieties programme, a larger number of extension personnel are available. The community development programme has been criticised for creating on occasions duplicatory machinery at the block and village levels. It was originally envisaged that over a ten year period blocks would reach the point of self-sustained growth, but this failed to be the case.

In 1957 a scheme of village, block and district councils, called Ranchayati Raj, was already prevalent in some areas emphasised for extension and has spread throughout much of India. They are particularly effective in Gujarat and Maharashtra. With the exception of these two states the main decision-making and executing level is the block council (the Samiti). The executive, as opposed to advisory responsibilities of the councils, vary both in law from state to state and in fact from area to area.

More or less simultaneously with the launching of Panchayati Raj came the realization that the social objectives of community development which had received the greater stress must take second place to the raising of production and, therefore, increased incomes. With this realization, agricultural services, particularly credit cooperatives received increasing emphasis.

INTENSIVE AGRICULTURAL PRODUCTION PROGRAMME

In 1960, the Intensive Agricultural Production Programme or package programme was begun. The programme was designed to raise production in areas of high potential in the short to medium term, through concentration of credit, particularly cooperative credit, extension, seasonal inputs, minor irrigation works, etc. The programme, which began in 16 districts, continues in a less concentrated manner as the Intensive Agricultural Area Programme (IAAP).

AGENCIES FOR DEVELOPMENT OF SMALL AND MARGINAL FARMERS, AGRICULTURAL LABOURERS AND TRIBAL AREAS

1969 saw the launching of the Small Farmers, Marginal Farmers and Agricultural Labourers and in 1972 the Tribal Development Agencies (see below). The agencies have, as in the community development approach, a coordinatory function. They work at the district level under the chairmanship of the Collector. They are federally financed, but rely on the state staff for implementation of the programme.

Irrigation Areas or Command Areas frequently cross district and even division boundaries. Command areas are coordinated by state irrigation departments. It has now been accepted that in each state an inter-disciplinary authority should be established whose head shall be ranked as a Head of Department with direct control over the officers of the Departments of Irrigation, Agriculture, Soil Conservation and Cooperation in command areas. A board, with non-official representation, will be set up for each command area. In the 1974-1979 plan period Development Authorities will be set up for about 50 major projects with a total cultivatable area of 15 million hectares. New schemes will give priority to chronically drought-affected tribal and backward areas.

THE ROLE OF COOPERATIVES IN TACKLING RURAL POVERTY

Amongst the developing countries India has one of the oldest and most widespread rural cooperative movements. Cooperatives were stressed in India by the British at the beginning of the century as an answer to certain social evils, particularly rural indebtedness, rather than as agents of economic development. Ghandi and Nehru urged the development of cooperatives as an ideology for Indian development with only a limited stress on their economic advantages. Emphasis in

Indian Government thinking has shifted from cooperative philosophy to regarding cooperatives as a tool of development and official development emphasis is on raising the living standards of the rural poor through cooperatives.

The draft Fifth Five Year Plan 8/ states "Cooperation represents institutionalization of the principle and impulse of mutual aid. It has the merit of combining freedom and opportunity for the small man with the benefit of large-scale management and organization. Cooperation is, therefore, eminently suited to bring about the desired socio-economic changes in the context of existing conditions in the country". And Mrs. I. Ghandi, in her inaugural address to the Sixth Indian Cooperative Congress in 1971 said "Whatever the system of Government, the people cannot be mere spectators in the war against poverty. Much less so in a democratic society and I know of no other instrument so potentially powerful and full of social purposes as the cooperative movement. It helps people to help themselves. It also enables the state to provide the necessary support and resources, without inhibiting their initiative and individuality .... Change must be accompanied by a perceptible movement towards equality. Here again, the cooperative movement assumes unusual importance. It is the only instrument capable of securing economies of large-scale work without generating the evil consequences of economic concentration". The Working Group on Cooperation appointed by the Administrative Reforms Commission set up by the Government of India recommended in its report of June 1968 that the problem of vested interests in cooperatives should be taken as part of the general problem of concentration of economic, political and social power in the hands of selected groups which naturally leads to their domination of cooperatives.

Many prominent individuals within the Indian cooperative movement have not accepted that its primary task lies in overcoming the problems of the poor and considerable stress is laid on independence from Government and "democracy". The All India Cooperative Policy Makers' Conference in March 1972 did, however, state: "The Conference is of the opinion that cooperatives should reach and serve the last man in the society and weaker sections should be given due care and attention. The Conference directs the movement to reorient* their policies and working pattern that the members of weaker sections of society are encouraged to avail of the service of cooperatives. There should be adequate representation of weaker sections on the Board of Management and larger amounts should be earmarked for lending to them". The above statement admits inter alia that cooperatives have, to date, failed to adequately serve the weaker sections of society.

India has made several attempts to utilize cooperatives in overcoming some of the problems of the rural poor. The present emphasis lies in distribution of credit to capitalize the small farmer. Previous attention has been given to land holding and consolidation problems through cooperative farming and some stress continues to be placed on labour cooperatives for landless workers. The efforts to provide credit and promote cooperative farming are reviewed below.

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* My underlining.

It must be emphasized from the outset that no mechanism which does not confront the system can change the profile of poverty in a situation which produces great divergence of wealth. Cooperatives which represent all sections of the population, rich as well as poor, are not by their very nature in a position to confront the system. We must, therefore, ask whether cooperatives have done more to benefit the rural poor, or phrased more negatively in a situation heavily weighed against the poor, have they done less damage to the rural poor than other institutions. Secondly, we must examine whether there is any cooperative structure which has brought real benefits to the rural poor within the negative environment of India today.

The Structure of India's Rural Cooperative Movement and Government Supporting Services

It is impossible to look at the effectiveness of India's cooperatives in tackling the problems of the rural poor without a brief insight into the cooperative structure. The structure, with relation to credit and agricultural production cooperatives, will be reviewed in more detail.

Cooperatives are the responsibility at the national level of the Department of Cooperation, Ministry of Food, Agriculture, Community Development and Cooperation and each state has a similar Ministry. Also, at the national level is the National Cooperative Development Corporation and the Reserve Bank of India which has a cooperative section in its Agricultural Credit Department and provides finance for agricultural credit.

Kerala provides a typical example of the organization of a State Cooperative Department. The Department is headed by the Registrar. Each District is divided into two or three divisions which are under the supervision of an assistant registrar. Divisions are sub-divided into two or three circles, each with a cooperative circle inspector who oversees the work of cooperative inspectors at the grass roots.

The cooperative movement has established a wide range of organizations at the national level, many of which are primarily business organizations, such as the National Agricultural Cooperative Marketing Federation; but others, of which the most important is the Cooperative Union of India, are concerned with representation of the cooperative movement, coordination, training, research and publicity.

By far and away the bulk of India's cooperatives are agricultural credit cooperatives, but cooperatives extend into every walk of life and are prominent in the rural areas in agricultural marketing and input supply. In 1970/71 there were 38,620 cooperative retail depots for fertilizer and Rs. 8,440 million of agricultural products were marketed through cooperatives. In 1974 cooperatives managed 3,840,000 tons of storage capacity and ran processing units with a capacity of 1,512,000 tons per annum.

COOPERATIVE FARMING

When cooperative farming was proposed in the first five year development plan, in 1951, it was intended to form the basis of a rural socialist society. The priority accorded to it has now declined to the point where it is scarcely included in government thinking. India is one of the few countries to have launched a widespread campaign for voluntary cooperative farming and it was not successful.

TYPES OF COOPERATIVE FARM

Cooperative farms in India are of two types: Joint Farming Societies and Collective Farming Societies. In joint farming societies the members pool their land, but retain ownership of it. The period of pooling which is generally at least five years is decided by the members at the time of registration. If a member withdraws his land after the compulsory pooling period the society may compensate him with another piece of comparable value if this is more convenient. Members are entitled to receive a return on their pooled land in proportion to its productivity. Returns may be paid out of the gross produce in which case they should not exceed the rent limit prescribed in the tenancy law. Alternatively returns on pooled land may be paid out of the net farm business income. Bonuses from profits are paid on share capital land pooled and work done.

In a collective farming society land rights are vested in the society. At the time of transfer of land ownership to the society lands are valued and members allotted shares equivalent to the value of their land.

There are also better farming societies designed to improve farming with individual cultivation and tenant farming societies where land rights are vested in the cooperative, but members farm individually. Early statistics are confused by the inclusion of these latter two types in the definition of cooperative farms. They have now been excluded.

HISTORICAL DEVELOPMENT

The colonial administration leased some 30,000 acres of land to 68 societies in the period 1924-1934. Of these, 10,000 acres went to Harijan field labour cooperatives, but it tended to be farmed individually. A cooperative farm was formed as far back as 1921 in Bombay state, where eleven societies were reported in 1940 and a further 21 were organized between 1940 and 1947. These societies were mainly confined to better farming activities.

There were also various traditional forms of work cooperation which, although of decreasing importance, continue today. The Phad system was reported on in detail by the Working Group on Cooperative Farming in 1959 11/. In Kolhapur District about 1,000 phads operated where land was temporarily pooled to grow sugar cane. The Working Group also describes the Gonchi system in Andhra Pradesh, where members each had shares in the Gonchi. Work, bullocks and manure had to be provided in proportion to the number of shares held and produce was distributed on this basis. Both Gonchis and Phads sometimes had very disciplined work systems.

Cooperative farming as a state policy was suggested in 1944 by the Advisory Board of the Imperial Council of Agricultural Research and the Bombay State Plan of 1944 stated "...Increase in agricultural production presupposes certain fundamental reforms such as increase in the size of agricultural holdings and the adoption of intensive farming....To bring about cooperative farming appears to present less difficulties. In order that cooperative farming should come into vogue as early as possible, some measure of compulsion appears desirable...". And in 1945 the Congress Party election manifesto stated "...While individualistic farming or peasant proprietorship should continue, progress in agriculture...requires some system of cooperative farming suited to Indian conditions. It is desirable, therefore, that experimental cooperative farms should be organized with state help in various parts of India...". In 1945, the Cooperative Planning Committee urged the formation of cooperative farming societies. The Agrarian reforms committee appointed on the recommendation of the State Revenue Ministers Conference in 1947 proposed that individual farming should not be allowed on holdings which were smaller than a basic holding and marginal holdings should be combined in joint farming societies. In January 1951 the Nagpur Resolution of the Indian National Congress stated that the future agrarian pattern should be that of cooperative joint farming, but as a first stage service cooperatives should be organized throughout the country during the following three years and in that period whenever possible joint farming should be started. In March 1951 the Lok Sabha (Parliament) endorsed the essence of the resolution emphasizing that cooperative farms should be set up voluntarily.

As was noted in the First Five Year Plan cooperative village management was seen as the ultimate objective for rural society and cooperative farming was an essential element in this. In the event cooperative farming made little progress during the first plan period, when around 1,000 societies were established of which many shortly collapsed. In the Second Five Year Plan 10/ in 1956, it was emphasized that an experimental approach should be adopted to the pooling of land. Three possible systems were listed:

"i. the ownership of land retained by individuals, but the land managed as one unit the owners being compensated through some form of ownership dividend;

ii. ownership transferred to the cooperative society, but shares representing the value of land given to individuals; or

iii. the land leased to the cooperative society for a period, the owners being paid agreed rents or rents prescribed by the law."

It was thought that it was likely that during the first stage of a cooperative farm land would be retained in family holdings, but some joint activities would be undertaken. A tenant might become a member of a cooperative farm if the land owner joined.

Priority in provision of services including credit, financial assistance, and management subsidies were to be granted to cooperative farming societies. The importance of other joint village activities in laying the groundwork for cooperative farming and education of members and officials of societies were emphasized.

The plan also mentioned village community land, i.e., land whose management for one reason or another was entrusted to the village community as a whole. Land had on occasions been donated to the village by its former owners and in 1956 about 800 whole villages (Gramdan Villages) predominantly in Orissa were handed over to the villagers and it was anticipated they would be operated as cooperative villages. By 1958 there were 381 collective farming societies and 966 joint farming societies.

In the Third Plan period 1961/62-1965/66 13/, following the recommendations of the Working Group on Cooperative Farming 11/, 318 pilot projects were provided for at the rate of one per district, each project having ten societies. In the selected districts, pilot societies were to be organized in one or two contiguous community development blocks carefully selected with preference being given to those blocks in which cooperative and panchayati raj institutions had made headway. In addition to the organization of societies in pilot areas, the growth of societies in other areas was also to be encouraged and assisted. Rs. 50 million were allocated in the plan period for cooperative farming in the pilot projects in the plans of the states and an additional Rs. 60 million were retained at the Centre for assisting the development of cooperative farming societies in other areas. No targets for numbers of cooperative farms were set.

Guidelines were issued for the formation of cooperative farms as follows:

i. societies should be organized entirely voluntarily;

ii. the bulk of the members should be small cultivators or landless persons, membership should be confined to those who were prepared to work in the cooperative and on no account should absentee members exceed a quarter of the total membership;

iii. land must be pooled for a minimum of five years with no withdrawals allowed except due to exceptional circumstances in that period;

iv. cooperative farms ought to have agriculture as their main activity and be labour intensive;

v. consolidation of holdings should be coordinated with cooperative farming and it would be desirable, but not essential for societies to be formed in areas where consolidation had been completed or was in progress.

National Cooperative Farming Advisory Boards were set up at the centre and in 14 states.

In addition to emphasizing that cooperative farming societies should receive priority under existing agricultural assistance schemes a specific pattern of assistance was approved under the cooperative plan. The assistance was to be made equally available for pilot and non-pilot societies and help to non-pilot societies was given out of the central budget without reference to the state plan ceilings. Aid was to be as follows:

	Total amount per society Rs.	States' share percentage	Central budget share percentage
Loans			
Share contribution not to exceed the share capital raised by the members	2,000	25	75
Medium and long-term loans for land development	4,000	25	75
Godown/cattle shed	3,750	17	83
Subsidies			
Godown /cattle shed	1,250	50	50
Managerial subsidy over a period of 3 to 5 years	1,200	50	50

It was emphasized that cooperative farming should form an integral part of the block development programmes and in most states some effort was made to ensure that extension staff of the various departments regularly visited cooperative farming societies. In Andhra Pradesh, Assam, Bihar, Gujarat, Kerala (Madras), Madhya Pradesh, Maharashtra, Orissa and Uttar Pradesh comprehensive instructions were issued to ensure cooperative farms were treated as package areas for intensive development.

Andhra Pradesh, Madhya Pradesh and Uttar Pradesh had full time joint or deputy registrars for cooperative farming. Bihar and Maharashtra had deputy directors (agriculture) and in Orissa a District Agricultural Officer was assigned to look after the agricultural aspects of the programme. At the local level in some states posts were established to deal specifically with cooperative farms. Maharashtra appointed 26 additional extension officers (agriculture) and two agricultural overseers were posted in Sambalpur district, Orissa, where there was a concentration of societies. In 1965, 250 field workers had been specially trained and posted to pilot areas. There was also in pilot areas generally a pilot project officer of the rank of extension officer. Although it was emphasized these should have an agricultural background most of them were drawn from the State Cooperative Departments. In Gujarat an agricultural inspector was assigned to the pilot areas as well as a cooperative inspector, but in Andhra Pradesh, Bihar, Mysore and West Bengal minimum staffing recommendations were not met. The National Cooperative Union of India had in 1965, 37 instructors in cooperative farming posted in the villages.

By 1965, training wings to train secretary managers of cooperative farming societies were set up to cater for all states except West Bengal. Courses which covered agriculture and cooperative business were usually six months long. The training wings were for the most part attached to extension training centres.

In 1966, there were some 5,501 societies farming 234,000 acres and by June 1969 the number had increased to 8,16?.

In January 1968 the National Cooperative Farming Advisory Board in a move which more or less marked the end of India's drive to establish cooperative farms, recommended that State Governments should give priority to the revitalization of dormant and semi-dormant societies; new societies should be organized only in areas where favourable conditions existed; pooling of land and joint cultivation should be an immediate objective and financial assistance should only be given to those societies which adhered to the principles of the programme.

The programme of cooperative farming was transferred to the state plan sector in March 1969 and the Fourth Five Year Plan (1969-74) 6/ stated: "...Some device has to be evolved by which land surfaces can be brought together for purpose of cultivation. Cooperative farming on a voluntary basis has been officially accepted as the way out. However, so far no substantial progress has been made. Problems of motivation and organization met with in this approach have not yet been successfully solved on any significant scale. Moreover, it has not been sponsored actively enough by any large group or body of opinion within the country. Therefore, except for continuing the present schemes of encouragement of cooperative farming it has not been possible to propose any additional programmes in this plan...Priority will be given to the revitalization of the existing weak and dormant societies. New societies will be organized only in compact areas and if they have a potential for growth...".

By 1973/74 the number of societies had increased to 9,401 of which 4,880 were reported to be active. Total membership was 259,474, with share capital of Rs. 3 million. About half the societies were reported to be running at a loss. In 1970/71, societies had borrowings from government of Rs. 37 million and from central financing agencies of Rs. 32 million.

AN ASSESSMENT

No general picture of the type of cooperative farms which now exist can be given. Societies are usually small with an all India average membership of 28. Collective farming societies which are for the most part on land donated by the government tend to be larger and have a membership which was originally landless. Members of joint farming societies seldom pooled all their land in the society. Small farmers did this to a greater extent than large. Large farmers and their families do little or no manual work on the land of the society. Societies employ some outside labour at peak periods. No detailed systems of work organization have usually been worked out.

A large volume of case study material has been assembled with respect to cooperative farms by the government of India particularly in "Studies in Cooperative Farming" 13/, "Report of the Working Group on Cooperative Farming" 11/, "Report of the Committee for Direction on Cooperative Farming" 14/, and "Cooperative

Farming in Gujarat" 15/, prepared by the Gujarat Cooperative Farming Committee. Extensive use has been made of that data in arriving at the conclusions outlined below. Case studies tended to be of societies which had only been running for a short period making it difficult to ascertain the factors contributing to success. Some societies examined by both the Working Group on Cooperatives and the Committee of Direction on Cooperative Farming were, however, reported on over a longer period and the characteristics of those societies are summarized in Table 3.

THE BENEFITS ENVISAGED FROM COOPERATIVE FARMING AND THE EXTENT TO WHICH THEY WERE REALIZED

1. Improved Management: A good manager could be responsible for a larger area thus making better use of scarce managerial resources. The extent to which this expectation has been realized is not at all clear. The problems of managing larger areas and labour forces are also greater so a man who can very competently manage his own farm may be overwhelmed by the problems of an area twice the size. In societies surveyed small farmers tended to resent paying high salaries to managers and where civil servants were appointed to run cooperatives they frequently had little interest in them and member participation was also lowered. It has been reported that cooperative farms are slow in making decisions. Cooperative farms have shown an above average propensity to adopt improved technology and have raised output above the local norms and in this they can be said to have been better managed than individual farms. More than half the cooperative farming societies were, however, running at a loss in 1973/74, which does not point to efficient management.

2. Enabling improvements to be made which could not occur on individual small farms: Farm cooperatives lower the gestation period of land improvements, such as levelling and bunding and land clearance. There is thus a greater incentive to undertake them. Where it might take one man five years to do a job on the family farm, 20 men can do it in three months and it becomes a feasible proposition. This belief has been to some extent born out in practice in societies surveyed.

Similarly small savings which one family can not meaningfully invest can be put to good use if they are pooled with those of others. The indebtedness of India's rural poor makes it unlikely that this has happened on any scale. Cooperatives do, however, generate surpluses which can be employed rather than consumed as they tend to be by individuals.

Facilities, particularly irrigation facilities, can be installed more rationally to cover large areas than small and this has occurred, although not to the extent which might have been expected, partly due to mistrust by members themselves who, for instance, are not prepared to shoulder responsibility for the debt in constructing a well on one member's land which he might then withdraw. Government departments have also been apathetic towards cooperatives or distrustful of their cohesiveness.

3. Bringing more land under cultivation: In addition to bringing land under more intensive cultivation through land improvement cooperatives have enabled waste land to be brought under cultivation through the intensive use of labour particularly in collective farming societies. Cooperative farms also have the opportunity

to eliminate plot boundary markings and the land savings in this respect can theoretically be quite substantial, but in many joint farming societies markings have been left in as farmers still to a very large extent regard the land as their own.

4. More rational use of land: Where small farmers could not individually contemplate rotation systems or putting an area down to grass for livestock this can be done if areas are combined in cooperative farms. Case studies gave little indication as to whether this potential benefit has been realized to any appreciable extent. There has, however, been a greater willingness to experiment with new technology on limited areas by cooperative farming societies as in doing so small farmers were not putting their total livelihood at risk.

5. Land Consolidation: Many of the advantages of cooperative farming such as more effective installation of irrigation equipment and farm machinery cannot be achieved if the individual fields of the cooperative farm are not of a reasonable size. The fragmentation of land in India has already been discussed (p. 3), thus many cooperative joint farms have been formed with land in several blocks and farmers have been forced to leave some of their land outside the cooperative. Cooperatives have sometimes brought an individual farmer's fields scattered over a small area all within a single cooperative block, but this is unusual. It is reported in case study data that where cooperatives are formed in an area in which land consolidation has previously taken place they are more effective. Cooperatives can prevent further land fragmentation when land in the cooperative is not divided between a man's sons, rather they become members of the cooperative.

6. Creation of employment: Cooperatives to the extent which they have promoted labour intensive land improvements, placed larger areas under cultivation and undertaken more intensive cultivation have offered increased employment to their members. Cooperatives may also be able to more effectively undertake secondary animal production and small industrial enterprises than individual farmers, but this has occurred infrequently. Cooperatives have on occasions decreased employment when they have allowed labour displacing machinery to be used as has occurred in the Punjab.

7. More efficient use of machinery: It has already been noted that cooperatives have facilitated the use of irrigation equipment. They also theoretically allow bullock teams to be used more efficiently, but this has seldom proved to be the case. Farmers have preferred to keep the same number of bullocks and have not usually pooled them in the cooperative. Where boundary strips have not been removed the cultivation operation does not become more efficient either. Cooperatives have on occasions made the use of tractors, on otherwise uncultivatable land, financially viable.

8. More efficient contact with agricultural services: Cooperatives should make contacts with extension services, marketing agents, credit institutions, etc., simpler as the service deals with one unit where before it would have dealt with twenty. This benefit has been little realized in practice as is discussed below. It has probably born the greatest fruits with regard to extension.

9. Increased production: The factors outlined above should lead to increased production as well as greater employment and case study data indicates that this

has in fact been the case. What is not clear, however, is whether the same government investment in individual farms would have born similar or greater returns. Cooperatives formed solely of small farmers have not employed such advanced techniques as those where larger farmers are involved.

10. Benefits to the poor from cooperative farming: The advantages outlined above will bear greater fruit for small farmers than large although it is clear if individuals with insufficient land for full employment or adequate subsistence pool it they will not automatically benefit, some gains can be contemplated. A large farmer can plan his irrigation rationally without a cooperative, he can locate sufficient resources to undertake land improvements and so on. Collective farming societies have generally been formed of landless families on government land, but small farmers have not been the predominant group forming joint farming societies although such societies may have some small farmer or landless members.

Cooperative farming societies have occasionally been formed to reap the benefits discussed above or for idealistic reasons, but the predominant motivation has generally been more short term, to gain additional government finance, in the case of landless workers' collective farms to gain land, or in the case of tenants in the old Bombay state to resist eviction.

Cooperative farming societies have been formed so that land holders may continue to hold lands in excess of the legal maximum or receive returns to their land higher than permitted rents. This may have been the motivation for formation of most of the societies in West Bengal, the Punjab (where the desire for tractors was also significant) and Madhya Pradesh. A substantial proportion was started for this purpose in Bihar and Tamil Nadu. It is interesting to note that these are amongst the states where cooperative farming has been least successful. Such societies were designed to deliberately exploit the poor.

There are some theoretical gains for a small farmer or a landless worker joining a cooperative with large farmers. The objectives of rich and poor are, however, basically different. The large farmer desires to maximise his return to land and will wish a disproportionate amount of the cooperatives income to be paid out as a land rent, or dividend, whilst the landless or near landless member wishes to maximise his return to labour. He is in a weaker position and will probably not receive a daily wage above the local rate, but he may, if the cooperative intensifies production, gain more days of employment for himself and his family. This has, in fact, been the case. There are isolated examples of cooperatives with mixed membership where egalitarian principles have caused higher than normal returns to labour to be paid, but they are very much the exception. The poor benefit very little from this type of cooperative in which they function as little more than labourers.

The laws of Bombay state protected tenant farmers who formed a cooperative from eviction, but where societies were formed for this purpose, long litigation usually ensued, resulting in the eventual collapse of the society.

WHY DID SMALL FARMERS NOT FORM
A SIGNIFICANT NUMBER OF COOPERATIVE FARMS?

If cooperative farming has clear long-term advantages for the small farmer, why did they fail to form them? Many of the reasons for this are external, but others are sociological. The small farmer's farm has stood between him and starvation for centuries; he is reluctant to place his and his family's survival in the hands of a group. The larger operator's farm is at least in part a commercial enterprise, not his sole means of survival and he generally does not pool all his land retaining the best land under individual cultivation.

Internal difficulties within cooperatives lead to their failure. It is highly unlikely that all farmers will pool exactly the same land area. If returns to land represent a small proportion of total returns and returns to labour predominate, the farmer who has pooled most land may well object particularly if the cooperative produces no significant immediate increase in employment and work is given to all members on an equal basis because whilst the smaller farmers' families get more work, the larger farmers' families get less. Case studies reveal that very few societies have satisfactorily solved problems of work organization and the lazier, or less able tend to receive the same returns as the industrious.

Small farmers tend to undervalue management and resent paying people more for it. There are thus often considerable management problems. Another problem which frequently arises is member absenteeism during critical periods. If a member has land outside the cooperative he may take the attitude that whilst he must get his harvest in the others will harvest the cooperative crop. Similarly, a farmer would not neglect his own crops at a critical period to take a well-paid labouring job elsewhere as he loses his whole crop. But he may well leave others to weed the societies rice if an opportunity for better paid employment arises at a period of labour peak.

It is not surprising, therefore, that amongst the most important internal factors for success of a cooperative farm are a small society where members have similar sizes of land holding and preferably are closely related thus having mutual trust. The law in Maharashtra, which did not permit members of farm cooperatives to be of the same family even if they were of different households thus had negative effects. Case studies also indicate that cooperatives of small farmers once formed have more chance of success than cooperatives of large farmers.

EXTERNAL FACTORS CONTRIBUTING TO THE SUCCESS
OR FAILURE OF COOPERATIVE FARMS

Societies have not generally been started solely on the initiative of the poor. Some outside encouragement whether provided by government officials, social or religious workers, political activists, local intelligensia, such as schoolteachers, or even well-meaning better-off farmers is essential. Unless this leadership is closely identified with the members, it may bring about the formation of a society, but will be unable to encourage it in its day-to-day activities. Thus societies begun at the instigation of government servants have tended to be less successful than those formed with the inspiration of non-officials.

A tabulation of external factors which might contribute to the success of agricultural cooperatives (Table 4) gives no clear picture of which factors were most important in ensuring the success of the programme. It must be said at the outset that the statistics relating to functioning cooperative farming societies are dubious and the ranking may be misleading. It would appear less farming cooperatives continue to exist today in those states where a late start was made in encouraging them. Financial and technical support by the government together with the presence of cooperative credit did not ensure the continuance of societies. However, the absence of government support does generally appear to have discouraged them, although there is no clear evidence that the absence of cooperative credit had any significance whatsoever. The obtaining of cooperative credit has been a problem for most societies of small farmers. In some states, for example, Bihar, the cooperative lending institutions insisted on making loans to individual members rather than the societies as such and in most states societies had difficulties in mortgaging land for long-term loans.

Government assistance usually favoured cooperatives of the poor. Land for collective societies has nearly always been given to the landless. Financial assistance to joint farming societies at first tended to go to cooperatives of the rich, but this gradually changed and the policy under the third plan of allocating assistance on the basis of a set amount per society rather than according to land area, or membership favoured societies with smaller areas.

There also seems to have been a tendency for societies to have been formed in agriculturally richer states. The prevalence of irrigation for the better utilization of which cooperatives might be sustained seems to have little significance. The extent to which land consolidation had been carried out also seems to have no significance although case study data does indicate its importance.

Cooperatives seem to have been more successful in states with the greatest divergence in land holding, but there was no greater tendency to form societies solely of the poor in these states than elsewhere. Perhaps the reduced possibility of remunerative employment outside has encouraged the poor of these states to remain in cooperatives where they at least have some security of work.

If there is little indication of which positive external factors encourage the success of farm cooperatives, case study data provides numerous examples of negative external factors which have contributed to their failure. Many of these stem from the fact that although the Cooperative Departments encouraged cooperative farming, little or no effort was generally made to re-orient other government departments around a strategy for cooperative farming. It is difficult to believe that cooperative farming was ever taken seriously by the majority of politicians, or civil servants. The drive to form cooperative farms has not formed part of an overall strategy. Thus, cases occurred of land consolidation being carried out on an individual farmer basis ignoring the existence of a cooperative and splitting its land up. Taxation has on occasions had a negative effect; for instance, in West Bengal, which taxed cooperatives as a unit and caused farmers to pay tax who would not otherwise have done so. Societies were charged audit fees in Punjab of 15 percent of profits and in Uttar Pradesh audit fees were charged on total capital assets.

Cooperative and government credit institutions often refused to treat with a cooperative as an entity and insisted on dealing with members individually. Societies were sometimes not able to reap the benefits of <u>marketing crops</u> as a group, because members had individual debts with traders who insisted on marketing their share of the crop.

Other external causes contributing to cooperative failure which were not overcome included litigation between societies and landlords who refused to allow their tenants to join a cooperative society as this limited their control over their land. There were cases of the landlord concerned being the state government. State governments sometimes allocated land to collective farming societies only on the basis of short leases, thus discouraging the societies from investing in the land. State governments, e.g., Gujarat, also on occasions charged collective farming societies rent in excess of the legal maximum, although the rent charged was generally less than that received before from leasing the land to individual farmers.

There was not usually any priority given to assistance of cooperative farms by other government institutions.

<u>CONCLUSION</u>

Probably the single greatest negative factor contributing to the failure of cooperative farms was that they were in the minority. Individual farming not cooperative farming was the norm. Any mistake of mischances were thus liable to be laid at the door of the cooperative, which was new and different and was easier to blame than it was for an individual to take responsibility himself, if his own crops failed.

Cooperative farming then has proved some advantages for the poor. If cooperative farms were to have been encouraged in the absence of drastic land reform it would seem the incentive could only have been provided by granting priority to cooperatives under all aspects of rural development policy by all departments. Cooperative farms cannot be promoted in isolation from other government policies.

Provision of Agricultural Credit to the Rural Poor Through Cooperatives in India

Background

Seasonal production loans and, to some extent, medium-term loans are made by primary agricultural credit societies. They borrow generally up to a limit of eight to ten times their share capital from District Central Cooperative Banks which in turn receive funds from the Reserve Bank of India through the State Cooperative Banks.

In 1951/52, cooperatives provided 3.1 percent of the total credit available to cultivators. Average borrowing from cooperatives was Rs. 21.0 by the wealthiest top ten percent of families and Rs. 1.9 by the bottom 30 percent. Commercial banks contributed 0.9 percent of cultivators' credit requirements and lent an average amount per family of R. 10.1 to the largest top 10 percent of cultivators and Rs. 0.4 to the smallest 30 percent. In 1951/52 there were 108,000 agricultural credit societies with a membership of 4.8 million. They advanced loans of Rs. 240 million of which the then Bombay and Madras states accounted for 64 percent. The average membership per society was only [illegible]. Nearly all cooperative agricultural credit was short term.

In accordance with the recommendations of the All-India Rural Credit Survey Committee in 1954 which urged that the provision of agricultural credit should be for the most part through cooperatives. A national agricultural credit (long-term operations) fund was established in the Reserve Bank of India in 1956. The fund enabled loans for cooperative share capital at low rates of interest to be made to State Governments. By June 1974, Rs. 680 million in loans were outstanding to State Governments for this purpose.

The Committee also recommended credit societies be greatly increased in size to ensure adequate turnover and about 7,000 large societies covering generally several villages each were set up between 1956 and 1958. However, in 1958 the National Development Council stated that if cooperatives were to be developed as a people's movement they should be based on the village community and cover a population of about a thousand. This policy was accepted, together with the recommendation of the Working Group on Cooperative Policy that under certain special circumstances a society could be organized in each village for non-credit functions and credit would be provided by a credit union covering a radius of three miles and a population of 4,000 to 5,000. In a few states, particularly Kerala and Punjab/(outcastes)/Harijans cooperatives were set up. Whereas shares in ordinary societies were around Rs 10, those in Harijan societies were about Rs 5. Harijan societies have ceased to be reserved for Harijans.

The Committee on Cooperative Credit in May 1960 concluded that as a general rule cooperatives should be organized on the basis of the village community, but a society should serve as many villages as is necessary to attain viability. Viability was defined as the ability to support a full-time secretary without reliance on external assistance. This approach was endorsed by the National

Development Council and formed the basis for the programme of action spelt out by the Conference of State Ministers of Cooperation at Hyderabad in 1964. Under the plan of action it was suggested that states after undertaking an initial survey, should define state-wise criteria of viability and undertake cooperative organization accordingly. The programme of re-organizing and revitalising primary agricultural societies has been largely completed in Rajasthan, Orissa, Madhya Pradesh, Kerala, Tamil Nadu and Gujurat. Thus, the number of societies was reduced from 212,000 in 1960/61 to about 150,000 in June 1974 and it is desired to lower this to around 120,000. The proportion of societies with managers is shown on a state basis in Table 3. Large primary societies may have a labourer and a clerk in addition to the manager.

A major recommendation of the All India Rural Credit Survey Committee (1954) was that loans should be made on a crop loans system, with repayments deducted from crop sales, eliminating the need for security. However, even today, not all cooperative societies even at the Central Bank level have understood the application of loans based on production needs. A great deal of cooperative credit continues to be given for consumption purposes. When applied to small farmers this may be a good thing (see below).

By 1960/61, cooperatives were making Rs. 2,028 million in loans per year and had outstanding debts of Rs. 2,180 million (see Table 5). By 1974/75 loans per annum had risen to Rs. 8,761 million, of which medium-term loans accounted for around Rs. 1,000 million and overdues represented more than 40 percent of outstanding loans. In 1973/74, 42 percent of the agricultural population was covered by 156,000 societies with 36.7 million members. Cooperatives were estimated to be covering 35 percent of rural families borrowings.

The Reserve Bank of India prime lending rate is now nine percent. Cooperatives are refinanced at seven percent and lend at 13 - 13½ percent.

In 1975, most of India's State Government imposed a one year moratorium on rural debts. Madhya Pradesh, Maharashtra Punjab and later Gujarat declared a full debt repudiation for the weaker sections.

Within the cooperative structure long term agricultural credit for farm improvements is provided by the <u>Land Development Banks</u>.

The earliest efforts to set up Land Development Banks were [illegible] in the Punjab in 1920. In 1929 the first central Land Development Bank was established in Madras for issue of debentures and for coordinating the working of primary banks. By June 1954 there were central Land Development Banks in Ajmer, Andhra, Bombay, Plyderabad, Madras, Mysore, Orissa, Saurashtra and Travancore-Cochin and 304 primary cooperatives/dealing with land mortgage. By June 1973 18 states out /were/ of a total of 21 had central Land Development Banks and one of the nine Union territories. A further two Union territories had separate land development banking sections in the Cooperative Central Bank. The owned Funds of Land Development Banks increased from Rs. 10 million in 1954 to Rs. 430 million by June 1973. Loans outstanding rose from Rs. 90 million in 1954 to Rs. 4,470 million in the same period i.e. around half the total value of loans outstanding from primary credit societies. Overdues also rose to account for 27 percent of demand in 1972-73.

The Land Development Banks receive substantial underwriting by the Agricultural Refinance Corporation which was established in 1963. The Corporation refinances Land Development Bank loans for farm improvements in project areas. In 1973-4 additional refinance offered was Rs. 778 million and the total refinancing of Land Banks by the Corporation amounted to RS. 2735 million. The great bulk of Land Bank resources are raised by the issue of debentures which are taken up by individuals, commercial banks the R.B.I. and state and central governments.

In the early years loans were issued by the Land Development Banks principally to repay old debts from money lenders for land purchase. The emphasis now is on loans for land improvement. In 1969 the RBI issued instructions to the effect that at least 90 percent of loans should be for productive purposes of which at least 70 percent should be for easily identifiable productive purposes.

THE NEED OF THE RURAL POOR FOR COOPERATIVE CREDIT

The exhaustive study by the All India Rural Credit Review Committee, 16/ despite its emphasis on small farmers, failed to devote much attention to the purposes for which the rural poor require credit. In the subsistance cycle of production very little cash input is required for the farm business. The land is worked by family labour. There is the occasional need to buy a bullock or a tool, but only the large farmers with their need of hired labour may require much credit. Nevertheless, the poor are very much in debt. Such debts accrue through borrowing to cover consumption needs following a poor harvest, or large abnormal expenditures caused by, for instance, sickness or marriage. In fact, in 1961/62, borrowing from cooperatives in many states for consumption purposes exceeded 50 percent of the total cooperative lending. In Orissa it was 53 percent, in Andhra Pradesh 54 percent, in Kerala 81 percent and in Jammu and Kashmir 83 percent. Even in the Punjab it was as high as 42 percent. In a micro study Nakkiran and Gopalan 17/ found in two societies surveyed in Tamil Nadu that small farmers were more likely to use agricultural loans for consumption purposes than large ones. This was confirmed by Singh, Bhati and Jain 18/ who found in a study of 146 Farms in Varanasi District Uttar Pradesh in 1969 small farmers with less than five acres, that were adopting innovations (progressive farmers), used nine percent of their credit for social and consumption purposes. Progressive farmers with 5-10 acres used four percent and large farmers used ten percent. Less progressive small farmers used sixteen percent of their credit for social and consumption needs, whereas less progressive medium scale farmers borrowed only nine percent for these purposes and large farmers none at all.

The poor have a need for credit, which the present insistance on crop loans fails to fulfill, thus, pushing them back into borrowing from traders and money lenders who make high profits partly from their insistance on borrowers marketing crops through them, rather than through the cooperative structure. In October, 1975, the Financial Times Delhi reported that a recent survey in Uttar Pradesh has revealed 90 percent of small farmers and 81 percent of artisans and agricultural labourers are in debt to traditional village money lenders and landlords. The Times of India reported in November 1975 that agricultural workers found the attitude of money lenders hardening and bonded labour was being demanded for loans they were unable to pay back.

In their micro study Singh, et al 18/ found progressive small farmers (under five acres) were borrowing 30 percent by value of their requirements from money lenders, six percent from neighbours and relatives and 35 percent from cooperatives. Less progressive small farmers, whose total needs were naturally lower, borrowed 21 percent of their requirements from money lenders and 22 percent from relatives and friends. Progessive large farmers with more than ten acres obtained ten percent of their loans from money lenders and 23 percent from neighbours and relatives with less progressive large farmers borrowing ten percent and nine percent from the money lenders and relatives respectively. Both categories of large farmers made little use of cooperative credit as they had access to Government loans and grants which small and medium farmers did not. Medium-sized farmers made the greatest use of cooperative credit with 37 percent of their requirements and 78 percent of their requirements for the progressive and less progressive groups respectively. Progressive small farmers obtained 35 percent of their requirements from the cooperative and less progressive 39 percent of theirs.

It is only when small farmers have the opportunity to profitably invest in new technology that agricultural production credit becomes important. Thus, Schluter 19/ found in Surat District, Gujurat that credit was not required by small farmers until they started to adopt new varieties and then it became essential. This was especially true during the Kharif season when the harvest was unpredictable, as in a poor season, loans from cooperative societies could be more easily rescheduled than those from other sources.

In a study of three districts of Uttar Pradesh, Sharma and Prasad 20/ found that small farmers require less credit per acre to implement improved technology than medium farmers. Large farmers frequently have their own funds, but still generally require more credit per acre than small farmers who largely utilize family labour. Bhanja 21/ confirmed this in Birbhum West Bengal where, in 1968/69 he found that farmers with less than 2.5 acres needed an average of Rs. 182 extra per acre to introduce HYV paddy, whereas those with between 2.5 acres and 7.5 acres needed about an additional Rs. 210 and those with from 10 - 15 acres required an extra Rs. 300 per acre. This impression was also confirmed by Singh and Kahlon 22/ in Patiala, Punjab Puna, with particular regard to production credit and Singh, et al 18/.

The potential of small farmers to productively utilize medium or long term credit for farm improvements, unless grouped in some way, is much less than larger farmers and there is little indication of their demand for this type of credit, except for livestock.

SPECIAL MEASURES TO BRING CREDIT TO THE POOR

Various measures have been implemented to make agricultural production credit more easily available to small and marginal farmers through cooperatives. Central cooperative banks must now make a minimum of 30 percent of their drawings from the Reserve Bank of India (RBI) available to farmers with less than three acres of land. The RBI has found this difficult to enforce and desert areas have been entirely exempted from the criteria, whilst other areas have had the ceiling raised to five acres or the proportion of the loans which must be made to small farmers dropped to 15 percent.

It is intended that by the end of the fifth plan period (1979), 40 percent of cooperative central bank lending must be to small farmers, i.e. Rs. 5,200 million. RBI statistics indicate that taken over all in 1972/73 about a third of cooperative central banks' lending was to farmers with less than five acres.

State Governments may make an outright contribution to each agricultural credit society and central cooperative banks of three percent and one percent respectively of the additional loans made by them during the year over and above those of the previous year excluding production loans. These contributions which should be credited by the societies to a special bad debt reserve may be made during the first two years irrespective of which section of the population benefits from the increased credit, but after that the facility should only be made available to those societies increasing their lending to the weaker sections.

Normally, for short term loans a cooperative society member has to take up shares to the value of ten percent of his loan and for long term loans five percent. These provisions have been relaxed for small and marginal farmers. In the case of long-term loans, they need only to subscribe two percent of the loan capital in the first year and one percent in each of the three subsequent years. The fifth five year plan states that poorer members should gain credit against the security of their surveyed land, the land they are known by the committee to cultivate, or on the surety of one or two other members who have security to pledge. Gold and silver ornaments, machinery, etc. may also be pledged as collateral. Cooperatives are urged to make loans of up to Rs. 2,000 without security.

Group loans are encouraged, but there is legal provision for loans to groups only in Gujarat and Andhra Pradesh.

Concessional finance provided by the RBI is available for medium term loans to non-agriculturalists and agricultural labourers who are members of primary credit societies for purchase of milch cattle and poultry farming. The loans can be taken on a group basis, or by the cooperative itself, up to a limit of Rs.2,000 without security, providing there are adequate marketing arrangements for the milk or poultry. An RBI survey indicated the minimum economic size for a small dairy farm is at least two milch cows with different lactation periods. The survey warned against providing loans to small farmers inadequate to the achievement of viable production units.

Some cooperative central banks have launched supervised credit schemes deploying agricultural and other technical officers to assist with different stages of the loaning process, such as appraisal of farm plans and monitoring of loan utilization. The Cooperative Central Bank Bhandra District Maharshtra has one cooperative credit supervisor per development block.

There has been considerable discussion of granting lower interest rates to small farmers as is done to some extent by the commercial banks, but the Hazari Committee found the viability of the small farm is affected more by the price of agricultural inputs and secure markets than small reductions in interest. The essential factor is to make credit easily accessible.

In order that the Land Development Banks may channel more resources to small farmers the RBI has advised them to reduce the emphais on security and grant loans on the basis of the incremental income resulting from the investment. In addition to concessions in small farmer and Marginal Farmer Development Agency areas, RBI permits primary Land Development Banks in areas where there are a high proportion of scheduled castes and tribes to be refinanced by Central Land Development Banks irrespective of their overdues. Normally primary Land Development Banks only get full reimbursement of their loans by the Central Land Development Bank if their overdues stand at less than fifteen percent of the demand for the year.

Land Development Banks have agreed at the instigation of the RBI that 20 percent of their total loans by value should go to the poorer farmers. Tenants are not however eligible for Land Development Bank loans. The fees collected by Land Development/on loans (e.g. admission fee, legal fee, administration fee)/Banks/ generally amount to between Rs. 10 and Rs. 60 for a loan of Rs. 5000. In Andhra Pradesh, Bihar and Madhna Pradesh small farmers are allowed concessions in the payment of these fees. In Andhra Pradesh, Madhya Pradesh, Orissa and Rajasthan small farmers are permitted to buy their shares in the land development bank in installments, in Rajasthan, Tamil Nadu and Uttar Pradesh they are required to buy less shares.

MEMBERSHIP OF COOPERATIVES BY THE POOR

In no state is being too poor an acceptable legal reason for refusing membership to an individual by a cooperative. However, as is noted in the Draft 1974-79 Five Year Plan, 8/ many cooperatives continue to successfully employ this criteria.

In 1965, the Committee on Cooperation recommended that money lenders should be excluded from agricultural credit societies, agricultural commodity traders should not be permitted to join marketing societies and contractors should not be members of agricultural labourers cooperatives. These recommendations were not implemented. In some states, societies were set up for Harijans, but other members have been admitted to these.

In examining why farmers did not join cooperatives, the Working Group on Cooperatives 16/ examined in 1965 five societies in IADP districts and found a few farmers were denied membership, 10 percent of non-members interviewed in one cooperative and 16 percent in another. In one case, a substantial number objected to the faction in charge of the cooperative. In the same two societies where membership had been refused, 13 percent in both cases complained they would not be able to get adequate loans from the cooperative. In another case, the society was making no loans to leaseholders. Others objected to compulsion to buy fertilizer or market their crops through a marketing society.

Small farmers in many cases have seen little point in joining cooperatives which they regard as the preserve of the rich and, where they have been encouraged to do so; they have found themselves unable to obtain loans.

ROLE OF THE POOR IN COOPERATIVE MANAGEMENT

Four states have adopted legislation which may require cooperatives to offer seats on their Boards of Directors to weaker members. Boards of Directors generally have between nine and eleven members. In Maharashtra the state government may direct specific types of society to reserve two seats on the management committee; one for the members of scheduled castes, tribes or of the poor farming jatis and one for weaker members who have been granted loans not exceeding Rs. 200 during the immediately preceding year. The Orissa State Cooperative Societies Act states that in state aided primary agricultural credit and service societies at least one third of the members of the Committee should be people owning no more than three acres of land. In the Punjab cooperatives' committees may be directed to coopt and in Dehli reserve two seats for members from amongst the scheduled castes, tribes or small land holders. In other states, pressure may be applied to put similar qualifications in the by-laws of societies. The draft fifth Five Year Plan states "provision may be made by law that at least 50 percent of the members of the managing committees of societies, should be from the category of small farmers, marginal farmers, tenants, agricultural labourers and share croppers".

As a result of this legislation and pressure there has been some improvement on the 1950s, when cooperatives were entirely dominated by the rich, but the management of cooperatives continues to be in the hands of larger older farmers from higher castes who have been members of cooperatives for some time. Very few women are involved in cooperative leadership. In all these ways cooperatives compare unfavourably with Panchyats where, although not in the majority, young men from poorer backgrounds have a more prominent voice. Women are also better represented. Cooperative leaders are more highly educated than the average, but tend to regard their role as one of running the cooperatives rather than providing leadership to the members.

For example, in a micro study Guruswani and Chinnaiyan 23/ found in interviews of **thirty** leaders from five cooperatives in Coimbatore District, Tamil Nadu, that 74 percent came from higher castes and the remainder from intermediate castes. None belonged to the lower castes. There were no women leaders.

Only ten percent of the leaders were classified as belonging to lower income groups, with 23 percent belonging to the lower middle, 40 percent to the upper middle and 27 percent to the upper income group. Three percent of the leaders had a college education, 34 percent secondary, 60 percent primary and only three percent no education. 53 percent were 51 years old or more, 40 percent between 36 and 50 years old and only seven percent 35 or below. 80 percent were members of a political party and, of these only seven percent were not members of the Congress party, but members of the ruling party in the state, the Dravida Munnetra Koshagam. 13 percent held political office. However, only 27 percent participated in other community activities, such as the Panchayats.

Similarly, Krishna Swami and Guruswami 24/ found in a study of five cooperatives and five panchayats, in which 59 Panchayat leaders and 34 cooperative leaders were interviewed, that the high castes dominated the cooperative leadership and there were no outcastes represented. There were no women leaders, which compared unfavourably with the Panchayat, which had seven percent representation by women. Also, 27 percent of the Panchayat membership was under 35 years old, where as only 13 percent of cooperative leaders fell in this age group. 94 percent of cooperative leaders were owner cultivators and only 63 percent of the Panchayat members. 56 percent of cooperative leaders owned more than ten acres and 43 percent of the Panchayat members. 32 percent of cooperative leaders thought cooperatives were run by the leaders, only a very small proportion mentioned the role of the members. Oomen 25/ in 1971 in Alleppey district, Kerala, found most members of the Boards of Directors obtained the greatest portion of their incomes from non-agricultural sources.

Many societies are dominated by government officials, who have either complete responsibility for their management following the suspension of the committee, or who exercise such a strong influence on the committee and manager that they have de facto control. In other cases managers dominate societies.

ACCESS OF POOR COOPERATIVE MEMBERS TO LOANS

Previously some cooperative societies exercised discrimination against small farmers under loan rules. For example, Kumbakonam Central Bank in Thanjavur would only advance Rs. 150 per acre of paddy to tenants, whereas landowners received up to Rs. 250. Such abuses have now been eliminated, but small farmers, whose only alternative source of credit is the trader or the moneylender, continue to receive far less credit than they require. As can be seen from Table 5, only in Kerala, Himachal Pradesh, Manipur and the Union Territories in 1969/70 did more than half of the cooperative production credit go to farmers with less than two hectares. By the year 1972/73, out of Rs. 7521 million issued by primary credit societies, Rs. 2162 million or 28.7 percent went to farmers with less than two hectares, in Maharashtra where between 30 and 40 percent of farms are less than three acres despite the State Governments contribution to special bad debt reserves of both the central bank and the primary societies for lending to weaker sections. In the year 1971/72 no central bank had reported the position of its advances to weaker sections and in 1972/73 only nine out of 24 reporting banks had complied with the requirement and by 1973/74 nine out of the 24 central banks still made less than five percent of their loans to the weaker sectors. A further Rs. 280 million or 3.7 percent went to tenants and landless labourers. In 1971-72 only 21 percent of the loans by value from land development banks went to farmers with less than two hectares, and 6 percent to farmers with less than one hectare. For number of loans the figures were respectively, 36 percent for farmers with less than two hectares and 11 percent for those with less than one hectare. This as can be seen from table 6 conceals considerable interstate variations. For example in Andhra Pradesh where 44 percent of farms are less than one hectare no loans went to this group. Whereas in Jammu and Kashmir where 43 percent of farms are less than one hectare 17 percent of the admittedly small volume of loans went to this group. Such figures are undoubtedly misleadingly high, as will be seen from the abuses prevalent in the use of data in the Small Farmers and Marginal Farmers Development Agencies schemes, and a large number of individual case studies which indicate that small farmers receive less credit per hectare than large. However, the picture is a great improvement over that which prevailed in 1961/62.

Small farmers' credit demands continue to be frustrated by such rules, as demands for farm plans which they are unable to provide themselves and over-stretched extension services cannot help them with. Societies sometimes only inform selected members of the dates for submission of loan requests, or simply fail to process their requests. The biggest handicap is the continuing insistance of most cooperatives on security.

As the Committee on Cooperative Land Development Banks commented 28/ mortgages on land which are an essential condition of loans from Land Development Banks pose considerable problems for small farmers who must approach the village officials and the land registration office for evidence of ownershp the committee recommended dropping land mortgages and to substitute a charge on the borrowers assets. In 1975 in Karaikal Pondicherry tenants and farmers with less than two acres could not obtain short term credit without the guarantee of a cultivator with at least two acres. In the same area the Bank of India would also only give loans against the security of land. In a study of Manihatty, Agricultural Cooperative Bank and the Kannari Manthana Village Cooperative Agricultural Credit Society in Nilgiris District, Tamil Nadu, Nakkiran and Gopalan 17/ found in 1971 that the maximum the societies would advance on personal surety was Rs. 1,000.

Small Farmers as Credit Risks

Small farmers are thought to be greater credit risks than large, but this is not in fact the case, as was born out by an RBI study of 29,441 defaulters on loans from primary agricultural credit societies. Nearly one fifth of this group owned over ten acres of land and they accounted for almost half the total overdues. Ames 29/ noted that in Mysore and Bangalore Districts of Mysore State Cooperative Credit societies with low repayment rates were dominated by large farmers, whereas in those with high repayment rates (above 75 percent), small farmers composed on average 66 percent of their membership. Mohanan, 30/ in a very much above average society, Mimni Multipurpose cooperative credit society, Sangli District Maharashtra, which had overdues of less than ten percent found, throughout the size range of farmers, more than 95 percent of the members had loans, farmers with less than five acres represented just over half of the borrowing membership and in 1971 were receiving average loans of Rs. 770, as opposed to average loans of Rs. 1,150 to farmers with 5-14 acres, and Rs. 2,351 to those with more than 15 acres. Small farmer borrowers (less than five acres) had an average default rate of 20 percent, farmers with between 6 and 14 acres had a default rate of 11 percent, whereas 38 percent of large farmers had defaulted. Small and medium farmer defaulters had failed to repay on average around 37 percent of their loans, large farmers only 25 percent; but, whereas small farmers accounted for 55 percent of total defaulters they were only responsible for nine percent of the total loans by value outstanding.

A similar picture emerges in relation to long term loans from land development banks. In an RBI study (p. 236-239) of 28 Land Development Banks' overdues in Andhra Pradesh, Madhya Pradesh, Punjab and Rajasthan in 1973 it was found the level of overdues was not particularly related to the stage of development of the area or to natural disasters. Small farmers were less likely to default than wealthy ones. For example in Andhra Pradesh where 39 percent by number or 27 percent by value of loans are made to farmers with less than two hectares only 14 percent of defaulters in the studied societies had less than two hectares and they accounted for only eight percent of the outstanding defaults by value similarly in Madhya Pradesh where 14 percent of loans by number and 11 percent by value are made to farmers with less than two hectares the respective figures for the proportion of overdues resulting from this group were four percent and four percent. In Rajasthan where 22 percent of loans by number and 17 percent by value go to farmers with less than two hectares in the studied societies, this group comprised four percent of the defaulters. Although this trend is generally uniform there were exceptions. Again in Andhra Pradesh it was found in areas refinanced by the ARC where higher levels of supervision are practised only 11 percent of defaulters and five percent of overdues were accounted for by farmers with less than two hectares, but in other areas 49 percent of defaulters and 37 percent of overdues fell in this group. Thus although the general trend would indicate as with primary credit societies small farmers are better credit risks than large this is not always the case.

COOPERATIVE ROLE IN SCHEMES OF THE AGENCIES FOR SMALL FARMERS (SFDA) MARGINAL FARMERS AND LANDLESS LABOURERS (MFAL) AND TRIBAL DEVELOPMENT

Background - the Maharashtra Integrated Area Development Scheme

India is attempting to raise the standards of small and marginal farmers, landless workers and tribal people through a system of agencies. The agencies were first suggested by the all India Rural Credit Review Committee after examining the Integrated Area Development Scheme in Maharashtra, which was implemented under the fourth State Plan in 1965. The schemes seek to help the small holders and agricultural labourers to increase agricultural production by providing facilities (including capital) for developing their lands and making water resources available to them. Concessions are provided through low rates of interest on loans and subsidies.

A small holder was defined under the Maharashtra scheme, as one who was cultivating land personally with a holding of not more than a certain specified acreage depending upon whether it was dry, irrigated, etc., but in no case with an assessment exceeding Rs. 10 in rent to the government, or with a total farm and non-farm net income exceeding Rs. 1,800 per annum. An agricultural labourers' family was defined as one which derived a major portion of its income from agricultural wages whether in kind or in cash or partly in cash and kind. Cooperatives were expected to meet the credit requirements of small farmers and in the period 1966/67 to 1967/68 were found by a Reserve Bank of India team to be financing 37-64 percent of capital expenditure and 41 to 66 percent of current expenditure by small farmers.

A.D. Puranik 31/ states that with the exception of one particular block Tasgaon the role of popular leaders in implementing the schemes was very much subordinated to the Government Machinery. Popular leaders, small farmers and agricultural labourers were generally indifferent to the schemes.

A Reserve Bank of India (RBI) team observed that as net income was a criteria for determining the eligibility of a small holder for support under the scheme and consumption expenditure was deducted from gross income what in reality was arrived at was the savings of the cultivator. The calculations also ignored holdings in other villages and land held by other members of the immediate family which was jointly cultivated, thus farmers who were far from poor received benefits under the scheme.

The intention of the schemes has frequently been frustrated. In the IAD scheme Karad Taluka, Satara District it was decided to include big landholders up to a maximum of forty percent of the beneficiaries of small irrigation schemes and community wells. Datar 32/ notes that in Bhandara District, where the scheme was introduced in September 1971, that at first a year was taken to draw up a list of small holders and agricultural labourers. The criteria employed were holders having less than 2.5 acres of irrigated paddy land, three acres of rainfed paddy, or ten acres of dry land and a net income of not more than Rs. 1,800 per annum. The coordinatory committee subsequently decided to revise these figures upwards to five acres, or less of irrigated paddy land and a maximum net income of Rs. 2,400. The state government rejected the new definition, but by that time many farmers who would not otherwise have been elegible had received benefits. Dinesh 33/ found in the integrated area development scheme at Kaig Bhir District, the District Coordination Committee and Business Advisory Committeee took formal action minuted in their meetings to get large farmers land divided on paper so they could qualify as small farmers under the scheme.

Puranik 34/ found in Mulshi sub-block a small farmer could not receive a Buffalo under the scheme unless he had delivered milk to the cooperative milk society for at least six months. He was also required to furnish a guarantee of his loan by two other members of the society. In other words it was impossible for someone to newly enter milk production as a result of the scheme.

Commercial banks often have not played a significant role in credit in Integrated Area Development Scheme areas. In Jangli District a Bank of India survey was carried out which failed to mention the Tasgaon Taluka scheme.

<u>The Agencies - General</u>

The fourth National Five Year Plan (1969/1974) provided for the setting up of Small Farmers Development Agencies (SFDA) and Marginal Farmers and Agricultural Labourers Agencies (MFAL), as suggested by the All India Rural Credit Review Committee. Small farmers were considered to be those who with the help of irrigation, provision of credit supplies and marketing and application of modern technology could become viable. Farmers with two to four hectares of dry land, or one to two hectares of irrigated land and annual incomes of less than Rs. 2,400 were generally considered to fall in this group and those with less than two hectares of dry land, or less than one hectare of irrigated land and a total income not exceeding Rs. 1,800 a year of wages of Rs. 1,200 were classified as marginal farmers or agricultural labourers.

A special programme for the development of selected tribal areas was initiated in the latter part of 1971-72 on similar lines to the SFDA and MFAL schemes. It is an entirely federal programme. The agenecies have in general confined identification of tribal participants to those with less than two hectares of irrigated or four hectares of unirrigated land. The chief function of the SFDA/MFAL and Tribal Development Agencies is to identify participants for the schemes, study their problems and draw up suitable programmes. The agencies provide support to existing departments and institutions and create new organization where necessary. The agencies can also directly undertake certain activities like setting up infrastructural facilities. Each agency was expected to cover 50,000 farmers by its fifth year of operation.

Agencies are expected to work through the existing field institutions, i.e. the State Government Departments, local organizations particularly the Panchayati Raj (village committees), block development offices and cooperatives. There are, however, increasing reports of agencies assuming direct executive responsibility.

Areas covered by agencies will be given priority in the implementations of land reform measures. In particular tenancies including sharecropping arrangements will be recorded. The heads of the land reform organization at the district level will sit on the managing committees of the development agencies. On the Tribal Development Projects land records will be updated and land allotted to landless tribal families. Laws concerning debt relief, prevention of alienation of tribal land and restoration of land illegally transferred to non-tribals will be more rigorously enforced. Debt relief courts for the scaling down of tribal debts will be set up.

The programme was delayed in its start and very few schemes got underway until 1971. In 1973, there were 46 SFDA and 41 MFAL Projects.

At the end of May 1975 the SFDA and MFAL agencies had identified 3.15 million small farmers and 1.47 million marginal farmers and agricultural labourers.

In 1973 the SFDAs covered 25 percent of the identified population with improved agricultural schemes and a further 13 percent with other programmes. The corresponding figures for the MFAL programmes are 20 percent and 13 percent respectively. Six tribal Development Agency projects were approved in the Fourth Plan Period: Srikakulam (Arunachal Pradesh), Koraput and Ganjam (Orissa), Dantewade and Konta (Madhya Pradesh) and Singhohum (Bihar) at a cost of Rs. 15 million for each project. In 1973, 50,000 tribal participants had been identified of which 36,000 were benefitting from programmes. Performance of SF/MFAL Schemes has been uneven both from state to state and within states between projects (see table 4). The Draft Fifth Five Year Plan, 1974-1979, 8/ states "Generally the progress of minor irrigation and subsidiary activities has been satisfactory in Mysore Orissa, Uttar Pradesh, Gujarat, Punjab and Haryana. Progress has been halting in states like Assam, Jammu and Kashmir, Rajasthan and West Bengal". Progress on the two Tribal Development Agency Projects in Bastar district Madhya Pradesh were noted to have been particularly slow.

During the Fifth Plan Period the tribal development projects will not be greatly expanded until after the end of the exploratory phase in 1977. It is proposed to expand the number of SFDA/MFAL projects to 160, i.e. 10 million households will be covered. This roughly 40 percent of the estimated 26 million households who form the botton 30 percent of the rural population. Each new project will cover one District. They will not be located in the command areas of major irrigation schemes. The emphasis of the combined SFDA/MFAL projects in the fifth Plan is on crop husbandry. Programmes for supplementary occupations will be funded separately. A provision of Rs. 2,000 million has been made in the Central Plan for the special programme of SFDA/MFAL projects. This will be supplemented from the state budgets, particularly for the extension of infrastructure support.

All new agencies will serve both small farmers and agricultural labourers. Only farmers with less than two hectares will be covered.

In many cases large farmers have been recognized under the SFDA/MFAL schemes by dividing their land between relatives. Salaried and professional people, who are technically small farmers, but have large alternative sources of income, have also been registered. SFDAs have not always helped the poorest farmers. In a study of the SFDA scheme, Purnea, Bihar in 1971-72 G. Ojha 35/ found that according to the 1961 census 4 percent of the households engaged in cultivation were owner operators, 40 percent partly owners and partly sharecroppers and nearly 15 percent pure sharecroppers. 9.7 percent of the rural cultivating households have less than 2.5 acres and 51.3 percent have less than five acres. Since then the land tenure situation had deteriorated.

All owner operators with between 2.5 and 5 acres were oxcluded from the scheme. It can thus be concluded from the available figures that 40 percent of the poorest rural households were excluded from the scheme. Amongst the small farmers selected for the scheme average cropped area was 6.95 acres.

Malyadri 36/ reports that in the area covered by Srikakulam Small Farmer Development Agency in Andhra Pradesh, the 1971 census revealed 39 percent of the working population as being cultivators and 38 percent agricultural labourers. 17 percent of the population belong to the scheduled castes and tribes. 90 percent of farms are less than 7.5 acres and this constitutes 80 percent of the cultivated areas. Farmers with a gross income below Rs. 3,600 were categorised as small farmers. Using this criteria 8.3 percent of the farmers in the area were classified as small famers. 50 percent were considered non-viable and eliminated. Thus the scheme does not operate in favour of the poor at all, but the upper middle income group. Datar noted that in Batnagiri District Maharshta doctors, lawyers, etc. with small amounts of land had been registered as small farmers and the people with up to 7.5 acres were included in the small farm category.

The role of cooperatives in Agency Areas

The All-India Rural Credit Review Committee 16/ which first proposed SFDA's in its report of December 1969 saw the role of the Agency vis-à-vis the cooperative credit institutions as one of:

i. providing a grant to them, "which is so designed that, on the one hand it serves as an incentive for the institution to make loans to small farmers and on the other helps to build up a fund to cover the risks apprehended in such financing". The grants by the agencies for contribution to risk funds should be to primary agricultural credit societies, six percent of actual additional advances, to central cooperative banks three percent of actual additional advances and land development banks three percent of actual advances.

ii. Providing "a subsidy to enable the credit institution to strengthen its staff in quality as well as number".

Apart from making contributions to cooperatives, the agencies were envisaged as investigating cases where small cultivators were unable to obtain credit from cooperative institutions and pursuing with the cooperatives where necessary the question of making appropriate modifications in the loans policies and procedures which would accelerate the flow of credit to the weaker sections.

Guidelines now indicate that SFDA and MFAL should make interest free loans to members of the weaker sections to purchase four shares of up to Rs. 40 in cooperative societies.

To enable cooperatives to build up risk funds SFDA/MFAL were advised following the recommendations of the All India Rural Credit Review Committee to make contributions to societies in proportion to the new lending business they undertake as a result of the schemes at the rate for medium and short term credit to primary societies of four percent of the additional loans and to central cooperative banks financing the primaries of two percent. Land Development Banks and Central Cooperative Banks receive two percent subsidy on additional long term loans made.

The RBI has agreed that state governments are entitled to borrow from the Long-Term Operations Fund for Investment of up to Rs10,000 in the share capital of primary societies in SFDA/MFAL areas, irrespective of the societies overdues. Loans are made for investment in the share capital of Central Cooperative Banks in SFDA/MFAL areas provided overdues do not exceed 30 percent. Where the overdues are in excess of 30 percent Agencies will make medium term loans of up to Rs. one million to Central Cooperative Banks.

In SFDA/MFAL areas of Assam, Bihar, Orissa, West Bengal, Rajasthan, Madhya Pradesh, Himachal Pradesh and Jammu and Kashmir the RBI has agreed that small and marginal farmers identified as such under the schemes may recieve loans from Land Development Banks which will be refinanced irrespective of the level of overdues of the society.

To encourage cooperative marketing, Agencies subsidise by two percent the interest/of participants marketing their produce cooperatively. /rates/

Credits and grants available through cooperatives on the different SFDA/MFAL schemes vary in detail. Generally subsidies of a quarter for small farmers and a third for marginal farmers are available on milk cattle and poultry. Poultry birds are usually provided in lots of 30-60. Six she-goats and one male may be a standard allocation with a subsidy of 25 percent or Rs. 890 whichever is the lowest. Loans are available for cattle sheads, etc. There is a 25 percent subsidy on loans for minor irrigation works.

In the Konken Region of Maharashtra, Kamat 37/ notes that 25 percent of cooperative societies were dormant and it was necessary to utilize the SFDA grants to provide trained managers to revitalise these, rather than assist active societies. In Mysore State, Ames 29/ reports that in Mysore and Bangalore districts the SFDA contributed to the salaries of full-time secretaries for many cooperatives. This, he said, reduced the power of vested interests on the committees. Ames also found in the societies surveyed that 71 percent of the membership of the management committee were large farmers and this was uniform throughout societies with high or low small farmer memberships.

One interesting trial has been that of a crop guarantee scheme in Purnea SFDA scheme, Bihar. The objective of the scheme was to guarantee farmers at least their normal level of profit under the old technology if they adopted improved production techniques, thus eliminating the element of risk for the small farmer who can ill afford to adopt new technology if he finds himself saddled with a tremendous burden of debt as a result of a bad harvest. The scheme was initiated on a trial basis in the Rabbi season of 1970 with five farmers from each of five villages. The primary considerations in selecting farmers for participation was that they must be owner cultivators, devote at least one acre to the trial and they must not be a defaulter on any loans. It was limited initially to wheat and summer paddy.

The farmers were expected to adopt a full package of practices to achieve the highest yield. The households net average income per acre under traditional cultivation practices was calculated. If the net return after repayment of credits from any of the trial plots fell below this level they were to be refunded. Fifty percent remission was to be permitted on the debt if income failed to rise by roughly 25 percent. The scheme failed because the SFDA failed to appreciate the spirit of the programme. The harvest was good, but very high after harvest losses occurred due to heavy rains. The SFDA, however, claiming that harvest had been completed, made no payment to the farmers and demanded repayment of the loans. Farmers were not prepared to participate in the following year. Such a scheme could not be implemented on any scale without subsidy or high interest rates as there is a built in element of loss to the lending institution.

The coverage and effectiveness of cooperative credit on the SFDA/MFAL schemes has been very variable. By August 1975, 54 percent of identified small and marginal farmers in SFDA areas and 54 percent of participants in MFAL schemes were members of cooperatives. This varied from area to area and in 1972, whilst 85 percent of participants were cooperative members in Himachal Pradesh, only 6.5 percent were in Nagaland. Membership of cooperativesin SFDASis reported to be unsatisfactory in Adhra Pradesh, Assam, Mimachal Pradesh, Manipur, West Bengal, Delhi, Pondicherry and in MFAL areas in Kerala, Madhya Pradesh, Maharashtra and Orissa.

At the end of August 1975 in SFDA areas cooperative medium term loans to participants since the inception of the scheme totalled Rs. 194 million and long term loans R. 448 million. Short term loans for the financial year 1974/75 were Rs. 302 million. The respective figures for SFDA area were Rs. 30 million, Rs. 72 million and Rs. 65 million. Lending by commercial banks was much lower in 1974, 19 million in short term loans and Rs. 51 million in medium and long term loans on the SFDA schemes and Rs. 4 million for short term and Rs. 40 million for medium and long term loans on the MFDAs.

The flow of cooperative credit is uneven between states and between SFDA/MFAL in the same state. Results in Gujurat, Haryana, Punjab, Uttar Pradesh and Tamil Madu are better than those in the cooperatively weaker states of Andhra Pradesh, Bihar, Maharashtra and Nagaland. It has been particularly poor in Assam, Manipur, Meyhalays, Tripura, West Bengal, Goa and Pondicherry.

Datar 32/ reports in Sharandara District, Maharashtra, Cooperatives succeeded in overfulfilling their targets for lending. Although commercial banks were approached, none showed any interest in assisting small farmers. In Ratnagiri District, G.S. Kamat 37/ found that both the cooperatives and the commercial banks were reluctant to lend to small farmers because of their lack of security. At the start of the scheme in 1971, 21,000 small farmers were identified, of which only 7,800 were cooperative members and of 74,000 marginal farmers only 4,700 were members. Some cooperative members could not receive loans because their society was dormant. Most of the applications submitted to the Central Cooperative Bank by the Block Development Officers (BDO) were approved, but actual disbursements were considerably lower, for instance 1,002 applications for milk cattle were received by BDO, of which 904 were forwarded to the Bank and 889 were approved, but only 490 actually paid out. There is a similar story for sheep and goats where of 63 applications forwarded to the Bank, only two were eventually paid out. The figures for poultry and plough bullocks are somewhat better; of 84 applications for poultry loans forwarded to the Bank, 58 were approved and 52 paid out. For plough bullocks, 491 applications were made to the BDO, 480 sent to the Bank, 464 approved but 316 paid out.

As can be seen from the table below in Purnea SFDA scheme studied by Ojha 35/ amongst 80 farmers surveyed 96 percent were members of primary credit societies of which 74 percent were currently receiving short-term credit. Of the group with 3.76-5.00 acres, 79 percent were receiving credit as opposed to 70 percent of the group with 2.50-3.75 acres. The others could not receive credit due to default on previous loans. It will be noted that default was highest in the largest size group and lower in the medium size group. Of the 20 defaulters, 11 were in default prior to the start of the SFDA scheme and were, therefore, not eligible for cooperative credit under the scheme. Cooperatives supplied 63 percent of short-term credit and money lenders another 35 percent. Analysis of the size groups (see table 7) shows that taking an average across all farmers, i.e. both those groups receiving credit and those not, farmers in the size group 2.50-3.75 were receiving more short-term credit per acre than the other two groups, both from the cooperatives and the money lenders. When it came to medium term and long term credit, however, they received substantially less than the group with 3.75-5.00 acres both from the cooperatives and the commercial banks, but more from the money lenders. It would seem that little opportunity was given to this group to invest and raise its income over the long term.

Size Group Acres	Total number of selected small farmers	Number of farmers enrolled as members of cooperatives No.	%	Member farmers receiving short term credit 1970/1971 No.	%	Member farmers with overdue loans not receiving short-term credit No.	%
2.50-3.75	22	20	91	14	70	6	30
3.76-5.00	39	38	97	30	79	8	21
5.01	19	19	100	13	68	6	32
All groups	80	77	96	57	74	20	26

Farmers service societies

In development agency areas, where the cooperative system is weak, farmers' service cooperative societies are to be set up. The concept was originated by the Government of India National Commission on Agriculture in 1971. 38/ The commission recognized that credit is uncoordinated and is not available to small and marginal farmers and landless labourers in sufficient quantities and that input supply and marketing facilities are inadequate and felt additional credit should be provided by the nationalized commercial banks. This could be done either by organizing subsidiaries under the companies act or setting up cooperatives under the cooperative societies act. It was felt that of the two, cooperatives were preferable in that they provided for participation. It, therefore, recommended the setting up of farmers service cooperative societies. It stated, "The Farmers' Service Society would be the sole agency taking care of all the development needs of small and marginal farmers and agricultural labourers either directly or by special arrangements with other agencies". The unique feature of farmers' service societies would be their integration of credit, input supply and marketing. The following functions are detailed:

- provide against a credit line from the designated commercial bank, short, medium and long term advances to its members for agriculture, artisanal activities trade, etc;
- undertake, or contract out the supply of inputs, provision of machinery hire and repair services, marketing of produce, sale of consumer goods, etc. utilizing a line of credit from the bank;
- provide a nucleous technical staff;
- popularize savings and life insurance;
- encourage provision of facilities for developing additional occupations to cultivation, e.g. dairying, production of consumer goods.

All the facilities open to cooperatives, including concessional interest rates and management subsidies, should be open to farmers' service societies.

Initial primary societies would be set up in the areas of SFDA and MFAL projects with jurisdiction extending over a tensil or block as convenient and covering a population of ten to twelve thousand and may cover a community development block in full. The major criteria in determining the size of a society would be the need for financial viability. Societies would have branch agencies or depots to cater for particular localities and a union of the societies would be formed at district level together with functional district organizations for specific commodities.

The farmers' service societies would have bye-laws ensuring autonomy and freedom from official intervention. Membership would be open only to those farmers, agricultural labourers and village artisans who qualify for receiving assistance under the SFDA and MFAL projects. All this group would be encouraged to join, including those who are already members of other cooperatives. Other members of the farming community might be eligible for associate membership to obtain services. The SFDA, MFAL projects and lead banks should contribute to the share capital of societies along with members and possibly the state government. The risk funds of the societies should be contributed partly by the SFDA/MFAL projects and partly be covered by the Credit Guarantee Corporation/Credit Insurance Corporation of the Reserve Bank of India.

District Unions of farmers' service societies should be set up primarily as consultative mechanisms, but also to take on functions such as storage, purchasing and processing. Guidelines and model bye-laws subsequently drawn up advise that Boards of Management should consist of the managing director of the Farmers Service Society, two nominees of the State Government, one nominee of the lead bank, five small or marginal farmers or landless labourers and two other cultivators. The Registrar in consultation with the lead bank appoints the first board of directors.

The Government of India and the Reserve Bank of India accepted the proposals should be tried in the areas of SFDA/MFAL project and Tribal Development Agencies, where the existing cooperative structure is weak and it is now proposed that at least one should be organized in each district covered by SFDA/MFAL, Drought Prone Areas Programme and Command Area Development Programmes. It has also been decided to set up at least 20 farmers service societies in each of the districts covered by the Regional Rural Banks.

The Draft Fifth Five Year Plan modified the proposed structure somewhat by stating thatmembership of farmers service societies would be open to all cultivators in its area, but two thirds of the seats on the Board of Management would be reserved for the weaker sections. Each farmers' service society would deal with the branch of a commercial bank designated by the lead bank. Some states, e.g. Andhra Pradesh, Haryana and Rajasthan continue to favour setting up these societies with membership confined to small farmers, marginal farmers, agricultural labourers and artisans. Maharashtra wanted to experiment with a society with membership confined to the weaker sections in one district _/

State Governments are requested to join the societies subsidize employment of at least three technical personnel per society on a tapering basis for five years and make a contribution to share capital of at least Rs. 50,000 which may be obtained from the National Agricultural Credit (long term operations) Fund of the Reserve Bank of India. The Lead Bank joins the society, but makes only a minimal contribution to share capital. In some states, e.g. Gujarat, it is not at present legally possible for a bank to join a cooperative society. The lead bank appoints a managing director for the society from amongst its own staff and is responsible for his salary. Farmers should contribute Rs. 40 each in share capital.

Credit recommendations ought to be forwarded by the branches for approval by the Farmers' Service Society. Loans would be recovered from the sale of produce. Credit will not be linked to share capital or deposits, but the potential for investment. Loans to farmers other than the weaker sections may not exceed 25 percent of total loans. Banks will lend to societies at 7.5 percent interest which will loan to members at 10 percent interest on short term loans and up to 10.5 percent of medium and long term loans.

Proceedings of the Fifth Meeting of the Agricultural Credit Board 1975 Bombay Reserve Bank of India, p. 174

During its first year of operation a society should reach 1,000 farmers and disburse Rs. 10,000 in credit. By its fifth year it should cover 15 to 25 villages with 5,000 holdings covering 15,000 acres, of which 50 percent would be under high yielding varieties and credit would reach Rs. 6.8 million. Cooperatives covering these areas should, it is estimated, generate a surplus of approximately Rs. 16,000 per annum in their fifth year of operations.

An implementation committee has been set up in the Ministry of Agriculture and Irrigation to coordinate the setting up of farmers service societies. It is proposed to appoint teams to survey areas with potential for promotion of farmers service societies.

Approximately 30 societies were formed in 1973 and 1974 and the total number was 65 at the end of 1975. Data made available on three societies organised by the Syndicate Bank in Karnataka including the First Farmers Service Society to be formed at Hiriadaka is summarized in table 8. The Hiriadaka farmers service society was established in 1973 in an area at that time catered for by two credit cooperatives and a cooperative bank. They had a total membership of 2000. The board of directors of the society is made up of the manager appointed by the Syndicate Bank, five small farmers, two large farmers, a representative of the Syndicate Bank, the local assistant director of agriculture, assistant director of veterinary sciences, assistant registrar and the project office MFAL. In addition to the manager the society has an administrative staff of ten and three extension staff. The society at Attibele has four administrative staff and two extension workers whilst Honnavally has no administrative staff in addition to the manager. Of the three societies only Attibele was recording a loss on operations in June 1975. The comparative data presented in table 6 indicates that in the admittedly short life of the societies, only Hiriadaka had a satisfactory coverage of small farmers in its credit operations; 43 percent of them received crop loans, accounting for 66 percent of the loans issued by value. Attibele had 72 percent of its members from the weaker sections, but only five percent of them received crop loans and they received only 28 percent by value of the crop loans issued and 27 percent of land improvement loans. Only for animal husbandry did they receive more than half the loans by value issued. In Honnavally the position was even worse, but the society had only been functioning for six months as a farmers service society.

COMPARISON OF CREDIT COOPERATIVES RECORD WITH THAT OF THE BANKS

Whilst it is to early to assess the results of banks involvement in providing credit to the rural poor through farmers service societies, their overall record as compared with cooperatives can be examined. The commercial banks have moved more recently into the agricultural credit sector than cooperatives, but they are being increasingly emphasized as a medium for agricultural credit, both as we have seen through farmers' service societies, state rural banks financing cooperative societies and direct lending to farmers. Their role, however, remains slight and this in itself may be a commentary on their suitability as financing institutions for agriculture. In 1952, banks were providing 0.9 percent of agricultural finance and cooperatives three percent. By 1961/62, the banks share had fallen to 0.6 percent (0.4 percent of their total advances) most of which went to finance tea, coffee and rubber plantation. By 1966/67, the proportion had fallen still further to 0.2 percent of their total advances.

Only in Madres and Kerala was the contribution of the banks more significant and there only marginally. In 1968, the bulk of the commercial banks were nationalised and a change of direction was indicated. In 1969, there were 1,860 rural banks (22 percent), 3,344 semi-urban banks (40 percent), 1,456 urban banks (18 percent) and 8,321 banks in metropolitan centres (20 percent). By 1974, there had been an increase in bank branches of all types, but the most noticeable increase was in the rural areas where there were 6,165 offices (36 percent increase). In semi-urban areas there were 5,089 branches (30 percent), in urban areas 2,899 (17 percent) and in metropolitan towns 2,783 (16.4 percent increase). It can be seen that even the overall total of banks 16,936 is a fraction of the number of primary agricultural credit societies which stands at around 150,000. The statewise distribution of banks (see table 3) reveals that in no major state is there less than 19,000 people per bank branch. In some states, notably Orissa (88,000), Bihar (86,000), Assam (80,000) and Tamil Nadu with 54,000 people per bank branch, the situation is far worse, although much improved over the 1969 situation.

It must be appreciated, when it is realized that most of these banks are in the towns, that direct bank credit physically cannot be available to small farmers. The figures confirm this. Only just over one percent of rural households had direct agricultural loans from bank in December 1972 and in 1973 even rural offices only made 25 percent of their credit available for agriculture and only a further 1.6 percent including that for credit through cooperatives was given for agriculture indirectly. In actual fact the bulk of direct agricultural credit was given by semi-urban banks (44 percent), urban banks were responsible for the major proportion of the indirect finance for agriculture (48 percent). Taking the commercial banking sector as a whole, 4.2 percent ofcredits were made available directly to agriculture, 2.4 percent indirectly, 1.7 percent to plantations and 0.6 percent to activities allied to agriculture. In 1973 rural banks, semi-urban and urban banks were all receiving a greater amount in deposits than they were offering in credits. This represents 1,597,000 accounts a substantial rise over the 257,000 in 1969, but hardly satisfactory.

Rural Banks

The Working Group on Rural Banks 40/ proposed in 1975 state sponsored regionally based and rural-oriented commercial banks. The State Rural Banks would operate through farmers' service societies and multipurpose cooperative societies. It is not therefore envisaged that banks can replace some form of cooperative at the primary level. The banks would be set up jointly by the Government of India (50 percent of equity), the state government concerned (10 percent of equity), the sponsoring commercial bank or banks (25 percent of equity) and other individuals or institutions including cooperatives (5 percent of equity). The lead bank for the region would normally sponsor the bank taking 25 percent of the equity. A nine member board of directors, of which four would be nominated by the Government of India, two selected by the Government of India from amongst the other shareholders, two nominated by the sponsoring banks and one by the State Government was suggested. Finance in addition to equity finance would be obtained from deposits and loans by the RBI, the commercial banks, etc.

The Banks will cover a compact region of one to five districts, branch offices will serve one to three blocks with five to ten farmers service societies. The banks will not have any ceiling on loans to large farmers, but the emphasis is intended to be on small farmers. In the initial stages the banks will concentrate on working capital loans. The entire property of rural borrowers would normally be mortgaged to the bank.

Not all the recommendations of the committee have been accepted. Although the committee suggested a trial period with about five such banks, 21 were in operation by mid-1976 and 50 are planned by 1977. It is at present indicated that they must exclusively finance small farmers, although this may be relaxed. Small farmers have been appointed to the boards of directors.

Other Special Bank Credit Projects

Several systems in addition to the farmers service societies and state rural banks have been introduced to involve commercial banks in agricultural lending. In 1970, it was proposed that commercial banks should take over from Cooperative Central Banks as financing agents for cooperatives in 81 Districts of Andhra Pradesh, Haryana, Madhya, Pradesh, Karnataka and Uttar Pradesh. In 1971, the scheme was initiated in 51 districts. Later the scheme was extended to Orissa, Bihar, West Bengal, Jammu and Kashmir and Maharashtra. In 1974, the RBI Standing Committee on Coordination between commercial and cooperative banks reviewed the scheme and suggested that where it was recommended by the state governments, commercial banks should finance around ten societies in a compact area having a potential loan business of about Rs. 2 million. Most of the commercial banks only agreed to take over the current liabilities of the cooperative central banks, but some of them particularly in Haryana and Madhya Pradesh also took over overdues. In Karnataka, the State Government offered to pay half the salary of primary credit societies secretary managers if the responsible commercial bank would pay the other half as a loan to the society. The state bank of Hyderabad and the Canara Bank took advantage of this offer.

A scheme for adoption of villages by nationalized commercial banks was put into operation in the fourth plan period. By June 1973, 9,631 villages had been adopted, of which 9,144 were accounted for by the state bank of India group. In addition, one bank adopted 67 compact area integrated development centres.

Singh and Kahlon 22/ made a study of the operations of the State Bank of Patiala, Punjab. The bank launched a pilot project for advancing agricultural credit in 1968/69 in two villages, Nanansu and Karhali in Patiala District. 73 loans were made in these villages in 1969/70 on the basis of farm plans submitted by the villagers; of these loans 43 were made to small farmers, 16 to medium sized farmers and 14 to large farmers. It was observed that large farmers were able to obtain credit for seeds and fertilizers from dealers and whereas of the loans made to small farmers 39 percent were for production purposes only 22 percent of those made to large farmers were for production. The scale of operations is obviously peripheral to the development effort although the small farmers were receiving recommendable priority.

Conclusion

The odd example of commercial bank concern whether through farmer's service societies where the limited information available already points to a mixed record, or direct loans does not relieve the overall picture of neglect of the poor. The Working Group on Rural Banks 40/ of the Reserve Bank of India has also noted that there are serious attitudinal problems in commercial banks lending to small farmers. The banks have their origins in urban areas, staff who are generally recruited from the urban population have a disinclination to work in rural areas. The high salaries of bank staff set them apart from villagers. Cooperatives have been faulted on their ability to raise deposits. Their record in this area is not encouraging compared with that of the commercial banks. In 1969, primary agricultural credit societies had total deposits of Rs. 627 million. The combined deposits of rural, semi-urban and **urban** commercial banks, but not metropolitan banks, was 23,780 million, nearly 38 times as much, but much of this came from the non-agricultural sector and notably only some 10 perc nt of this was returned to the rural areas in agricultural investment in 1972.

Commercial banks have not then in their admittedly short period of interest in agriculture performed anything like as well as cooperatives in providing agricultural credit in general or small farmer credit in particular.

COMPARISON OF CREDIT COOPERATIVES RECORD WITH THOSE OF PEASANT UNIONS

There are two peasant union organizations of national importance in India. One is affiliated to the Communist Party of India and the other to the Communist Part of India (Marxist). They vary in their local organization and in some states separate unions exist for landless labourers and small farmers. The unions are frequently referred to as Kisan Sabha. In addition to the two nation-wide union structures, there are various state or even local unions. The strength of the unions varies from state to state and in many cases no adequate record exists of membership. They are strong, for instance, in Kerala which had at different times from 1957 onwards a communist government. It is not possible to enter into detail about their activities here. There are frequent demands that their record be examined against that of the cooperatives in serving the poor. The two are in no way comparable. They may be rather regarded as complementary. The unions are concerned to lobby for their members' rights or even to take by force land, food, stocks etc. which are inequitably held by the exploiting class. In this their success has been very variable. They do not generally offer credit to their members. Cooperatives have provided one of the means of production, finance. The unions have been concerned to raise wages and with the fundamental means of production, land. They function at a far more basic level than cooperatives, to some extent outside the system. Harijan cooperatives, which are limited in number, could take on a similar function. In not doing so they cannot be said to have failed. If they did so, they might increase their relevance, but they might also be prevented from carrying out their primary purpose, the distribution of credit. They could, however, encourage their members to join or form unions.

Although the successes of unions are not comparable with that of cooperatives, one feature of their organization is of interest. Power in the Kisan Sabha is with the officials who are closely linked to the party. It is not in practice exercised democratically as in cooperatives. The unions which have as their sole mandate the service of the poor have in many cases gained a large body of support. This may be attributed partly to their singleness of purpose and partly to the sensitiveness of officials to members problems.

CREDIT COOPERATIVES AS REDISTRIBUTORS OF WEALTH BETWEEN STATES

Another criteria on which cooperatives record must be examined is in their ability to redistribute resources between richer and poorer states and stimulate growth in the poorest states. It is almost impossible on the basis of available data to come to any conclusion concerning this. There was no information available to us on the relative effort made to promote cooperatives in the various states.

Judged on the basis of the proportion of households borrowing from cooperatives in 1961 (see table 5), the richest states of Punjab, Haryana, Gujarat, Uttar Pradesh and Maharashtra all had above average coverage with a high of 35 percent in the Punjab and the lowest in Uttar Pradesh with 20 percent. The poorest states of Rajasthan, Orissa, Madhya Pradesh, Andhra Pradesh and Bihar all had below average coverage with the highest 17 percent in Andhra Pradesh and the lowest cooperative coverage in the poorest of the states, Bihar. By 1966/67, the position had changed somewhat in that coverage in Uttar Pradesh had fallen below the 1960/61 level and below average. Coverage in Gujarat also declined, whereas that in Punjab and Haryana cradle of the Green Revolution has risen to 51 percent. Coverage in all the poor states rose, although it remained below average. Total cooperative loans followed a similar pattern in the period 1960/61 to 1969/70, the highest proportionate gain 540 percent was recorded in Bihar; but this was working from a very low base and Andhra Pradesh only recorded a 39 percent increase. Gains in the wealthy states were mixed, Uttar Pradesh only having a 100 percent increase while the Punjab recorded 347 percent. Lending in Gujarat, where coverage of households declined, increased by 232 percent. Average loans per rural household were uniformally low in the poorest states. Of the rich states they were high in the Punjab and even higher in Gujarat, but in Uttar Pradesh and West Bengal they were low. A similar pattern is repeated with respect to the Land Development Banks (see table 6) with the Punjab, Gujarat, Maharashtra and Haryana being the greatest recipients. The poorest state to have significant coverage is Tamil Nadu.

The picture which emerges is far from uniform, but some bias in favour of the better-off states and moderately well off states is apparent. In this, the commercial banks have done better in that there is a definite bias in terms of number of accounts in favour of the poorer states; although this is less apparent in terms of actual amounts lent. Some of the greatest activity by commercial banks in financing primary cooperatives has been in the poorer states. This bias is, however, on the decline.

DOES CREDIT AVAILABILITY HAVE A NEGATIVE AFFECT ON THE POOR?

There is one last question with regard to the overall effectivity of cooperative credit in relieving the lot of the rural poor which we cannot afford to ignore; that is whether credit in itself which is freely available to both rich and poor works against the best interests of the poor. This controversy is inextricably linked with discussion as to the impact on poverty of the green revolution in India and we cannot enter into it deeply here. It has been observed in many states of India that the green revolution, by making agriculture more profitable, had led landlords to farm themselves land they previously made available to small farmers on a tenancy or sharecropping basis. This is substantiated by, amongst other case studies, Laxminarayan 5/ and Bhalla 41/ in Haryana,/Rajastan by Bapna 42/ and Kahlon and Singh 43/ in the Punjab./i The force of agricultural labourers is being swelled by the green revolution, but the eventual effect of the new technology on the lot of the labourer is disputed. Bhadan 44/ showed in 1974 that only in Kerala, where agricultural labourers are well organized, had their real incomes increased. Bhalla 41/ on the other hand showed that in Haryana real wages declined during the period 1963 to 1967, but rose after the introduction of new technology in 1968, bringing them by 1970 to 1963 levels in real terms. In Kota Rajasthan, Bapna 29/ found an extreme labour shortage as a result of the green revolution and 45-50 percent increase in wages while number of days worked per year also rose.

As has already been noted, the large farmers who have benefitted most from the new technology and who have displaced medium and small farmers rely least on cooperative credit. The medium scale farmers take the lion's share of cooperative credit. The cooperatives may, therefore, have served to protect this group and to a lesser extent the small farmers against domination by large farmers by providing them with sufficient resources to undertake improved cultivation practices.

GENERAL CONCLUSION

The present definition of small farmers, marginal farmers and landless labourers includes some 60 percent of the rural people in India. It is obvious that this massive section of the population is receiving nothing like a reasonable share of the institutional credit cake, even in relation to the land they occupy a criteria on which it would be expected they would receive at least 40 percent of credits. In fact, they are receiving perhaps some 30 percent. Credit cooperatives are not then particularly serving the poor. They still tend, as we have seen, to be dominated by and favour the wealthy, although the small farmer produces a higher return to investment in credit and is a more reliable debtor. Having said this, however, we may well ask if any other institution in a power structure such as India's could have done fractionally as well. The limited experience with commercial banks does not indicate that they might.

The general conclusion arrived at is thus that credit cooperatives while not favouring the small farmers have provided a more equitable distribution of credit than could be expected from or is provided by alternative institutional structures within the Indian socio-economic power structure.

POSSIBLE IMPROVEMENTS IN A COOPERATIVE CREDIT STRUCTURE TO REACH THE POOR

The data available makes it very difficult to comment on the optimum cooperative credit system for reaching the rural poor. There has been a willingness to recommend new structural frameworks, particularly farmer's service societies and the involvement of state rural banks with only superficial examination of what cooperative credit structures have proved most effective in the past.

Size

Two topics have, however, been discussed at length in relation to cooperative efficiency in general terms, i.e. without particular reference to the rural poor. Firstly, the optimum size for cooperatives. As we have noted above, India passed through several stages with regard to size of cooperatives. Initially cooperatives were village based and small. In the period 1956 to 1958 by merging existing cooperatives, societies were set up, covering several villages which were intended to achieve a minimum loan business of at least Rs. 50,000 per year. In 1958, the policy changed to one of one cooperative per village community covering a population of about a thousand. This policy was modified in 1960 to one which put "economic viability" first and relationship with the community unit second. Economic viability was defined as sufficient turnover to support a full time secretary and a society should not cover a radius of more than four miles.

Thorners 45/ report indicates that the most satisfactory societies tended to be large and also multipurpose. There can be little doubt that there is a necessity for trained management at the primary level, but this could be achieved through increased turnover in multipurpose cooperatives handling marketing and storage. There may be less opportunity for one powerful clique to dominate a large society at the expense of the weaker sections, but they will have more incentive to do so and when they do succeed in doing so the results will be much more widespread. In the absence of a multipurpose cooperative framework it may be essential to have large cooperatives, but more consideration could have been given to braking cooperatives up into groups, both to enable people to relate to a unit in which they could know everyone and to facilitate group loans. Ideally each group should be formed from one class in the social strata and, thus, enable the poor to better fight for their rights, particularly if seats on the board of directors were allocated on the basis of groups.

Multipurpose

The concept of multipurpose cooperatives is not new to India. The committee of Direction of the All India Rural Credit Survey recommended tht crop loans should be recovered from the sale proceeds of the respective crops. To this end cooperative credit societies were to be affiliated to marketing societies. Crops, however, would still be marketed by the marketing societies who would collect the loans and by 1966/67, 74 percent of primary credit societies were affiliated to marketing societies and 17 percent of credits collected through marketing societies. Comparatively few genuinely multipurpose cooperatives were set up however. Farmers' service societies will, of course, be multipurpose. The greatest problem of cooperative marketing is farmers continuing reliance for consumption credit on traders ~~who insist on marketing~~ their crops. Cooperatives should make consumption loans to the weaker sections, particularly during years of poor harvests.

Cooperatives Purely for the Poor

Cooperatives dominated by medium and large scale farmers, civil servants and school teachers have never had the problems of the poor genuinely at heart. Cooperatives only of the poor could be set up and gradually made the sole agent to which RBI credit and support is extended. Present cooperative leaders probably expend as much effort on avoiding RBI intentions as they do implementing them. Cooperatives whose sole concern is their poor members would gradually be able to organize group irrigation schemes and other capital improvements on credit. They might also serve as an eventual medium for group extension, particularly if group procedures were employed for preparing loan submissions and security. The difficulties of setting up cooperatives solely of the poor should not, however, be underestimated. They will lack the entrepreneurial experience and confidence of societies in which larger farmers have a substantial voice and in this respect they will require greater support from the Government services and probably initial management subsidies. Turnover could also be lower unless the societies have a sufficiently high membership.

Crop Loan Insurances

Poor farmers are reluctant to take credit for new varieties which are less reliable in bad years than traditional ones. They have not large areas over which to cushion losses and crop failure brings them and their families close to starvation. There is a necessity for some form of insurance to cover the cooperative society against the farmers inability to repay. The evidence is that the poor would willingly bear higher charges on loans. They already do from money lenders. An interest rate of 20 percent on crop loans would cover societies against total loss one year in every ten, taking a reasonable commercial interest rate of ten percent. If the Reserve Bank of India were to make an additional subsidy of ten percent available, societies would be in a position to withstand total loss once in every five years. The small farmers relieved of the burden of credit repayment would then be much more prepared to invest in new varieties. Such insurance should cover a society when a farmer is genuinely unable to repay due to crop loss resulting from causes beyond control, not simple failure to repay or loss arising from farmer neglect.

Consumption Credit

The Economic Times, Delhi, reported on April 27, 1976 that the Sivaraman Committee set up by the Planning Commission recommended that consumption credit to the weaker section through the cooperatives should be substantially strengthened. It estimated that families with less than 0.5 acres require Rs. 1700 million per annum in consumption credit and those with between 0.5 and 5 acres Rs. 1250 million. There can be little doubt that unless this group can be removed from the grip of money lenders and traders, they will be unable to take advantage of cooperatives for marketing; thus, making it impossible for cooperatives to collect debts at the point of crop sale and forcing the very poor into greater pecunary through extortionate interest rates and inequitable marketing arrangements. Production loans will also be diverted to consumption purposes.

Credit for land purchase

As already noted any basic solution to rural poverty in India must have, as an essential component, the distribution of the basic means of production, land to the poor. If the Government is unable or unwilling to execute a more extensive land reform programme credit could, backed by the necessary legislation, be used to secure some land redistribution by financing land purchase by the landless, or near landless, up to a given maximum. An essential element of any such scheme would be the control of land prices and probably the introduction of a ceiling on additional land purchase, making it illegal for instance for farmers with more than five acres (equivalents) to buy additional land.

Both Cooperative Central Banks and Land Development Banks could participate in such a scheme which would of necessity have to be financed by the RBI. This would also be a more suitable activity for commercial banks than financing crop loans. Their expertise and procedures are better suited to action in this area. Primary credit societies do not have the capacity to finance land purchase loans, but they may act as the initial contact point for requests which are then transmitted to the financing agency.

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TABLE 1

Income Distribution and Social Stratification Characteristics of Indian States

States ranked in order of relative rural income distribution	Percentage of total rural income - 1961		Percentage share of rural land holding of various size groups acres - 1961*			Percentage of operational holding in each group acres - 1961 *		
	Lowest decile	Highest decile	Less than	2.5-7.5	Above 7.5	Less than 2.5	2.5-7.5	More than 7.5
Assam	4.1	23.3	13	51	36	40	45	14
Jammu & Kashmir	3.9	24.6	15	52	33	43	46	11
Punjab & Haryana	3.4	30.9	2	12	86	21	28	51
West Bengal	3.0	22.2	13	49	38	44	43	13
Karnataka	2.8	24.9	3	18	79	23	39	38
Orissa	2.6	28.2	11	35	54	46	37	18
Madhya Pradesh	2.6	26.2	2	15	83	26	31	43
Kerala	2.5	30.0	26	26	49	83	12	5
Andhra Pradesh	2.5	28.2	7	22	71	44	31	24
Maharashtra	2.5	25.0	2	11	87	21	30	49
Gujarat	2.5	23.3	2	12	86	18	30	52
Rajasthan	2.3	30.2	2	12	86	15	35	49
Uttar Pradesh	2.2	26.5	12	36	53	46	38	17
Bihar	2.1	34.6	14	35	52	55	31	14
Tamil Nadu	2.0	28.5	17	38	45	53	34	13
All India**	2.3	28.9	7	23	70	25	34	40

* Totals do not all equal exactly 100 due to rounding. ** All India includes states not listed.

SOURCES: National Sample Survey No 113, 16th Round (July 1960 - June 1961) - Agricultural Holdings in Rural Income Distribution and Employment Programme Sectorial Employment and Income Distribution in Rural India, ILO Geneva 1975, as quoted in M. Farbman.

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TABLE 1 (cont'd)

Income Distribution and Social Stratification Characteristics of Indian States

States ranked in order of relative rural income distribution	Percentage of households leasing out land 1961	Percentage of households cultivating only leased land of those with acres 1961 *			Percentage of households cultivating land partly owned and partly leased acres 1961 *			Cultivators (000) 1971		Agricultural Labourers (000) 1971		Agricultural Labourers as a percentage of the total work force in agriculture and related occupations 1971	Scheduled castes and tribes as a percentage of the total population 1971
		Less than 2.5	2.5–7.5	More than 7.5	Less than 2.5	2.5–7.5	More than 7.5	Male	Female	Male	Female		
Assam	10	55	40	4	16	66	19	2300	111	385	2	18	12
Jammu & Kashmir	9	50	50	–	32	55	13	833	57	40	2	8	4
Punjab & Haryana	25	16	36	48	5	23	72	2922	46	1180	37	24	29
West Bengal	9	52	42	6	28	58	14	3843	112	2861	412	32	43
Karnataka	11	44	42	15	8	35	58	3597	476	1720	997	15	38
Orissa	8	61	35	4	25	55	19	3220	148	1543	390	40	36
Madhya Pradesh	7	33	30	28	8	38	54	6537	1548	2228	1834	37	33
Kerala	9	77	18	5	63	33	4	1039	67	1195	712	10	55
Andhra Pradesh	7	53	32	15	17	40	43	4785	1009	3553	3276	19	52
Maharashtra	5	48	29	23	13	28	60	4920	1617	2926	2468	15	44
Gujarat	3	35	36	29	6	35	59	3173	447	1248	640	25	33
Rajasthan	5	25	35	40	5	27	68	4571	655	536	213	31	12
Uttar Pradesh	7	65	30	5	33	51	16	14516	1182	4221	1233	23	26
Bihar	10	70	26	4	35	45	20	7156	424	5009	1797	24	47
Tamil Nadu	7	69	27	4	33	49	18	4027	581	2818	1672	22	47
All India**	9	54	33	13	22	43	35	68910	9266	31695	15794	37	24

* Totals do not all equal exactly 100 due to rounding.

**All India includes states not listed.

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Table 2 **RELATIVE RURAL WEALTH AND LIVING STANDARDS OF THE INDIAN STATES**

NOTE: Figures in ( ) are rankings

States ranked in order of agricultural income	Agricultural income per capita of the agricultural population 1960/61 Rs.	State Domestic Product per capita 1960/61 Rs.	Rural population density per km2 1971	Average value of tangible assets per household Rs. 1962	Average value of land per household Rs. 1962	Number of tractors per thousand hectares 1965	Average size of holding acres 1961/62	Average value of yield per acre average 1966/67 to 1968/69 Rs. 1961 prices	Calorie intake per capita of rural population	Prices of cereals Rs. per seer	Percentage of the total population attending primary school 1966/1967	Percentage of the total population attending secondary school 1966/1967	Literacy rate 1971 Males	Literacy rate 1971 Females	Population per hospital bed 1971	Population per dispensary (000) 1971
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Punjab & Haryana	313 (1)	451 (3)	197 (10)	14631 (6)	62 (9)	2.46 (1)	10.0 (5)	466 (1)	3076 (2)	0.40 (5)	9.0 (9)	4.1 (5)	39 (7)	18 (8)	1570 (7)	58 (6)
Gujarat	238 (2)	393 (4)	98 (4)	8737 (2)	58 (10)	0.36 (4)	11.1 (3)	286 (4)	2503 (8)	0.44 (7)	9.4 (8)	5.1 (2)	46 (4)	25 (4)	2430 (12)	220 (15)
U.Pradesh	233 (3)	297 (9)	258 (12)	5922 (9)	56 (12)	0.42 (3)	4.8 (9)	147 (3)	2854 (5)	0.40 (4)	11.2 (3)	2.8 (10)	32 (12)	11 (11)	2520 (13)	202 (14)
Maharashtra	230 (4)	468 (1)	112 (5)	7004 (6)	71 (4)	0.18 (12)	12.0 (2)	175 (10)	2280 (11)	0.42 (5)	10.9 (4)	4.3 (4)	51 (3)	26 (3)	1260 (4)	50 (5)
W.Bengal	229 (5)	465 (2)	397 (14)	1624 (13)	67 (7)	0.24 (8)	4.3 (11)	267 (5)	2175 (13)	0.58 (14)	9.7 (7)	3.3 (8)	43 (5)	22 (5)	1270 (5)	86 (12)
Karnataka (Mysore)	222 (6)	305 (8)	116 (6)	8592 (3)	70 (6)	0.27 (7)	10.0 (6)	177 (9)	2758 (6)	0.44 (8)	9.9 (6)	4.1 (5)	42 (6)	21 (6)	1170 (3)	39 (3)
Jammu & Kashmir	222 (7)	289 (10)	17 (1)	-	-	-	-	-	3033 (3)	0.39 (3)	7.4 (12)	3.2 (9)	27 (15)	9 (13)	1150 (2)	84 (11)
Assam	210 (5)	333 (6)	169 (9)	3356 (12)	57 (11)	0.33 (5)	3.8 (13)	221 (7)	2354 (10)	0.52 (13)	10.4 (5)	3.9 (7)	37 (9)	19 (7)	1830 (10)	20 (1)
Tamil Nadu	208 (9)	334 (5)	221 (11)	7185 (5)	72 (2)	0.48 (2)	4.0 (12)	347 (2)	2147 (14)	0.52 (12)	11.9 (2)	4.4 (3)	52 (2)	27 (2)	1720 (9)	26 (2)

Table 3 Characteristics of Some Successful Cooperative Farming Societies - Last Surveyed in 1965

Date of Formation	1956	1953	1958	1952	1947	1950	1955	1950
Source of land 1/	Me	Me	Go	Go	Go/P	Go	Me	P
Total acreage cultivated	453	234	100	260	241	300	123	283
Acreage irrigated	53	70	100	-	190	300	115	50
Land in one block	No	Yes	Yes	No	Yes	Yes	No	Yes
Number of members	29	226	30	13	65	13	21	50
Percentage of members who were landless or farmed less than 5acres before the society was formed	30	100	100	100	54	0		100
Members have land outside the society			No		Yes		Yes	No
Proportion of members working in the Fields	30	100	100	100	54		43	100
Did the society have a tractor	Yes	Yes	No	No	Yes	Yes	No	Yes
Did the society have a manager if so what were his qualifications	A	Yes	No	B	A	Yes	No	No
High involvement of government officials with the society				Yes	Yes	No	No	No
Availability of loans and grants from -- government	B	C	B	B	A	A		B
-cooperatives	B	C	C	C	A		C	B
Normally made a profit	Yes		No	No	Yes	No	Yes	Yes
Standard of Farming	A	A	B	C	B	A	A	A
Above average wages paid	Yes	Yes	No		Yes		Yes	Yes

Notes:
1/ Me = Members, Go = Government, P = purchased. Where categories A B C are used A is good B average and C poor.
Sources: Report of the Working Group on Cooperative Farming 13/ and Report of the Committee of Direction on Cooperative Farming 14/

Table 2 **RELATIVE RURAL WEALTH AND LIVING STANDARDS OF THE INDIAN STATES** (cont'd)

NOTE: Figures in ( ) are rankings.

States ranked in order of agricultural income	Agricultural income per capita of the agricultural population 1960/61 Rs.	State Domestic Product per capita 1960/61 Rs.	Rural population density per km2 1971	Average value of tangible assets per household Rs. 1962	Average value of land per household Rs. 1962	Number of tractors per thousand hectares 1965	Average size of holding acres 1961/62	Average value of yield per acre average 1966/67 to 1968/69 Rs. 1961 prices	Calorie intake per capita of rural population	Prices of cereals Rs. per seer	Percentage of the total population attending primary school 1966/1967	Percentage of the total population attending secondary school 1966/1967	Literacy rate 1971 Males	Literacy rate 1971 Females	Population per hospital bed 1971	Population per dispensary (000) 1971
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Kerala	204 (10)	315 (7)	460 (15)	6273 (8)	70 (5)	0.23 (10)	2.8 (14)	345 (3)	1631 (15)	0.46 (9)	12.4 (1)	8.2 (1)	67 (1)	54 (1)	1067 (1)	40 (4)
Rajasthan	203 (11)	267 (14)	62 (2)	1543 (14)	46 (14)	0.29 (6)	14.4 (1)	87 (14)	3147 (1)	0.34 (1)	6.6 (15)	2.2 (14)	29 (14)	8 (15)	1610 (8)	82 (10)
Oriswa	201 (12)	276 (13)	129 (8)	4413 (11)	63 (8)	0.11 (14)	5.2 (8)	248 (6)	2375 (9)	0.42 (6)	8.5 (11)	2.0 (15)	38 (8)	14 (10)	2190 (11)	74 (9)
Madhya Pradesh	198 (13)	285 (12)	79 (3)	4970 (10)	55 (13)	0.14 (13)	10.2 (4)	132 (13)	2910 (4)	0.39 (2)	7.2 (13)	2.3 (12)	33 (10)	11 (11)	2600 (15)	110 (13)
Andhra Pradesh	198 (14)	287 (11)	126 (7)	7704 (4)	72 (3)	0.24 (8)	7.9 (7)	215 (8)	2184 (12)	0.51 (11)	8.9 (10)	2.4 (11)	33 (10)	16 (9)	1450 (6)	62 (7)
Bihar	136 (15)	221 (15)	291 (13)	6688 (7)	75 (1)	0.22 (11)	4.4 (10)	171 (11)	2541 (7)	0.49 (10)	7.2 (13)	2.3 (13)	31 (13)	9 (13)	2560 (14)	68 (8)

SOURCES: Variables in columns 1 and 2 National Council of Applied Economic Research Distribution of National Income by States 1960-61 as reported in */; 3,11,12,13, 14,15, 16, 1971 census data as reported in Statistical Abstract India 1972, Central Statistical Organization Department of Statistics. Government of India; 4,6 the National Sample Survey Seventeenth Round September 1961-July 1962 as reported in 16/ 6 Tent Livestock Census 1966 as reported in Shukla Regional Analysis of Institutional Finance for Agric. Indian Journal of Agricultural Econ. Vol XXVI No 4 Oct Dec 1971 p.542-554. & from preceeding source 9,10 National Sample Survey Draft Report No.200 as reported in */.

TABLE 5

SUMMARY OF COOPERATIVE AGRICULTURAL CREDIT SITUATION IN THE INDIAN STATES

State/Union Territory	Lending to poorer groups: Percentage of total borrowing from co-operatives by each asset group 3/: less than 2500 Rs. hectares average around 0.9 1961/62	2500–10000 Rs. hectares average around 2.7 1961/62	Over 10000 Rs.	Percentage of loans issued 1969/70 to: tenants agricultural labourers & farmers with less than 2 hectares	Farmers with more than 2 hectares	Total Coop. loans million Rs. 1960/61	1969/70	Number of primary Agric. Credit societies 1969/70	Percentage of rural households borrowing from co-operatives 60/61	66/67	69/70 Very approx.	Percentage of village covered by active societies 1960/61	1966/67	Percentage of overdues to outstanding loans 1960/61	1969/70	Perentage of societies having paid secretaries Full time 66/67	Part time 66/67
Andhra Pradesh	7	19	74	44	56	190	265	15040	17	17	13	65	75	17	43	2	4
Assam	34	66	–	39	61	4	18	2968	6	3	2	58	33	74	82	26	11
Bihar	20	26	54			18	116	17171	4	9	9	43	88	45	50	14	
Gujarat	4	33	63	17	83	236	784	8438	29	27	17	91	92	22	21	59	38
Haryana				35	65		150	6166			20				33	13	67
Himachal Pradesh				73	27	1	40	2547	2	37	24	96	95	40	19	28	62
Jammu & Kashmir	6	52	42			11	18	1104	47	19	14	73	77	21	60	65	20
Kerala	31	35	34	82	18	51	258	2134	19	22	17	96	75	17	24	71	2
Madhya Pradesh	11	60	29			179	465	9884	15	22	14	67	94	18	40	81	19
Maharashtra	5	34	61	24	76	404	1037	20014	33	35	20	94	93	20	40	53	43
Karnataka	5	23	72			142	310	8675	25	22	15		85	34	47	54	11
Orissa	21	59	20			26	95	3759	7	11	8	42	69	20	63	72	5
Punjab	4	32	64	41	59	(1)118	528	10274	35	51	56	86	83	(1) 26	39	30	50
Rajasthan	13	47	41			57	139	7808	11	10	13	38	65	31	36	29	17
Tamil Nadu	9	30	60	30	70	244	448	6058	29	19	11	95	55	12	37	49	9
Uttar Pradesh	17	40	43	33	63	310	620	25992	20	14	12	85		9	34	11	58
West Bengal	12	47	41			33	94	11329	8	9	5	30	57	33	56	1	6
Andaman & Nicobar Islands							0.2	44		13		20	61	47			59
Chandigarh								28								4	56
Delhi				100		2	5	283		68		73	87	20		26	50
Goa, Daman & Diu				100			2	168		6			100			81	
Manipur				83	17	1	1	459	14	8		36	32	6		12	51
Pondicherry				63	37	2	6	73	33	81		43	100	3		35	
Tripura						2	2	402	11	4		18	20	21		19	19
	9	35	56	63	27	2028	(2)5401	162700	18	18		66	82	20	38	31	28

Table 4

External Factors Affecting the Success of Cooperative Farming Societies

States ranked in order of proportion of population who are members of active farming coops.	Rural Wealth of the State 1/	Differentiation of land holding scale A-C	Use of irrigation numbered in order 1/	Land consolidation scale A-C 2/	Early start made in encouraging cooperative farming	Government support Scale A-C 2/				Political support A-C 2/	Active non-official leadership A-C 2/	Cooperative credit available A-C 2/
						Financial	Technical	Provision of land	Legislative			
Andhra Pradesh	15	B	5	C		C	B	A	A	B	B	C
Kerala	10	B	9	C	A	B	B	B	A	B		B
Maharashtra	5	C	13	B		B	B	A	A	A	A	A
Haryana	(2)	(A)	3	A		B	B	C	A			B
Assam	8	A	7	C	A	B	C	A	A			C
Gujarat	3	C	12	C	A	B	A	B	A		A	B
Uttar Pradesh	4	C	4	A	B	B	A	B	C	C	B	B
Bihar	13	C	8	C	A	B	B	C	A			
West Bengal	6	A	6	C	A	B	C	B	A		A	
Punjab	1	A	1	A		B	B	C	A			B
Madhya Pradesh	14	B	14	C		B	C	C	A	B		A
Karnataka	7	A	11	C		C	C	B	A	A	B	
Rajasthan	11	B	10	C	A	B	C	A	A	A	B	B
Orissa	12	B	15	C	C	A	B	C	A			A
Tamil Madu	9	B	2	C	C	A	A	C	C	C		A

1/ Where States are ranked by number the lowest number indicates the highest incidence or best **state** the highest numbers are the worst

2/ Where states are ranked A-C. A is good B normal and C poor.

Major sources of information Report of the Working Group on Cooperative Faming 11/ and Report of the Committee of Direction on Cooperative Farming. 14/

TABLE 5 (Cont'd) - 2 -

State/Union Territory	Percentage of loans to each farm size group by Land Development Banks: Number 1971-72: less than 1 hectare	Number 1971-72: 1-2 hectares	Number 1971-72: more than 2 hectares	Value 1971-72: less than 1 hectares	Value 1971-72: 1-2 hectares	Value 1971-72: more than 2 hectares	No. of offices branches and sub-branches of primary and central land development banks: June 1973	per million rural pop.	Net disposable resources 1973 Rs. million	Proportion of overdues to demand: Central Land Dev. Banks 1972-73	Primary Land Dev. Banks 1972-73	Percentage of rural population borrowing from coop land dev. banks 1972-73
Andhra Pradesh	-	39	61	-	27	73	195	5.5	66.7	20	28	0.12
Assam	41	42	17	30	40	30	17	1.3	1.2	68	72	0.00
Bihar	10	11	79	5	6	89	88	1.7	29.9	42	-	0.03
Gujarat	6	14	80	-	-	-	205	10.7	110.6	61	66	0.32
Haryana	1	15	84	1	14	85	30	3.6	28.0	0	0	0.20
Himachal Pradesh	21	40	39	-	-	-	16	5.0	2.0	84	25	0.01
Jammu & Kashmir	75	11	14	31	11	58	21	5.6	2.7	31		0.07
Kerala	40	21	39	-	-	-	26	1.5	7.5	37	42	0.05
Madhya Pradesh	0	14	86	2	9	89	225	6.4	25.7	28	47	0.09
Maharashtra	5	17	78	-	-	-	300	8.6	100.2	85	40	0.13
Karnataka	5	23	72	3	18	79	195		59.0	33	47	0.22
Orissa	-	-	-	-	-	-	56	6.4	9.6	44	54	0.05
Punjab	-	-	-	-	-	-	42	4.1	32.3	4	11	0.44
Rajasthan	4	18	78	5	12	83	41	1.9	14.7	48	53	0.05
Tamil Nadu	34	32	34	20	24	56	235	8.1	62.6	6	21	0.18
Uttar Pradesh	18	32	50	12	30	58	208	2.7	102.0	25	100	0.10
West Bengal	-	-	-	-	-	-	24	0.7	7.2	41	57	0.01
Andaman & Nicobar Islands												
Chandigarh												
Delhi							1	2.4				
Goa, Daman & Diu							1	1.6				
Manipur												
Pondicherry	70	18	12	49	19	32	1	3.7	1.1	46		0.06
Tripura	100	0	0	100	0	0	1	0.7	0.1	81		0.00

TABLE 5 (Cont'd)

State/Union Territory	No. of Commercial Bank Offices		Population per commercial bank (000)		Commercial Banks					
					Loans outstanding to agriculture Direct Finance	Loans Outstanding to agriculture Indirect Finance	Direct Loans for Agriculture			
							Short Term		Long Term	
	1969	1974	1969	1974	Rs. Million	Rs. Million	No. of Accounts (00)	Balance outstanding Rs. Million	No. of accounts (00)	Balance outstanding Rs. Million
					Dec. 72	Dec. 72	Dec. 72	Dec. 72	Dec. 72	Dec. 72
Andhra Pradesh	567	1234	74	36	407	115	1860	300	173	72
Assam	74	184	193	80	9	41	39	3	2	2
Bihar	273	672	200	86	69	33	147	15	142	51
Gujarat	752	1436	34	19	321	109	216	73	427	211
Haryana	172	390	56	26	91	63	40	13	46	72
Himachal Pradesh	42	159	80	22	2	–	2	–	2	1
Jammu & Kashmir	35	164	124	29	2	–	7	1	–	–
Kerala	601	1163	34	19	162	26	1311	52	36	17
Madhya Pradesh	343	820	116	52	102	44	237	25	170	71
Maharashtra	1118	2005	43	26	522	295	482	160	625	301
Karnataka	756	1621	37	19	334	165	497	94	286	118
Orissa	100	255	211	88	12	38	86	7	13	4
Punjab	346	869	38	16	103	16	42	25	133	113
Rajasthan	364	743	68	36	108	79	29	76	285	95
Tamil Nadu	1060	1784	37	24	434	232	3238	250	309	101
Uttar Pradesh	747	1673	114	54	241	347	341	36	282	197
West Bengal	504	987	84	46	141	20	297	24	174	61
Andaman & Nicobar Islands	1	5	105	24	–	–	–	–	1	1
Chandigarh	20	44	12	6	8	–	–	–	–	–
Delhi	274	502	13	9	22	16	7	–	2	–
Goa, Daman & Diu	85	133	9	7	7	–	1	–	–	–
Manipur	2	9	509	122	–	–	70	6	29	1
Pondicherry	12	26	37	19	–	–	–	–	–	–
Tripura	5	18	300	88	–	–	3	–	–	–
All India 4/	8262	16936	64	33	3105	1750	8968	1087	3120	1475

TABLE 5 (Cont'd) SUMMARY OF COOPERATIVE AGRICULTURAL CREDIT SITUATION IN THE INDIAN STATES

1/ Includes data for Haryana.

2/ Break up not available for Rs. 1368 million.

3/ Totals do not all exactly equal 100 due to rounding.

4/ All India totals made before rounding and include states not listed.

SOURCES: Reserve Bank of India Report on Currency and Finance, 1973-74.

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TABLE 6

CUMULATIVE PROGRESS OF IMPLEMENTATION OF SF/MFAL DEVELOPMENT PROGRAMMES SINCE INCEPTION

	SFDA PROJECT				MFAL DA PROJECT			
	1971	1972	1973	1974	1971	1972	1973	1974
1. No. of participants identified (in ooo)	425	1421	2366a/	2663b/	38	309	1127c/	1264d/
2. No. enrolled as members of cooperatives (in ooo)	37	585	1140	1470	n.a.	140	355	486
3. No. of dugwells/ tubewells	3036	21012	65673	95107	54	1986	8547	14500
4. No. of pumpsets	795	6398	16144	28560	3	1284	3373	211
5. No. of other minor irrigation works	n.a.	n.a.	21774	27312	n.a.	n.a.	573	986
6. Units of milch cattle	395	6140	26077	44044	43	4893	15281	33544
7. Units of poultry birds	876	1317	3143	5046	--	1070	2220	3306
Credit disbursals (Rs. in 000)								
i) Short term	11333	129697	240717	194565	22	9635	36030	23309
ii) Medium and Long term	13790	101895	309312	485750	399	6111	65080	134209

Source: Dept. of Agriculture, Ministry of Agriculture, Govt. of India, New Delhi

a/ includes 686000 marginal farmers;

b/ includes 825000 marginal farmers;

c/ includes 262000 agricultural labourers;

d/ includes 298000 agricultural labourers.

TABLE 7

CREDIT TO DIFFERENT FARM SIZE GROUPS BY DIFFERENT SOURCES OF FINANCE IN PURNEA BIHAR - 1972

Size Group/ Type of Loan	Source of Borrowing														
	Cooperatives			Commercial Banks			Government			Money Lenders			Total		
	Rs.	Average loan per farmer	Approximate average loan per acre	Rs.	Average loan per farmer	Approximate average loan per acre	Rs.	Average loan per farmer	Approximate average loan per acre	Rs.	Average loan per farmer	Approximate average loan per acre	Rs.	Average loan per farmer	Approximate average loan per acre
2.50-3.75 acres															
ST. Loans	3692	168	54	–	..	..	–	–	–	2625	119	38	6317	287	92
MT and LT Loans	5050	230	73	850	39	12	–	–	–	4900	222	71	10800	491	156
Total	8742	398	127	850	39	12	–	–	–	7525	341	109	17117	778	248
3.76-5.00 acres															
ST. Loans	8316	213	49	–	..	..	541	14	3	3590	92	21	12453	319	73
MT & LT Loans	32150	824	188	11000	282	64	–	..	–	3150	81	18	40300	1187	270
Total	40466	1037	237	11000	282	64	541	14	3	6740	173	39	58753	1506	343
5.01 Acres and above															
ST Loans	3047	160	26	–	..	..	–	..	–	2099	110	18	5146	270	44
MT & LT Loans	7450	392	63	4655	245	39	–	–	–	1350	71	11	13455	708	113
Total	10497	552	89	4655	245	39	–	–	–	3449	181	29	18601	978	157
All size groups															
ST Loans	15055	138	42	–	..	..	541	7	2	8320	104	23	23916	299	67
MT & LT Loans	44650	550	125	16505	206	46	–	–	–	9400	118	26	70555	882	197
Total	59705	746	167	16505	206	46	541	7	2	17720	222	49	94471	1181	264

SOURCE: G. Ojha, Problems of Small Farmers and the Role of Institutional Credit in Purnea Bihar 35/

TABLE 8 Comparative Data on Three Farmers Service Societies June 1975

	Hiriadka (South Kanara)	Attibele (Bangalore)	Honnevally (Tumkur)
		Rs in millions	
Date of commencement of Business	Sept. 1973	May 1974	Jan. 1975
Number of villages covered	10	19	38
Number of Farm Families in area	2781	2228	2491
Membership	1396	936	1131
Percentage of Farm Families covered	50	42	45
Percentage of Members who are small and marginal farmers and agricultural labourers	71	72	39
Crop loans in current year			
i. Total	Rs 0.46	Rs 0.18	Rs 0.03
ii. Percentage of weaker sections receiving loans; Percentage of loans by value to weaker sections in brackets	43 (66)	5 (28)	1 (7)
Medium and long term loans-cumulative-Animal husbandry			
i. Total	Rs 0.19	Rs 0.35	Rs 0.17
ii. Percentage of weaker sections receiving loans. Percentage of loans by value to weaker sections in brackets	11 (81)	25 (76)	18 (68)
Agricultural machinery			
i. Total	Rs 0.54	0.22	0.004
ii. Percentage of weaker sections receiving loans. Percentage of loans by value to weaker sections in brackets.	9 (44)	3 (40)	-
Land development			
i. Total	Rs 0.32	Rs 0.29	-
ii. Percentage of weaker sections receiving loans. Percentage of loans by value to weaker sections in brackets.	13 (69)	2 (27)	--

Source: Data Supplied by the Syndicate Bank Ltd.