

**COOPERATIVES IN
INDIA AND PAKISTAN:
Some Aspects**

S.K. Saxena

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Cooperatives in India and Pakistan :
Some Aspects
by Dr. S. K. Saxena

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The **ICA DOMUS TRUST** has been established in the memory of the late Dr. Mauritz Bonow of Sweden, former President of the International Cooperative Alliance.

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*For Ingalill
in gratitude*

Contents

Foreword	ix
Preface	xi
Acronyms	xiii

Culture and Cooperatives in South Asia

Chapter 1: South Asian Societies: Culture and Cooperative Movements	01-14
--	--------------

Introduction - Cooperative Values and Principles - Some Reflections - The Cooperative Context - Some Views: An International Debate - A Diagram - Concluding Remarks - Summary

Cooperative Credit in Pakistan and India

Chapter 2: Cooperative Credit in Pakistan	15-50
--	--------------

Background: A Brief History - An Administrative Innovation: The Cooperative Board - Some Lessons - Present Position: The nature and variety of Cooperatives - Primary societies and Federations - Service Cooperatives - Farm Service Centres - Farmers' Merkaz Associations - Cooperative Marketing - Cooperative Farming - Water Users' Cooperatives - Credit Cooperatives - Provincial Cooperative Banks (PCBs) - The Registrar and the PCBs - Primaries and PCBs: Some Issues and Suggestions - Need for Caution in registering new societies -- Islamic Mode of Banking (IMB) - The Federal Bank for Cooperatives (FBC): Structure, Role and Activities - The FBC and the State Bank of Pakistan (SBP) - Duration and Purpose of Loans - FBC Subsidiaries: the Agricultural Marketing and Storage (AMSL) and the Youth Investment Promotion Society (YIPS) - YIPS - Efforts to Develop Processing - FBC: Some Issues and suggestions - High Vacancy Rates - Dependence on the SBP - Internal Structure of the FBC - Development Function Neglected - Creating Effective Regional Offices - Unwieldy Board of Directors - Improving PCBs' Operations - FBC and the ADBP: the need for exchange of experiences - Relations between the FBC and PCBs - The case of the Sind Provincial

Cooperative Bank (SPCB)- Deficiencies in SPCB's Operations - Agricultural Development Bank of Pakistan (ADBP) - ADBP's Mobile Credit Officers (MCOs) - The need for a voluntary apex body - The Union: A Background - Present Position - Weaknesses and Suggestions.

Chapter 3: Long - Term Cooperative Credit in India

51-70

Introduction - a historical review: some early efforts - organization and modalities - changing form and functions: recommendations of the Rural Credit Survey Committee - enlarging the scope of LDBs - structure - raising resources - (i) ordinary debentures - (ii) special development debentures: the role of Agricultural Re-finance Development Corporation (ARDC) - some issues - (i) excessive dependence on Government: relations with NABARD - (ii) high overdues: causes and suggestions - (iii) is a separate structure needed for long-term credit? - advantages of integration - some counter arguments - the National Federation of Land Development Banks.

Chapter 4: Government and the Movement:

India's National Cooperative Development Corporation

71-104

Origin - Functions - Policy and Management - Organisation - Finances - Activities - Promotional - Support to Marketing and Processing: Marketing - Processing - Rural Consumers' Scheme - Regional Offices - Implementing Organisations in the States: (i) State Cooperative Banks - (ii) State Land Development Banks - Internationally Aided projects: Support from the World Bank - Two Evaluations: Haryana and Orissa - Haryana - Orissa - Some Issues and Special Schemes - Farmers' Service Centres - Change-over to "Single-Window" Approach - Village Adoption Scheme - An Evaluation - NCDC and the Voluntary Sector: A Background - Potential Role of NGOs - Concern with Equity - Cooperatives for Weaker Sections - Conclusions: Limitations - Achievements - Weaknesses.

Cooperative Education and Training

Chapter 5: The Indian Scene

Education and Training in the Indian Cooperative Movement

104-127

Early Attempts by the Reserve Bank - Integrated Scheme for Education and Training - Member Education - The Change: The Background - National Committee for Cooperative Training (NCCT) - VAMNICOM: The Training of Senior Executives - Mid-level Personnel - Junior Level Personnel - Three Recent Inquiries: NCCT Survey - ILO Seminars: Manpower Planning - One Man Committee (OMC) on Training and Education - Cooperative Training - Importance of Training Policy - Finance for Training - A Central Agency for

Training - VAMNICOM as the Central Agency? - (iii) Cooperative Education - Scheme for Women - Indore Pilot Project - National Centre for Cooperative Education (NCCE) - Other Training Facilities - IRMA - NCDC and the Training of Personnel in Cooperatives (TOPIC) - Some issues and concluding remarks - 1. Estimating Manpower Requirements - 2. Over-emphasis on Institutional Training - 3. Member Education - 4. Need for "rolling" Training for Employees - 5. Interaction with outside Institutions - 6. Need for Adapting the Curricula to Local Needs - 7. Practical Facilities - 8. Need for Increasing the appreciation of Education/Training - 9. Motivation for Training - 10. Pre-induction Training - 11. Recruitment and Training of Teachers

Chapter 6: The Picture in Pakistan

129-135

Education and training in Pakistan - the National Centre for Cooperative Training (NCCT) - Cooperative Training College, Peshawar, NWFP - Weaknesses - the Sind Cooperative College, Hyderabad - the Government Training College, Faislabad - Some weaknesses of the system.

Chapter 7: Concluding Remarks

136-146

Government - Movement Relationship - financial help and government intervention - "ideal" relationship between the Government and the Movement: Need for research - registering cooperatives: greater stringency needed - need for an "Autonomy Index" - Cooperative laws - Model State Cooperative Societies Bill - some exceptions - (i) the Aga Khan Rural Support Program (AKRSP) Pakistan - objectives and structure - lessons learnt - (ii) the Kaira District Cooperative Milk Producers' Union, Anand - wider application.

References

147-163

Foreword

I suppose no one will ever be able to write a book on all aspects of Cooperation in India and Pakistan. On the other hand, if there was an author to deal with such an issue, no one would be better qualified for the task than Dr. Suren Saxena. I dare to say this as an outsider who, perhaps, will never be able to fully understand the subject but I will give my reasons for such a clear statement.

Dr. Saxena has devoted the major part of his professional career to cooperatives in South-East Asia. In the early sixties, the International Cooperative Alliance put him in charge of its development efforts through its Regional Office in New Delhi. It later made him the Director of its global operations with the seat in London. In this capacity he served our membership until the beginning of the 1980s, when he resigned and moved to Canada, from where he now undertakes missions on cooperative development both for government and other donor agencies - not the least to India and Pakistan.

The results of Dr. Saxena's efforts are today perhaps most evident in the International Cooperative Alliance. For more than 50 years, the Alliance remained an organization dominated by European consumer cooperatives. Together with the then President, Mauritz Bonow, he laid down a strategy which has resulted in a truly global organization with more than 200 national organizations from 81 countries and an individual membership of some 700 millions of which 120 million are from India, the country where he was born and to which he has given so much care. Such a background has, of course, been important to this book, but knowledge is seldom enough and compilation of facts can be both boring and give false evidence.

I know Dr. Saxena as a person who is neither near-sighted nor narrow minded. He is a person who has proved that complicated issues can be understood. He has also gained in cooperative circles a high reputation for diplomatic skills. I am sure the observant reader will find one or two

things in between the lines, but, above all, will learn from the lifelong experience of a cool and still young mind.

Lars Marcus
President
International Cooperative Alliance

*Stockholm,
December, 1991.*

Preface

This book has taken me longer to complete than I had anticipated. Several overseas assignments, which took me to many countries, interrupted the work. The longer the manuscript lay on my table, the greater became the need for updating the material. But these visits also enriched my knowledge of Cooperative Movements and I hope that the additional knowledge thus gained shows itself in what I have written.

I have discussed in the book what I consider to be the most important aspects of the Agricultural Cooperative Movements in India and Pakistan. I have concentrated on the problems, rather than the achievements, of the Movement. My numerous trips to India and an extended stay in Pakistan gave me the opportunity of collecting material, undertaking extensive field visits and holding discussions with many knowledgeable people. A careful study of secondary sources has enabled me to supplement the information with historical perspectives which, I hope, will be useful to the readers.

Many people have been of help. Regrettably, only a few can be mentioned by name: P.V.Prabhu, Executive Director of the National Cooperative Agriculture and Rural Development Banks' Federation Ltd., commented on Chapter 3; R.D.Bedi supplied recent information on Chapters 3 and 4; Dr S.N.Singh sent material on the NDDDB and the Model Cooperative Societies Bill which I have used in Chapter 7; H.R. Munjal, the former Secretary of the NCCT, assisted with material on cooperative training and education in India; B.D.Pandey, ICA's Librarian in New Delhi, brought to my attention recent references.

During a four month stay in Pakistan, I consulted the records of the Federal Bank for Cooperatives. I was given unrestricted access to its records. Discussions with FBC officers proved stimulating. The Registrar of Cooperative Societies, Punjab, Pakistan, supplied information which I have used to portray the diversity of Cooperatives in that Province in Chapter 2. Mian Riazuddin Ahmed, the President of the National Cooperative Union of Pakistan, Islamabad, shared with me his wide knowledge of the Movement.

R.B.Rajguru, the Sri Lankan Ambassador to Pakistan, provided useful leads. My field visits to Karachi, Hyderabad (Sind), and Lahore and Faisalabad in Punjab (Pakistan) proved immensely useful.

Jack Craig of the Department of Sociology, York University, Toronto, read large parts of the manuscript and offered comments especially on Chapter 1.

To all these individuals, I feel deeply grateful. They have helped to improve the contents of the book but are not responsible for its shortcomings.

I owe sincere thanks to Lars Marcus, the President of International Cooperative Alliance, for contributing the foreword to the book and, to G.K.Sharma, ICA's Regional Director for Asia and the Pacific, for arranging its publication. Daman Prakash, of that office, looked after the practical production details and I am thankful to him.

My daughter, Nandini, has helped me check Chapters 2,3,4,5 and 6. She persuaded me to shorten several unwieldy sentences to make the text clear and readable. Above all my wife, Ingalill, has been a source of constant support and encouragement and it is in gratitude that I dedicate the book to her.

S.K. Saxena

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January 1992

Acronyms

ACD	Agricultural Credit Department of the RBI
ACSTI	Agricultural Cooperative Society Training Institute
AICU/NCUI	All-India Cooperative Union later changed its name to the National Cooperative Union of India
AMSAC	Appropriate Management Systems for Agricultural Cooperatives
AMSL	Agricultural Marketing and Storage Ltd.
ARDC	Agricultural Re-finance Development Corporation
BSS	Bittoheen Samabaya Samity
BMSS	Bittoheen Mahila Samabaya Samity
BRDB	Bangladesh Rural Development Board
CCCT	Central Committee for Cooperative Training
CCT	Central Committee for Training
CEDCS	Cooperative Education and Development Scheme
CEI	Cooperative Education Instructor
CEMAS	Cooperative Education Materials Advisory Service
CCTTMP	Centre for Cooperative Trainers' Training and Materials Production
CIDA	Canadian International Development Agency
CLMBs/SLDBs	Central Land Mortgage Banks/State Land Development Banks; used synonymously
COPAC	Committee of the Promotion & Advancement of Cooperatives
CRAFICARD	Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development
CTC	Cooperative Training Committee

FAO	Food and Agriculture Organization
FBC	Federal Bank for Cooperatives
FSCs	Farmer Service Centres
GOI	Government of India
GOP	Government of Pakistan
HYV	High Yielding Varieties
ICA	International Cooperative Alliance
IDA	International Development Association
IFFCO	Indian Farmers' Fertilizers Cooperative Ltd.
ILO	International Labour Office
IRDP	Integrated Rural Development Programme
IRMA	Institute for Rural Management, Anand
GM	General Manager
JTC	Junior Training Centre
MATCOM	Material and Techniques for Cooperative Management
MD	Managing Director
MGs	Mobile Guides
NABARD	National Bank for Rural Development
NAFED	National Agricultural Marketing Federation
NCCE	National Centre for Cooperative Education
NCCC	National Credit Consultative Council
NCCT	National Committee for Cooperative Training (India); National Centre for Cooperative Training (Pakistan)
NCDB	National Cooperative Development Bank
NCDC	National Cooperative Development Corporation
NDDB	National Dairy Development Board
NGO	Non-Governmental Organization
OMC	One Man Committee
OSCMF	The Orissa State Cooperative Marketing Federation
PACS	Primary Agricultural Cooperative Society
PCB	Provincial Cooperative Bank

(P)LDB	(Primary) Land Development Banks; earlier known as Land Mortgage Banks
PPI	Productive Physical Infrastructure Project
PPU	Project Planning Unit
PRM	Programme in Rural Management
RABOBANK	The Bank for Agricultural Finance in the Netherlands
RCS	Registrar of Cooperative Societies
RBI	Reserve Bank of India
SBP	State Bank of Pakistan
SCBs	State Cooperative Banks
SCC	Swedish Cooperative Centre
TOPIC	Training of Personnel in Cooperatives
VAS	Village Adoption Schemes
VMNICOM/ VAMNICOM	Vaikunth Mehta National Institute of Cooperative Management
VO	Village Organization
WOCCU	World Council of Credit Unions
YIPS	Youth Investment Promotion Society

CHAPTER 1

South Asian Societies : Culture and Cooperative Movements

Introduction

It is sometimes contended that the modern form of Cooperation, contrasted with its generic form which is widespread in the rural communities of South Asia, is not suited to South Asian countries, that the South-Asian “mind” (to put it unscientifically) and the prevalent attitudes do not favour the germination of the seeds of Cooperation. These attitudes are not conducive to a group endeavour which, of course, a Cooperative activity is. Cooperation is a modern phenomenon which, it is emphasized, developed in the West in a climate of relative freedom and democracy and its “imposition” on South Asian societies encounters an unfavourable environment. It is, therefore, not surprising that failure of cooperative societies is frequent, that the causes, for instance, of large overdues are caused by cultural factors which do not encourage prompt repayments. Hence the question is asked if there is “the need to design and manage cooperatives in ways that recognize the significance of cultural and social factors” and the answer given is that “the culture of the people, rather than the technical blueprints of the expert, could be the proper matrix for the nurturing of cooperatives” [1].

Consideration of this issue - the interplay between the cultural environment, the prevailing attitudes and Cooperative Movements - is a complex task. Not only will it require definitional clarity as to what constitutes culture [2] and whether the countries under consideration can be described having a common culture, a proper discussion will also need a thorough analysis of Cooperative principles and the basic elements which animate the movement. Cooperation involves a group working towards a commonly defined end. What constitutes a group? Whose perception determines what is the “common” end? Additionally, it will be necessary to isolate the elements in

the countries' culture which facilitate or obstruct the germination of the seeds of the Cooperative Movement?

We shall have to leave many of these complex questions in the more scholarly hands of anthropologists, psychologists and sociologists. Nor is an examination of such theoretical, though pertinent, issues relevant in a study concerned mainly with the practical aspects of a movement which seeks to provide credit, farm requisites, organization of marketing and processing facilities and arrangements for education and skill training programs for people involved in it. We shall have to be content and adopt a modest approach and concentrate the discussion on three aspects. First, what are the fundamental values underlying the Cooperative Movement? Second, we shall cite some eminent authors who have discussed attitudes which obstruct modernization and economic development. They also affect the operations of cooperative institutions. We shall also note the main elements of the international debate on the subject. Finally, we will enumerate the practical implications which stem from the discussion and offer some suggestions.

Cooperative Values and Principles

The Pocket Oxford Dictionary (1952 ed.) defines a Principle as a "fundamental truth as basis of reasoning." Cooperative Principles are encapsulated in the generally-accepted formulation by of the ICA. [3] Reference would also be made to the recent discussion on Cooperatives and Basic Values.

The origins of the modern Cooperative Movement are attributed to the Rochdale Pioneers who set up a small store, the Toad Lane Store, in the hungry forties in Rochdale, England [4]. Although the Pioneers did not actually formulate what are now regarded as principles, they made a success of the store and in the process established certain practices which, refined by successive practitioners, have now been elevated to the status of Principles.

In 1937, the ICA Committee on Cooperative Principles [5] had established the following seven Principles. Admission to the ICA was made conditional on the applicant's conformity to them, namely, Open Membership, Democratic Control, Distribution of the Surplus to the members in proportion to their transactions, Limited interest on capital. The remaining three, namely, political and religious neutrality, cash trading and promotion of education, although undoubtedly part of the Rochdale system, were not considered essential for admission to ICA.

In 1966, the Commission appointed by the Alliance extended the Principles by adding two more and suggested the following formulation.

1. Membership of a cooperative society should be voluntary and available without artificial restriction of any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership (open and voluntary membership).

2. Cooperative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them (one member, one vote).

3. Share capital should only receive a strictly limited rate of interest, if any. (Limited return on capital).

4. Surplus or savings, if any, arising out of the operations of a society should be distributed in such a manner as would avoid one member gaining at the expense of others.

5. All cooperative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of cooperation, both economic and democratic.

6. All cooperative organizations, in order to best serve the interests of their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels.[6]

“Political and religious neutrality” and “cash trading” established by the 1937 Committee were deleted although they continue to be regarded as parts of the cluster of the Rochdale system.

Some Reflections

Without going into details, it would be appropriate here to offer three remarks.

First, the principles are based on empirical practices. It remains open to discussion if these formulations are principles or merely practices which assist the efficient operation of cooperative societies. [7] Further investigation may change yet again their formulation in accordance with the altered situation. Perhaps a term less elevated than the word “Principles” will be more appropriate.

Second, the application of Cooperative Principles to an existing Coop-

erative Movement poses problems since they can be interpreted in different ways. Some argue that the Principles, in view of ICA's historic consumer bias, are oriented towards consumer cooperatives. Besides, some aspects are not covered; for example, which Principle or Principles govern the use of that part of the surplus generated by a consumer cooperative store as a result of its dealings with non-members. The situation is most likely to arise in consumer stores. Then again, how are the members of primary cooperative societies to exercise control when their large secondary or national organisation owns another organization (like a holding company) and still remain faithful to Cooperative Principles? [8]. Is it realistic to talk about Cooperation among Cooperatives when there is overwhelming evidence that Cooperative organisations rarely collaborate with each other across different sectors. The dichotomy between producer and consumer seems to be etched permanently also within the Cooperative Movement and collaboration between the two principal wings is conspicuous by its absence. Moreover, will members' interests be optimally served if their cooperative were to deal only with other cooperative organisations or could these be bettered if the dealings were with a non-cooperative organisation? [9]

Third, the formulation of the Principles by organisations other than the ICA, such as the WOCCU, is somewhat different. Some successful cooperatives, such as Mondragon, have added "Cooperative spirit" as an essential component of a cooperative enterprise. What constitutes "cooperative spirit"? Its definition is, at best, elusive. Some include "social responsibility". Still others, continue to retain political neutrality as a principle.

In short, several questions remain unanswered. Cooperative Principles are under strain and need further study and, perhaps, even re-formulation.

The Cooperative Context

In referring to the discussion on Cooperative Values, we should take note of a recent article entitled "Cooperatives and Basic Values," by Lars Marcus [10]. He mentions the following basic values as having "an important bearing on cooperative development now and in the future: self-help (activity, creativity, responsibility, independence, "do-it-yourself"); mutual help values (cooperation, unity, collective action, solidarity, peace); non-profit interest values (resource conservation, elimination of profit as a driving force, social responsibility, utilitarian goals, "not profiting from others work"); democratic values (equality, participation, equity); voluntary effort values (commitment, creative power, independence, pluralism); universal values (global perspectives, openness); education values (knowledge, understanding, insight etc.); purposeful values (benefits to members)." Bar-

ring the last which is specific to the nature of cooperative activity under discussion, the first seven, according to Marcus, are relevant to all kinds of cooperative activities.

From the above general values, Marcus narrows down the following as the basic values of the Cooperative Movement: (i) member participation; the strength of cooperatives consists in their mobilization of people; “the activity of people constitutes its force...money in itself has no value”. (ii) Democracy is a pre-requisite for member participation. As Marcus says: “The actions of an elite are not enough. And humanity does not consist of men alone. Half of the world’s population are women”. Member participation and democratic functioning of cooperatives are perhaps the most difficult part of running cooperative societies.[11] (iii) Marcus stresses ‘honesty’ as the third basic value of Cooperatives; he includes trust and openness in this; (iv) the last characteristic Marcus mentions is “Caring for others”. This element, or some aspects of it, are a comparatively recent phenomenon for the Cooperative Movements. An example of this attitude is visible in the support given by the Movements of several advanced countries to those of the third world[12]; it also extends to the poor within a national society. Marcus continues: “Caring for others is a basic value that stems from our nature as a self-help organisation and is not something calculated to bring in customers....That is what makes the difference between us (Cooperators) and purely profit-oriented activities.” He is careful to add, however, that these basic values are also found among organisations which are not cooperatives; they are, as well, missing from the practices of several cooperative enterprises.

The following are then relevant to the Cooperative Movement: the need to ensure knowledge of what members think; government’s role and attitude towards cooperatives; performance of cooperatives vis-a-vis their competitors in the market setting. He then goes on to establish the relevance of the basic values he has identified to the future needs of the Cooperative Movements. Participation, democracy, honesty and caring for others are, according to Marcus, the basic values on which the edifice of the Cooperative Movement must rest.

In the absence of evidence quoted to support the above, it is difficult to say if these values are derived inductively from an ideal construct which the author has in mind or whether they are a reflection of the attitudes governing the Cooperative Movements in many lands.

Some Views: an international debate

A number of economists and sociologists have discussed the subject of modernization and the value system which facilitates or impedes the process. Since Cooperation is a modern concept which embodies the ideals of democracy, equity and concern for the wider society, especially the poor, it is appropriate for us to make a brief reference to some authors who have written on the subject of traits which impede modernization .

Dudley Seers identifies the following non-economic forces which adversely affect the output per worker and incomes per head: poor discipline; no punctuality; caste; religious or racial prejudice; superstition; lack of foresight; lack of ambition; weak acquisitive motivation; apathy; lack of adaptability; unwillingness to bear risks, venture, innovate; inability to cooperate outside the family or tribe; contempt for manual work; submissiveness; low standards of hygiene; work-spreading attitudes; absence of birth control and high fertility rates. [13]

To be sure, Seers is considering attitudes related to the productivity of an individual worker in a firm and has in mind the developing world as a whole, not only the countries which are of concern to us. Nevertheless, it can be suggested that poor discipline, caste and religious factors, weak acquisitive motivation, apathy, inability to cooperate outside the family or tribe, contempt for manual work and work-spreading attitudes - all widely prevalent in South Asia - do bear adversely on the operations of cooperative societies.

In trying to uncover the "relevant and significant value premises anchored on the valuations the people themselves hold", Gunnar Myrdal [14] mentions the "modernization ideals" of Asian societies and emphasizes the following as important attributes for achieving these ideals: efficiency; diligence; orderliness; punctuality; frugality; scrupulous honesty; rationality in decisions on actions; preparedness for change (e.g., experimentation); alertness to opportunities; energetic enterprise; integrity and self-reliance; cooperativeness (acceptance of responsibility for the welfare of the community and the nation); willingness to take the long view.

More directly focussed on the Cooperative Movement are the seven volumes published in the sixties by UNRISD [15]. A final report in the series summarized the high points of a debate between the authors and selected UNRISD personnel, on the one hand, and representatives of the ICA, COPAC, FAO, ILO and some invited experts, on the other. We shall concentrate on the study dealing with Asia and the Final Research Report.

The conclusions of the studies were, on the whole, negative to the achievements of established Cooperative Movements. Vol.VIII stated: "A

major conclusion of the UNRISD study is that rural cooperatives in developing areas today bring little benefit to the masses of poorer inhabitants of these areas and cannot be generally regarded as agents of change and development for such groups. It is the better-off rural inhabitants who mainly take advantage of the cooperative services and facilities such as government supported credit and technical assistance through cooperatives.”[16]. The Research Report viewed the rural community as having a passive or fatalistic orientation toward nature; social order, it suggests, is perceived as sacrosanct to which the individual adjusts rather than try and mould it. Even if he tries, the natural and social order is not amenable to change. Tradition and custom have shaped the order. The Study went on to argue that where such cultural orientations exist, modern cooperative organisations do not find fertile ground for growth. Modern Cooperatives seek to re-order society in which the individual plays an active part in the process of planned change. The belief that the total fund of goods and prestige are allotted in a certain proportion and their amounts cannot be altered but only re-distributed, according to the study, “is contrary to the basic premise of cooperative activity, that by pooling human efforts the total amount of goods can be increased.”[17]

The quality and degree of interpersonal trust is another element which is essential to the efficient functioning of cooperative societies. Such mutual trust is largely missing in South Asian countries. Maloney writes: “A generalisation may be made that traditional economic relations operated almost entirely on trust, whereas newer and more impersonal organisations and Government programmes do suffer from dishonesty which impede institution-building in the country.”[18] This characteristic severely handicaps the functioning of a cooperative. Trust in elected officials and in other members is essential for achieving a desired common end. Often, social divisions cause mistrust especially of those who do not belong to the ingroup. Villages in South Asia might show a surface solidarity without ripples of conflict; in actual fact, however, villages are often riven by deep fissures caused by caste, communal and economic loyalties. If there is one glaring lesson of recent Indian history, it is the inability of various groups to cooperate. [19] In such circumstances of mistrust and suspicion, sycophancy flourishes both as a defence technique and as a means of advancing the interests of an individual or of an ingroup. [20] Thus the value of independent, objective criticism is neither recognized nor encouraged. Superiority by reason of age and custom, become the social norms which can only be flouted at the expense of the deviant. These behaviour patterns and societal norms are as much an obstacle to economic development and institutional growth as are, for instance, the shortage of capital or the dependence of economies

on the production of one or two primary products; in fact, the former are more sinister as they are difficult to uncover. It is, therefore, no wonder that democracy being an essential Cooperative Principle, many cooperatives have been unable to adhere to it.

Yet another aspect relevant to the present discussions is the “political culture” which characterizes the relationship between the Government of the day and the people at large. This relationship, which we have discussed elsewhere, has been described to a large extent as that of a “subject” type especially in countries which have experienced colonial rule. This is, of course, very evident in the relations of Cooperative Movement and the Government. Edicts from the Government exercise a vastly powerful influence on the working of the Movement. Members are generally apathetic and it is partly for this reason that Cooperative Law has a profoundly important role in South Asia. The image of cooperative societies is that of Government organisations and loans from the latter are regarded as hand-outs not to be repaid as part of a financial obligation which individual borrowers have towards their cooperatives. From 1979 until 1984 the loan recovery in the Bangla Desh Samabaya (Cooperative) Bank was only 30%. Embezzlement of funds and improper loan utilization at the field level were extensive since the reciprocal obligation of repaying the loan was not part of the perception of the average borrower of a cooperative society.

Finally, we should refer once again to the CENDHARRA publication [21]. The publication concentrates on South-East, rather than South Asia; however, several of its comments are relevant to our discussions. If despite extensive failures, cooperatives continue to appear in policy documents, it is because of the ethical content they embody and which is in tune with Asian cultures. In Indonesia, the Pancasila philosophy and the reference to Gotong Royong in the country’s constitution, the Phillipines’ bayanihan, the spirit of trust, Sutchu, around which the monks in Thailand have concentrated their promotional work, the Malaysian insistence on the precedence of societal needs over individual interests are some reflections of the significance which some Asian societies attach to cooperatives. At the same time, respect for elders, customs which have grown hoary with age, rigid traditions - all widely encountered in South Asia - are hardly the elements which are conducive to the growth of the modern form of Cooperation. The latter, in its ideal form, is open, innovative and an instrument of change. However, the Cooperative Principle of “Open Membership” encounters the strong family and caste ties which are the dominant forms of social organization in South Asia. Ledesma asks the rhetorical question: “Can a “one man, one vote” principle survive in a society where village chiefs and elders are always accorded larger shares?”. [22] An impersonal accountability

system grates against a system in which personal relations are predominant. Inter-action is restricted to the sub-group to which individuals are bound together by considerations of lineage, caste or descent. [23]. Although not as extensive as in India, loyalties anchored in tribal and clan considerations are strong in Pakistan as well. The Saraswat Cooperative Bank in Maharashtra, India, is such an example; the successful Ismailia credit and housing societies in Karachi are some examples from Pakistan. Additionally, such loyalties discourage a healthy "institutionalized suspicion" which is essential to the successful management of cooperatives. Audit checks are not looked upon with favour in case they disturb the existing nature of relationships.

This clash between traditional values and the values underlying the modern form of Cooperation, notes Ledesma, has resulted in the failure to improve cooperatives. Leaders have concentrated on improving the management, organization, reduction of loan delinquencies, low attendance at meetings, etc., rather than on ensuring that cooperatives are situated within their own cultural contexts so that members could identify the cooperative as their own organization, an extension of the hub of their inter-personal relations. Debts between people are a reflection of the continuing trust among them; in fact, quick repayment of favours is looked upon as bad manners. The moneylender, an integral part of the village community since times immemorial, continues to hold sway over the borrower and acts as the bane of the village cooperative credit society. Debts are passed on from one generation to the other. In a cooperative, on the other hand, loan repayment is insisted upon within a time-bound framework. A holistic, community-oriented approach encounters a segmented time-bound approach which ignores the other roles of a member in the community and is dominated largely by economic considerations.

Thus lack of trust, hierarchical relationship and the unequal distribution of power in society - often seen in unequal distribution of land - means that the cooperatives have severe bottlenecks to overcome before they can hope to succeed. How do these affect the working of cooperative societies?

We have mentioned earlier the result of the lack of trust. Essentially this means that the individual does not identify himself with the group. When the individual takes that attitude, the mind-set is prone to be negative. The attitude rejects compromise, and that surely must remain an essential part of the approach to decision-making in a democratic organization. Those members who feel they have been badly done by by the cooperative try to pull down the leaders of a cooperative forcing the organisation to go under. All means of achieving this become fair in the mind of the doer. Material self-interest gets obscured and overlaid by the real or imagined hostility

caused by hierarchical relationship. Motions from a member are opposed just for the sake of opposing it, often without rational reasons. Prestige, or rather false prestige, becomes the issue.

Hierarchical structure also militates against participation. If views of those in power are challenged, the lower strata could not rule out an eventual retribution from the former. This discourages active participation. A similar relationship on a larger scale exists between representatives of voluntary cooperatives and officials of Government cooperative departments. It is a fairly common experience that in a meeting of a cooperative where representatives of both sides are present, the voluntary leaders are reluctant to express frank opinions especially when these are critical of the official position. Dissent, even if constructive, is smothered and the dialectic of consensus and dissensus, essential to democratic discussions, is lost. The unanimity achieved hides, but does not convert, the opposition. In South Asia, perhaps most explicitly in India but in a hidden form in other countries as well, caste with its overtones of high and low status adds an additional complication.

Finally, skewed power structure inclines the cooperative societies to be operated in favour of the well-off sections. If a person of power and status controls the cooperative, as he often does, it is not unlikely that he would divert the cooperative's fortunes into his own pocket. An observer of the Movement in Pakistan says that "the entire function of cooperatives has been turned upside down in Pakistan. The big landowners and middlemen, from whose clutches the Cooperative Movement was designed to save the poor farmers, artisans etc. have taken hold of it. Functionaries of the Cooperative Department have their full fingers in the pie". [24]. In Bangladesh, there is a clear recognition that many cooperatives, pejoratively called the "traditional cooperatives", have been captured by the more affluent sections who corner the benefits which flow from such organisations. In order to counteract this situation, and with encouragement from the World Bank and CIDA of Canada, societies have been created exclusively for the poor, the *bittoheen*. Taking some of the positive elements of the well-known Comilla Project, the Integrated Rural Development Programme was established in the sixties which, in course of time, has now become the programme of the Bangladesh Rural Development Board (BRDB) which now implements the "Poor Programme." Under the programme, separate societies for the "poor" and 'poor' women (BSS and MBSS) have been formed in the hope that the benefits of such organisations would go only to the poor. The pros and cons of this approach have been extensively debated.

The general factors which facilitate or hinder cooperative development in South Asian countries may be illustrated in the following diagram.

Chart 1 showing Factors which Promote/Hinder Cooperative Development

PROMOTE

1. Caste, community tribal factors create
 - (i) Solidarity; a closely-knit group
 - (ii) Broadly similar consumption and other need patterns as well as a style of living give rise to the first condition (homogeneity of needs) for the creation of a Cooperative society;
 - (iii) Democratic functioning within an intra-caste group; Although their number is declining, some examples of caste cooperatives are still to be found; the early caste societies in India, especially, in the Western part; the Saraswat Bank in Maharashtra, the Ismailia Coop organisations in Karachi (thrift and Loan, consumers, schools) are some examples;
2. Non-material values in several cases give rise to "disinterested" leadership. A number of individuals can be cited (Prof Gadgil and Karve, V. L. Mehta, Tribhovandas Patel of Anand Dairy, from India), Akhtar Hameed Khan of Camilla fame and now connected with the Orangi Project in Karachi, Prof Yunus of the Grameen Bank in Bangladesh.

HINDER

1. Caste, community tribal factors create
 - (i) stratification in a multi-caste environment; this makes multi-caste cooperatives difficult to operate. Where one caste predominates, as is often the case in South-Asian villages, members of outgroups are either not tolerated or are excluded from positions of responsibility; conflicts are frequent;
 2. work-spreading habits reduce productivity;
 3. domination of customs and traditions hinder innovation;
 4. attachment to non-material values hamper motivation to rise in the organisation; amassing material possessions is not considered the acme of achievement;
 5. apathetic and fatalistic attitudes inhabit self-help which is the basis of Cooperation.

NOTE: This diagram presents only a generalised version as the traffic of ideas results in changing attitudes and in the break-down of the caste system. It should not be regarded as anything more than a general scheme giving a context in which the wide-spread failure of cooperatives can be understood.

The cultural problems mentioned above and which hinder the working of cooperatives are difficult to overcome. They are, partly, responsible for the large number of failures. They are anchored in traditions which go back a long way and are re-inforced by the process of socialization; children imbibe these attitudes from an early age. Changes are slow and factors like illiteracy, which inhibit communication, act as impediments. And yet, cooperatives themselves are supposed to be agents of change. In this very complex situation, what can be done?

Concluding Remarks

Three general remarks may be offered here.

The first relates to the process of urbanization and the exodus from villages which is going apace in all countries of South Asia and in which both the "push" and the "pull" factors are operative. External linkages are being continuously formed between the rural community and its institutions and the outside world. Immigrants to urban areas return to villages with new ideas when labour is needed at home for sowing or harvesting operations. These are forces of change and must loosen the fastnesses of old traditions and customs. The realization will percolate that things can be different and the present order is not necessarily divinely ordained. New forces will penetrate the rural areas and, perhaps, even the strong influence of caste will weaken. The availability of radio and TV will effectively bring into the villages new waves of modernization and present visual examples of the functioning of democratic institutions. *Akashvani* and *Doordarshan*, especially after the freedom recently granted to them in India, and the recognition of the long-distance teaching practices of some of the universities in Pakistan (e.g., Quaid-e-Azam and Allama Iqbal Universities) through the village centres are likely to be a factor in change. Their coverage is extensive. In 1964 the broadcasting network in India covered approximately 90% of the population and 79% of the country's area. This is likely to create a ferment and discontentment with the existing situation and, if responded to positively, will create a positive impact. Articulation of grievances will be encouraged and gradually the lower strata will be able to challenge those who occupy an ascriptive higher social position. Possibly, cooperatives will acquire more democratic leanings.

Second: coupled with the process of urbanization is the deliberate and, in many cases, successful Government intervention in the countryside. The growth and success of cooperative sugar factories in India have brought about changes in the asset composition of the member-families and in their consumption patterns. The many Government and NGO interventions are

intended to provide greater facilities to villagers who have been denied these for centuries. Even though there are a number of failures of development projects, a change is apparent in rural areas. In India, the Seventh Five Year Plan document lists several such programmes, for example, the IRDP, the National Rural Employment Programme (NREP), the Rural Landless Employment Guarantee Programme (RLEGP), the Minimum Needs Programme (MNP), the Training of Rural Youth for Self-Employment (TRYSEM) etc. Besides, there are many schemes directed specifically towards the aborigines, scheduled castes and other poor groups. These seek to provide work and increase agricultural production and income. The National Cooperative Development Corporation in India is involved in several of these schemes. The BRDB in Bangladesh represents an additional effort of the Government to alleviate poverty and misery of the rural population. Pakistan, in addition to some outstanding voluntary and government supported programmes, such as the AKRSP and the Khanewal Projects, is making an intervention through its Agricultural Development Bank.

Lest the above appear an uncritical litany of government or privately sponsored programmes, it is necessary to emphasize that not all the programmes are successful; often the multiplicity of the programmes itself creates a problem. Attempts at coordination are essential, but often elusive; peoples' attitudes are difficult to change and to the extent that they are embedded in the value systems of the countries, they remain unyielding. Bureaucratic delays hamper implementation. In addition, there are forces working against changes. Srinivas has pointed to current political processes which re-inforce, rather than weaken, the hold of the caste system. It is not suggested that all programmes are ideal, well-conceived and will achieve their objectives; our purpose, rather, is to point out that ferment and change are in the air and some of the factors like rigid stratification, which adversely affect the working of cooperative societies, are likely to weaken.

A third suggestion is that the Movement must recast its education policies in order to help the Cooperative Movement become an instrument of change rather than mirror the present dominant societal norms. Essentially, this would require, in the programmes, continuing emphasis on the specificities of a cooperative organisation, the inter-active relationship of the Movement and the social environment, the member-owned and controlled character of a cooperative, its democratic nature, the need to make the cooperative efficient in the market place and ensure that the resulting benefits are equitably distributed. These will increase member participation in the affairs of the cooperative. Special programmes for directors and leaders of the Movement will concentrate on the nature of wider changes in society with suggestions as to how the Movement can help accelerate these changes.

An approach recently adopted by the British Cooperative Movement is the setting up of an Institute of Directors which issues a loose-leaf manual which is regularly up-dated. Its main sections contain information about the Institute, the Cooperative Movement, the legal responsibilities of Directors, the main areas of the country's economy, information about retailing and functions, authority and roles of the Board of Directors. Special education programmes directed to the specific needs of the Directors are conducted. [25]

Summary

The above discussion has emphasized the relevance and importance of the cultural context in which cooperatives function. These are not adequately emphasized, either in understanding the causes of widespread failure of cooperative societies in South Asia or in the formulation of cooperative policies. These factors are also relevant in the formulation of Cooperative Principles which, at present, are uncritically applied to the Movements generally in the third world. A broad schema is given of those attitudes and social factors which encourage or hinder cooperative development. Finally, some current developments which are likely to reduce the force of the inhibiting factors are noted and some suggestions offered.

CHAPTER 2

Cooperative Credit in Pakistan

I

Background : A brief history[1]

Since the creation of Pakistan in 1947, the Cooperative Movement has lived through rapid political changes. This has inhibited the emergence of a consistent cooperative policy and adversely affected the steady and evolutionary growth of the Movement. Before partition, the last official inquiry into the Cooperative Movement in undivided India was undertaken by the Cooperative Planning Committee[2]. Set up towards the end of WW II, the investigation was motivated by the perceived need for re-structuring the Movement for transition from war to peace time. Its Terms of Reference, therefore, were wide-ranging, namely, "to draw up a plan of cooperative development" and it covered almost all aspects of the Movement. The impact of the findings of the Planning Committee Report on Pakistan's Cooperative Movement, however, seems negligible.

The early years of the Movement in Pakistan were marked by a complete disorganization of economic life caused by partition, the collapse of the administrative machinery, the emergence of a single political unit in West Pakistan (the other being East Pakistan, now Bangladesh) and the gap which was left by the emigration of members of the Hindu community who had been prominent in business and trading life. Faced with these hardships, the Government tried to have the Cooperative Movement fill in the gap, thus artificially forcing the expansion of the Movement in fields of credit, trade and industry. Efforts were also made to re-settle the refugees from India in cooperative farming societies in Punjab.

In a period of forced expansion, little attention was paid to ensuring the authenticity of cooperatives. The Government was preoccupied with restor-

ing, as best as possible, some semblance of normalcy in the economic life of the country. The general breakdown gave the opportunity to many private, self-seeking individuals to penetrate and control the Movement. Funds, meant for farmers, were diverted to traders and narrow vested interests came to control the Central Cooperative Banks. Inefficiency and corruption became rampant. The Government was keen to ensure that cooperative funds were directed to agriculture. This effort was strengthened by a recommendation of the Cooperative Inquiry Commission which forbade the Central Cooperative Banks to grant commercial loans to individuals and excluded them from membership. An advisory board, consisting of voluntary cooperators, was created to advise the Registrar. The Sind Cooperative Societies Act of 1925, conferring greater supervisory authority on the Registrar of Cooperative Societies (RCS), was extended to the whole of West Pakistan. However, the implementation of these recommendations called for difficult adjustments. Not only the private traders, who had joined cooperatives to obtain facilities to promote their own individual profit-seeking activities, had to be kept away from joining the Movement, but also the big vacuum caused by the exit of the Hindu community in the Central cooperative banks had to be filled. The creation of a single province of West Pakistan required some broad uniformity in the Cooperative Movement as provinces showed great divergences. Cooperative laws were different; practices and procedures governing cooperatives were in need of harmonization; there were variations in the size of cooperative societies (for example, Sind had some big taluka societies and *zamindari* banks); the emphases laid on rural and urban societies differed as between the provinces; the level of development of the Movement was uneven (Baluchistan had no Movement to talk of - this is true even today); the First Five Year Plan had been launched and had argued forcefully for the promotion of the Cooperative Movement; the country's President, subsequent to his visit to Yugoslavia, had suggested the creation of credit cooperatives [3].

An important landmark of the sixties was the appointment of a Credit Enquiry Commission in 1959. Commenting on the cooperative banks, in what was then West Pakistan, the Commission concluded that "it was evident that on the one hand the banks were depending to a substantial extent on funds from outside the Movement; on the other hand, agricultural finance had ceased to be the primary focus of their lending activities." It further said that "if proper accounting were done by writing off the bad debts and placing a correct value on their investments in the share of defunct societies, the greater part, if not the entire paid-up capital and reserves of many central banks would be wiped out completely." [4] Two of the Commission's major recommendations were: the abolition of the central

cooperative banks and their merger into the provincial cooperative banks thus reducing the credit structure from three to two tiers, and the elevation in the rank of the Registrar of Cooperative Societies. These recommendations were accepted and both are in force today.

An Administrative Innovation: The Cooperative Board

While the individuals who had used cooperatives for self-serving purposes were sought to be expelled from the Movement, it was at the same time recognized that the gulf between voluntary cooperators and government officials was wide and needed to be bridged. As a result, a Cooperative Board was created in 1962 which brought together both the Government officials and voluntary cooperators to formulate and implement programmes of cooperative development. A policy declaration issued in 1962 had pledged support to the Cooperative Movement and emphasized its importance in the development of the country. A senior officer was appointed as the Registrar. Unfortunately, the Movement had developed no capacity for self-administration while the responsibilities it had to shoulder had been considerably enlarged. In addition to channelling rural credit to farmers, the Movement had to arrange for the supply of farming inputs, encourage the use of improved technology in agriculture and promote processing industries. The Five Year Plan had assigned an important place to the Movement in national development - more recent documents continue to do so [5] - and well-conceived projects had to be prepared and implemented. [6] However, the Movement did not possess the requisite competence to undertake these tasks.

The Cooperative Development Board had two objectives: *first*, to create within the Movement the capacity for self-administration and to develop the competence for project preparation and, *second*, to help achieve cooperation between the Government and voluntary cooperators who had been drifting apart.

The Board enjoyed a high degree of freedom in its administrative and financial policies. Of its 11 members, the majority - 6 - were non-officials. The Government members were from the nation-building departments and the Chairman of the Board was, simultaneously, the Secretary to the Government for Cooperation. The Cooperative Department was decentralized into six regions. An annual Government grant was the main source of finance for the Board. This grant was equal to 3/4ths of the owned funds of the Movement in West Pakistan and the first such grant amounted to Rs. 1.10 million.

Endowed with the necessary freedom and flexibility for action, assured

of a guaranteed income and drawing upon the collective wisdom of both the voluntary cooperators and Government officials, the Board created an atmosphere of understanding between the Government officers and their counterparts on the voluntary side. It progressed quickly and implemented several schemes. Secondary organisations were strengthened to lend support to primary societies.

Some examples of projects implemented were: the creation of Rural Supply Cooperative Corporation, the Colony Cooperative Farming Union and the Cholistan Wool Marketing and Development Union [7]. Some industrial projects were also set up. A Development Fund was established which enabled the Board to acquire a sugar factory, two cotton-ginning and two rice mills. Initiative from above was used to create strong primary organisations; the eventual ownership of large processing organisations was to rest with the members of primary societies. A Cooperative Investment and Management Agency was established with a mixed membership of individuals and societies. In the meantime, the Wazir Ali Committee, set up in 1963, had recommended the expansion of the primary societies and renamed them as Cooperative Development Societies. [8] The development function was emphasized and several tasks were envisioned for the primaries. It was hoped that they would change the image of cooperatives from small, credit-oriented organisations to viable agencies which would provide a variety of services to the members. Government subsidies were to be increased to meet capital expenditures. In the words of one study: "This phase of six years represented a "leap forward" for the cooperatives as the Movement proceeded to build up a momentum for self-propulsion. The entire period was dominated by the Cooperative Board (renamed as such in 1965). The leadership of the Movement was up-graded, passing from the Registrar to the joint command of an eleven-man group in the Board. As this group included senior heads of departments and prominent non-official co-operators representing the Movement, it was able to make itself heard in the higher councils of Government and also to influence public opinion on matters relating to cooperatives." [9]

Unfortunately, the Board's very success led to its downfall. It aroused inter-departmental jealousies and the Board was viewed as having acquired too much power and prestige. It was abolished in 1966 and the Government reverted to *status quo ante*. The institution of the Provincial Registrar was re-instated. No detailed evaluation of the Board was undertaken and an excellent learning opportunity from an innovative approach was missed. [10]

In the meantime, several ordinances were issued; one of which, as mentioned earlier, resulted in the extension of the Sind Cooperative Socie-

ties Act of 1925 to the whole of West Pakistan. The modalities for recovering overdues were tightened. In 1971, the one-unit was replaced by four provinces. Increased politics penetrated the Movement and, once again, loans were diverted to purposes other than agriculture.

With Mr Bhutto at the helm of the government, efforts were made to break, by legislation, the political power which cooperative leaders had come to acquire by virtue of their links with the Movement. A Cooperative Society Reform Order was enacted in 1972. It debarred individuals from the membership of a Central Bank. The term of a managing committee member was restricted to two consecutive periods; a moratorium was placed on the creation of new banks, except an apex or a central bank, and traders were disallowed to join agricultural credit or marketing societies. Establishing the *bona fides* of a member, difficult at the best of times, caused considerable dislocation as directors and managing committee members under the new Order had to be expelled or replaced. In Punjab alone, it was estimated that over 6,000 individuals were expelled from membership. These efforts were not successful and the inadequacy of legal enactments to solve, by themselves, membership issues, rather than through peer pressure and greater member vigilance, had been clearly demonstrated.

Other developments worth noting during the seventies and early eighties are: (i) the abolition of all cooperative banks except the PCBs; (ii) the creation of the Federal Bank for Cooperatives (FBC) in 1977 and the central position assigned to it in the cooperative credit structure and, later, the creation of its two subsidiaries, viz., the Agricultural Marketing and Storage Limited (AMSL) and the Youth Investment Society (YIPS); (iii) Government's decision to make interest-free loans to small farmers upto a limit of Rs. 6,000; (iv) the formation of the National Cooperative Union of Pakistan which was registered in 1983; and (v) the appointment of an Inquiry Commission by the Sind Government in 1983 to investigate the causes of the failure of the Movement in that Province and suggest remedial measures. Some of these are discussed later in this chapter.

Some Lessons

The major lessons from the above rapid survey may now be summarized.

First: since the creation of Pakistan, there was no clear and consistent policy relating to the development of the Cooperative Movement. Lip service was paid to the role which the Movement could play in the socio-economic life but it was never translated into practice partly because of the changing political regimes and also because of the Movement's incapacity for self-administration.

Second: rapid changes in the political leadership and deeply entrenched interests at the local and secondary levels severely inhibited the growth of cooperatives. Their role in improving the economic position of the members, especially the poor, remained minimal. Abolition of the Central Banks created a distance between the PCBs, often situated in provincial capitals, and the primary village societies. This gap continues to pose a problem even today.

Finally, no attention was paid to the role of members in controlling their societies. After the abolition of the Cooperative Board, no sustained attempts were made to involve "non-officials" in the Movement. Training programmes were perfunctory and continue to be so. Member education, basic to the success of the Movement, was conspicuous by its absence and it was not realized that legislation, by itself, could not cure all problems.

II

Present Position : The Nature and Variety of Cooperatives

Primary Societies and Federations

In Pakistan, there are in all about 59,000 cooperative societies. Of these, over half - about 36,000 - are primary societies based either in villages or urban areas. Cooperative societies exist in most villages and perform various functions. As an illustration, we may describe the situation in Punjab as Punjab has the largest number and variety of cooperatives.[11]

Service Cooperatives

Service cooperatives were organized at Union Council level. They arrange input supplies to farmers such as seeds, pesticides, fertilizers and agricultural implements which are essential for increasing production. Compared to the year 1978-79, in 1984-85 there was a decline both in the number and membership of these societies. To assist the service societies, a federation, namely, the Rural Supply Cooperative Corporation was formed to undertake bulk purchases on behalf of the members. In 1985, the Corporation assumed a national character and now makes purchases for the supply of farm requirements to cooperatives in the entire country.

Farm Service Centres (FSC)

Registered under the Cooperative Societies Act of 1925, the FSCs were created as part of the Rural Reconstruction of Credit and Agricultural Marketing Scheme. The Scheme was implemented during the Third Five Year Plan. The model by-laws of the Centres define their objectives as

follows: to coordinate the working of the service societies, encourage members to undertake mechanized farming by arranging for the supply of farm requisites and tractors on hire, establish workshops for repairing and overhauling damaged tractors, provide credit and marketing services, arrange for the transport of crops to markets and to enable the small farmers to establish and control processing units. The number of FSCs remained stationary at 22 between 1978-79 and 1984-85 with a rather steady membership and a modest increase in their share and working capital. In 1989-90, they numbered 20. The business operations of FSCs are shown below :

Table 1: FSCs' Business Operations

Year	Purchases	Sales	Rs. (m)	
			%Increase/decrease() Purchase	Sales
1978-79	14.67	15.55	-	
1979-80	14.32	17.26	(2.38)	10.99
1980-81	21.08	21.17	39.20	22.65
1981-82	18.14	16.31	(13.94)	(22.95)
1982-83	34.10	34.94	143.10	114.22
1983-84	67.10	69.16	96.51	97.93
1984-85	71.73	71.93	7.04	4.00

Source: Cooperatives in Punjab 1979-85

Farmers Merkaz Associations

Patterned on the FSC model but with their focus exclusively on the IRDP areas are the Farmers Merkaz Associations. They were created to provide credit and agricultural marketing facilities on a cooperative basis. Their number in 1984-85 was 93 with membership of 2570 societies and a working capital of Rs. 2.18 million, a decline of 25.08% over the year 1983-84. Their number and membership had declined in 1989-90.

Cooperative Marketing

Cooperative marketing has remained undeveloped in Punjab and much more so in the rest of the country. Most of the cultivators market their produce through private village shopkeepers who combine the functions of

suppliers of credit and marketing of crops. Many marketing societies have concentrated on the supply of requirements, neglecting the marketing of production. An additional weakness is the ineffective discharge of supporting functions such as grading, pooling, bulking, processing and storage for which the movement has no skills and facilities.

The following table gives the number of marketing societies, their membership and percentage/increase-decrease from 1978-79 until 1984-85. Figures for 1989-90 are also indicated.

Table 2: Marketing Cooperatives

Year	Number	Membership	Rs. (m)	
			%Increase/(Decrease) Number	Membership
1978-79	65	5,383	-	-
1979-80	65	5,453	-	1.30
1980-81	65	5,474	-	0.39
1981-82	65	5,481	-	0.16
1982-83	67	5,657	3.07	3.21
1983-84	67	6,471	-	14.39
1984-85	46	5,490	(31.34)	(15.16)
1989-90 over 1988-89	29	3,815	(-6.45)	8.38

Source: Cooperatives in Punjab, op. cit.

In order to strengthen the structure of cooperative marketing and to facilitate the supply of farm requisites, the Government implemented a scheme in 1985 under which a central institution at each district headquarters was organized; these were later joined into a Cooperative Supply and Marketing Federation at the provincial level.

The Punjab Provincial Cooperative Supply and Marketing Federation (PCF) was registered in 1985 under the Cooperative Societies Act of 1925. Village cooperatives are affiliated to the District Cooperative Supply and Marketing Federations (DCF) which, in turn, are members of the PCF. The PCF has 29 DCFs in its membership. All kinds of primary societies are allowed to become members of the DCF. The PCF has a Board of 16 elected, one nominated and 7 ex-officio members drawn from various Government

Departments. The Registrar of Cooperative Societies (RCS) is the ex-officio Chairman of the PCF. The CEO is an officer of Cooperative Department of the Government.

Despite its wide-ranging objectives, the PCF has confined itself to the supply of farm inputs to members and, ultimately, to farmers at the farm gate. Although one of its objects is “to explore local as well as foreign markets for beneficial disposal of the produce of farming community”, its contribution to the encouragement of internal and overseas marketing has been minimal. Nor has it been able to do much to achieve another of its objectives, namely, “to establish processing and manufacturing industrial units” although recently it has been considering establishing a plant for the manufacture of chemical fertilizers. To this end, it has established contacts with manufacturers and suppliers in the USA.

The concentration of the sources of supply of fertilizers in a few hands has sometimes created difficulties for members of cooperatives. Besides fertilizers, the PCF also deals in certified seeds, pesticides, spray pumps, micro-nutrients and tractors. However, in recent years, fertilizers have accounted for over 97% of its business. Pay orders are issued to societies against which cooperatives obtain their allotted quota. Fictitious payments, or payment of past loans out of fresh borrowings, the sale of pay orders in the open market and the lack of close relations between the primaries and the District societies are regarded as the principal problems of the PCF.

Cooperative Farming

As noted earlier, cooperative farming developed in Punjab largely as an effort to re-settle the refugees who came from India. A Cooperative Farming Scheme was initiated in 1948.[12] In addition to the rehabilitation of refugees, the object of the scheme was to increase agricultural production through improved methods of credit, marketing and supply and to encourage education, storage etc. About 120,000 acres of land were allotted to 132 Farming societies mainly in Multan, Sahiwal and Faisalabad. Parcels of 12 1/2 acres were distributed to members of cooperatives. Membership of these societies was about 12,000 and their working capital was Rs. 16.28 million. In 1961, these societies formed a Union known as the Colony Cooperative Farming Union, Khanewal. The Union's object was to reduce the use of animal power on land, replace it by milch cattle and increase agricultural production through the provision of a package of services and equipments.

Some brief information on the farming societies is contained in the following table:

Table 3: Position of Farming Cooperatives 1977 - 1986

Year	No. of Coops	Member-ship (000)	Share capital	Other resources	Rs. (m)
					Borrowings
1977	398	23	15.2	15.1	4.7
1978	398	23	15.2	15.2	4.8
1979	398	23	15.2	15.2	6.8
1980	368	22	15.1	15.4	9.8
1981	375	23	15.2	10.8	13.0
1982	376	23	15.2	10.4	38.3
1983	376	23	15.2	9.2	68.9
1984	376	23	16.0	12.8	64.6
1985	370	22	15.5	13.9	113.7
1986	368	22	15.5	21.4	106.5

Source: FBC Monthly Bulletin, Nov. 1988

There has been significant decline in the number of societies, membership and share capital in 1989-90.

These societies have led to the improvement of the physical infrastructure and increase in the supply of farm requisities. But the management was unable to develop agricultural marketing or help in increasing members' participation in the work of societies. Another scheme was introduced under the title: "Thal Cooperative Farming Scheme" in the districts of Bakhar and Dera Ghazi Khan. The scheme did not achieve long-term success. A new Cooperative Farming Act was enacted in 1976 but it was short-lived due to political changes.

The Khanewal Union has in its membership 132 societies, which report to 7 Circle Offices who, in turn, report to the Union's headquarters. Each society has a Managing Committee of 11 members which includes the Secretary of the Society. The Secretary also acts as the General Manager and is paid by the Union. The General Managers of all societies meet regularly each month at their Circle office. Formal training of the General Managers is conducted at the Faisalabad Cooperative College. The Union is governed by a Board which comprises of 6 nominated and 12 elected

members. The nominated members are drawn mostly from the Provincial and National Assemblies, two District councillors, one from the PCB and the General Manager of the Union. The elected members are from the societies. The Board meets once in two months. Each member-society pays Rs. 200 per annum to the Union to cover the administrative costs. The Union retains Rs. 170 and passes on Rs. 30 to the member-society. The main reasons for the success of the Union are: the absence of large landlords in its membership, a regular income of the Union, elected committee at society level and proper representation of the society at the Union level. To all these could be added the regularity with which the Union meetings are held which provide an opportunity for discussion and communication among members and office-bearers.

Water Users' Cooperatives

There are about 4,400 water-users' cooperatives formed in Lahore, Gujranwala, Multan, Dera Ghazi Khan and Sargodha Districts with a membership of 48,776. Organized under the On-Farm-Management Programme, these societies are meant to improve the water channels to ensure that the supply of water to farms is efficient and maximum. However, water courses have now silted through the lack of care; weeds and grass have overgrown and the flow of water is much restricted.

Credit Cooperatives

In Punjab, as in other provinces, this sub-sector is the most widespread. Credit Cooperatives form about 83% of the total number of rural cooperatives and provide short, medium and long-term loans to farmers. Short term loans are given for the purchase of seed, insecticides, fertilizers etc., while medium-term accommodation is given for the purchase of milch cattle, tractors and other agricultural machinery and long-term credit for infra-structural improvements.

The following table shows the number of credit cooperatives, their membership, loans and deposits.

Table 4: Position of Credit Cooperatives 1978 - 85

Year	No. Soc.	Membership	Rs.(m)	
			Deposits	Loans
1978-79	17,455	731,770	13.73	146.84
1979-80	19,985	810,309	10.71	252.16
1980-81	23,515	885,710	14.63	570.87
1981-82	26,375	924,133	13.46	757.98
1982-83	26,965	1,018,400	13.30	667.81
1983-84	29,151	1,132,106	12.53	718.20
1984-85	30,596	1,275,251	23.87	718.29

Source: Cooperatives in Punjab, op. cit.

These are small organizations and have been unable to attract significant amount of deposits from members. They are used mainly for borrowing. They raise funds through share capital and borrowings from the Provincial Cooperative Bank. Although one important function of credit societies is to gather resources through savings, this is not emphasized at all and member deposits play hardly any role in the resources of credit societies. This is evident from the above table. Dependence on outside borrowings from the Provincial Bank continues to increase; the Provincial Bank gets its funds from the FBC.

Recoveries, often fictitious and made from repayments obtained from fresh borrowings, are shown in the following table. Unfortunately, figures of the aging of loans are not available.

Table 5: Percentage of Agricultural Loans Recovered

Year			Recovery %
1978-79	...	...	46.78
1979-80	...	...	63.47
1980-81	...	...	68.01
1981-82	...	...	65.15
1982-83	...	...	67.98
1983-84	...	...	57.13
1984-85	...	...	66.90

Source: Cooperatives in Punjab, op. cit.

Most loans are crop loans, that is, short-term loans required for items in connection with the cultivation of crops. Purpose-wise classification of loans in % terms is shown in the following table.

Table 6: Purpose-wise Classification of Loans (%)

Year	Seed	Fertilizer	Pesticide	Tractors	Others
1978-79	14.2	70.3	-	4.5	10.5
1979-80	14.3	74.3	-	-	11.2
1980-81	0.8	96.0	8.57	-	2.2
1981-82	2.0	92.6	1.00	0.3	3.7
1982-83	0.5	96.0	0.40	0.2	2.8
1983-84	0.1	94.3	0.30	0.1	4.9
1984-85	0.9	99.0	-	-	-

Source: Cooperatives in Punjab, op. cit.

III

Provincial Cooperative Banks (PCBs)

Between the FBC and the village societies are the PCBs. There are four PCBs, one each in Punjab, Frontier Province, Sind and Baluchistan; two such organisations in Northern Area and Azad Kashmir discharge the functions of PCBs in their respective territories and are called affiliates of the FBC. The FBC provides finance to the PCBs who on-lend it to primary cooperatives for their members.

The following table shows the amount of finance received by the PCBs from the FBC during the year 1986- 87 and re-financing by the former to their member-cooperative societies.

Table 7: Finance Received from FBC and its Refinancing

		Rs. (m)	
		Financing	Refinancing
FBC	...	2494.75	2494.75
PCB (Punjab)	...	1851.30	1851.30
PCB (NWFP)	...	323.93	309.07
PCB (Sind)	...	201.60	189.97
PCB (Baluchistan)	...	-	-
PCB (Northern Area)	...	39.17	39.17
PCB (Azad Kashmir)	...	48.75	48.75

As shown in table 6, loans for fertilizers are the most prominent. Short-term credit from PCBs is given mainly for crop financing and, in the cooperative sector, it has increased in recent years by 115.8%. Each primary society is supposed to have a maximum credit limit (MCL) which establishes its lending ceiling with the PCB. These ceilings are not arrived at after proper assessment of the requirements and repaying capacities of the societies and their members; in many cases the Department, in fact, has not even established these limits. There has, nevertheless, been an increase in the amount of loans given per capita in the country as a whole from Rs 5,000 in 1980-81 to Rs 12,000 in 1986-87. The figures hide Provincial variations.

Medium-term financing during the period 1980-81 to 1986-87 has increased in the cooperative sector by 585%. The FBC has been trying to emphasize on PCBs the importance of project financing but so far hardly any projects have resulted. Project financing might become more prevalent once the project planning unit in the FBC and its counterparts in the PCBs are established. Medium-term loans, as noted earlier, are extended for the purchase of machinery, transport vehicles, milch cattle etc. and are secured, in the Punjab and NWFP, by mortgage of landed property and, in Sind, are given on the basis of the Pass Book which records the member's transactions with the society. Of the total, in Punjab and Sind in 1987, loans for tractors and implements accounted for 81.25% and 67.49% respectively, while in the NWFP loans for transport constituted 73.96% of the total. In the case of a loan for tractors or vehicles, the borrower gives the undertaking that these items will be available to other members as well.

The ultimate beneficiaries of the cooperative system are supposed to be

the small, subsistence farmers. Although, according to PCB records, 87% of the total short-term credit from the PCBs goes to this group, it is generally acknowledged that this is misleading. The advantages conferred by wealth, status, literacy etc. in village communities tilt the balance in favour of the few large landlords and their cohorts and most benefits of membership are cornered by them. Apparently, this is done with the connivance of the Departmental officials. In the very nature of such transactions, it is difficult to substantiate the statement.

The financial position of the PCBs has been eroded by the low recovery rates of the loans. To this may be added the outstanding liabilities of the Central Cooperative Banks which had been abolished earlier and which had been acquired by the PCBs, the lack of deposits by member-societies - the PCBs lack credibility and the borrowers are reluctant to keep money with the banks which lend them money - and the fact that PCBs have no income from open market transactions.

The inadequate percentages of cover maintained by PCBs as on 30th June 1987, against loans overdue for over 10 years, are shown in the following table:

Table 8: Percentage of Cover Maintained by PCBs

Name of the Bank			%
Punjab	...	...	59
Sind	...	...	37
NWFP	...	...	1
Baluchistan	...	...	1
Northern Areas	...	...	-
Azad Kashmir	...	...	-

Obviously there is no clearly defined loan write-off policy. The figures shown in the final accounts can, therefore, be misleading.

The Registrar and the PCBs

In all Provinces, the influence and power of the Registrars of Cooperative Societies (RCS) over the PCBs are enormous. The RCS is the ex-officio President of the Board of the Banks and has usurped all the powers of the General Manager. At least in one case, the RCS even wants to be described as the CEO of the Bank. The Manager is reduced to the position of a

glorified clerk with hardly any voice in influencing policy. Disguised threats are not unknown against members who disagree with the Registrar's position in the Board. These threats consist in the removal of the dissentient member from the Board or in having loans disallowed to the society with which the member may be connected. Discussions regarding the development policies of the Banks are given a minor place in the Board meetings; the hidden agenda often revolves around the personal connections which would help a member to obtain loans for the society he represents. Administrative, rather than business, culture dominates the affairs of the Banks.

IV

Primarys and PCBs: Some Issues and Suggestions

What can be done with regard to some of the problems mentioned above? Obviously, the solution will need a variety of measures. The following suggestions are indicative of the lines along which solutions will have to be explored.

Need for Caution in Registering New Societies

First: a temporary moratorium should be placed on the registration of new societies and exceptions should be rare and be clearly justified. Stringent screening methods - perhaps even a waiting probationary period - should be adopted. The situation, in fact, is so bad that it has been even suggested by people in responsible positions that the present cooperatives should be altogether scrapped and the Movement started anew. This is perhaps too radical a suggestion and could cause severe social frictions. The process of transformation could, however, be started in a phased manner in one Province. Gradual, limited and phased transition from a Government-dominated credit society to one of shared control by the primary member will have to be achieved through a massive exercise in education, persuasion and advocacy.

Second: and connected with the above is the fact that the preparatory work for a loan and its collection needs to be transferred from the Department to the lender, the PCB. Apart from raising the image of the PCB in the eyes of the borrower, the Bank's efforts for collection will be much more motivated than is the case now. Such division will have wide-ranging implications including, possibly, a re-composition of the PCBs' Boards. The ex-officio President of the Board, who is at present the RCS, will have to be changed and replaced by a known and elected voluntary cooperator. More

cooperators will have to be taken on the Board. The sense of interdependence between the members, their village societies and the PCBs and their interlocking relationship will have to be emphasized.

Three: short of adding an additional layer, the PCB staff will have to be strengthened at the village level. Perhaps a scheme along the lines of ADBP's MCOs will be needed and adapted to PCBs' activities. We shall discuss this scheme later. [13]

Islamic Mode of Banking (IMB)

A word must now be said about the IMB as some confusion exists as to what it means.[14] The Government eliminated the *Riba* in the Pakistani Banking System in 1985. With the introduction of the IMB, the FBC provides funds to the PCBs on the basis of a service charge for operational costs. Cooperative banks add a mark-up on the goods they supply to their customers. This mark-up figure is determined from time to time by the SBP. Cooperative banks' income, therefore, is equal to the difference between the purchase price and the selling price after the costs of operations have been added on the purchase price less the remission for prompt repayment. Thus there are three prices involved in the equation: (i) cash price which is the cost of input to the Bank; (ii) the credit price which is the price payable by the farmer and which includes the costs of operations; and (iii) the price payable by the farmer if he repays the loan within the stipulated time. Subsistence farmers are entitled to a commission (presently 3%) in the mark-up component.

The PCB's medium-term development loans to cooperative societies are given, on the basis of mark-up, @ 15% per annum. If the societies repay on time, only 11% is recovered from them and the difference is divided between the society and the PCB, the proportions varying for short and medium-term loans.

The main difference between the traditional and IMB systems is that, in the latter, the mark-up on loan is calculated once and for all and, unlike the former system, is not related to the period of non-repayment. Longer non-repayment period is, therefore, not penalized. This encourages defaults in timely repayment. The system has been of benefit to PCBs as most of their loans are of short duration and, reportedly, are repaid regularly. Conversely, in case of overdues, PCBs have to bear the additional burden.[15]

The Federal Bank for Cooperatives (FBC): Structure, Role and Activities

At the federal level, the FBC occupies the central position within the cooperative credit structure. Created in 1977 by a Special Act, [16] it is not a cooperative but a bank *for* cooperatives nor can it be strictly called a Bank. It is, essentially, an institution for the channelling of funds from the State Bank of Pakistan (SBP) to the Provincial Cooperative Banks (PCBs) which, in turn, on-lend them to primary credit societies for ultimate transmission to farmers. All Provincial Assemblies approved that Parliament may by law regulate the matter of cooperative banking.

The most important features of the Act are the following:

FBC's share capital is Rs. 20 crores of which Rs. 15 crores are provided by the State Bank of Pakistan and Rs. 2 crores by the Federal Government. (A crore equals 100,000,000). The Bank maintains a regional office in each Province and has the liberty to establish other offices, branches etc., at places it may deem fit. The general direction and superintendence of the Bank is vested in a Board of Directors which consists of the State Bank of Pakistan's Governor as the Chairman, all directors of the Central Board of Directors of the State Bank, FBC's Managing Director, two directors who are nominated by the Federal Government (of whom one is an officer of the Ministry of the Government of Pakistan concerned with cooperatives and the other a non-official) and two directors from each Province of whom one is a non-official to be nominated by the Federal Government on the recommendation of the Provincial Government. FBC's CEO, who is also its Managing Director (MD), is appointed by the Federal Government and is a senior civil servant and subject to the civil service regulations. While the Act describes the disqualifications of the MD, there is no mention of what might be his desirable background. Each Director has one vote; a nominal fee is paid to the non-officials for attending meetings.

The seat of the Bank is in Islamabad.

The Bank has constituted an Advisory Committee which consists of FBC's MD as the Chairman, representatives of the Pakistan Government ministries concerned with cooperatives, two representatives of the Provincial Governments one of whom is a non-official, the Chief Executive Officers of the PCBs and the Director incharge of agricultural credit department of the SBP. The Committee's main task is to advise on matters

referred to it by the Bank; it can, as well, suggest measures on its own volition to improve the Bank's working.

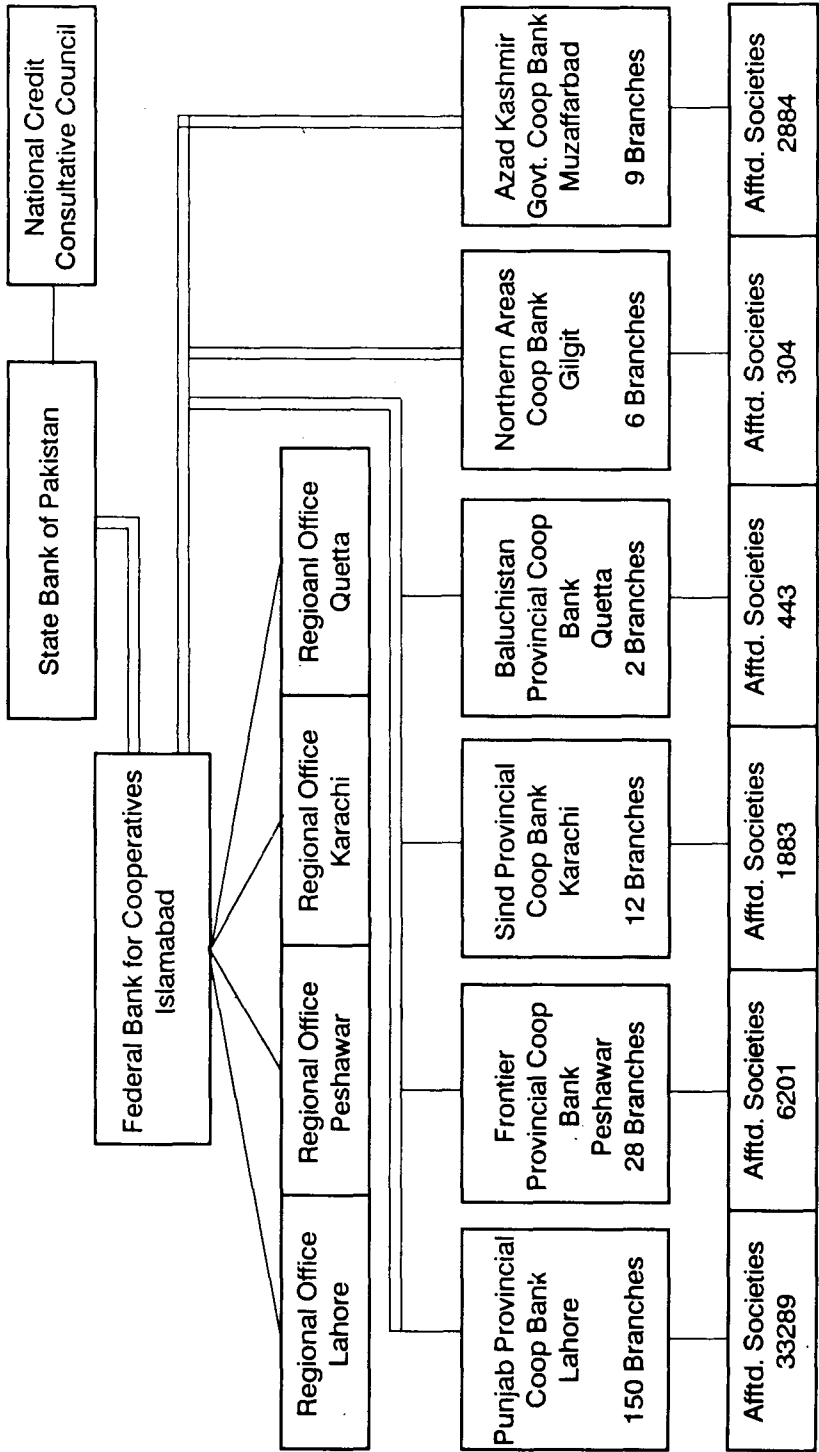
The diagram on the next page shows FBC's Credit System.

FBC's tasks are the following. It is the principal financing agency for the PCBs and the multi-unit cooperative societies. Under the Constitution, Co-operation in Pakistan (as in India) is a provincial matter although banking is a federal subject. FBC's dealings are, therefore, restricted to dealings with Provincial Cooperative Banks and not with the primary village societies. Multi-unit cooperatives are those cooperatives whose operations transcend the boundaries of one province.[17] Their registration, supervision etc., is handled by a Central Registrar. Each province has a Registrar of its own who, assisted by a large staff, deals with cooperatives in the province. The FBC can borrow funds from the Federal Government or financial institutions, raise other funds through issue and sale of bonds and debentures, make secured loans, subscribe to debentures or make other investments. It also has the task of encouraging the development of special cooperative projects, establish independent subsidiaries, undertake research on problems of rural credit and take on other functions which may be assigned to it. It is supposed to assist the Federal or Provincial Governments in formulating schemes to improve the working of cooperative societies, help Provincial Cooperative Banks in preparing their seasonal development and loaning programmes, undertake feasibility of projects etc. Subject to certain conditions, the FBC's loans are recoverable as arrears of land revenue. The FBC has the power, when instructed by the SBP, to inspect through its own officers a PCB or a multi-unit society to which it has lent money. The inspection reports are very useful documents in identifying the problems and weaknesses of cooperative organisations. An example is cited later. The FBC can also direct a PCB or a multi-unit society to call a meeting of its Board to discuss any matter concerning the FBC at which the latter is represented by an observer. Besides, the FBC has the right to lay down policy guide-lines and give directives in regard to business to a PCB or a multi-unit society, as well as the credit ceiling to be established, targets to be achieved, the nature of security against which loans can be granted, margins to be maintained etc. The powers of the FBC vis-a-vis the PCBs, therefore, are considerable, but they are seldom used in practice.

The FBC and the State Bank of Pakistan (SBP)

The FBC derives almost all its funding from the SBP which is the country's central bank. From 1985 to 1988, funds from the SBP have increased in successive years from 78.7%, to 90.3%, to 94.2% and 96.9%. A National Credit Consultative Council (NCCC), with representatives of all

Chart II: FBC Credit System Showing the Flow of Credit from the SBC - FBC - PCBs - Primary Societies



Ministries and financial institutions concerned with credit, is responsible for establishing the credit requirements of the country's different sectors. The NCCC also earmarks the quantum of funds for the agricultural sector out of the National Credit Plan. The FBC receives credit estimates from the PCBs which, in turn, obtain the information from the Provincial Cooperative Departments. This then becomes the estimate which is submitted by the FBC to the SBP for consideration by the NCCC.

Despite the ceiling laid down on the funds in the Cooperative Societies Rules, 1927, the FBC has provided credit to PCBs exceeding the ceiling in the hope that the extra resources will help PCBs to overcome their financial weaknesses.

The following table shows the amount lent by the FBC to PCBs and FBC affiliates from 1980-81 to 1986-87.

Table 9: Funds Lent by FBC 1980 - 87

						Rs.(m)
Year	Punjab	Sind	Frontier	Baluch- istan	Azad Kashmir	Northern Areas
1980-81	1048.58	39.96	20.50	13.71	5.50	-
1981-82	950.00	110.30	34.00	1.50	5.00	-
1982-83	1220.00	60.00	33.03	-	6.90	1.00
1983-84	1390.00	-	45.39	-	10.00	4.50
1984-85	1390.00	82.75	71.50	-	12.95	10.40
1985-86	1582.30	182.16	210.77	-	37.75	15.60
1986-87	1851.30	201.60	323.93	-	48.75	39.17

Source: Report of the Internal Task Force (mimeo.), p.16

Duration and Purpose of Loans

The FBC advances both short and medium-term loans to PCBs. Short-term loans are for production and, the medium term, for developmental purposes. The loans are given on the strength of Provincial Government guarantees. Short-term loans are advanced two months ahead of the sowing season and are repayable two months after the crop has been harvested. Both *rabi* (October-February) and *kharif* (March-January) seasons are covered. These form the overwhelming part of credit advanced and are often just a little less than 100%.

FBC Subsidiaries: The Agricultural Marketing and Storage Ltd. (AMSL) and the Youth Investment Promotion Society (YIPS)

The Bank has created two subsidiary organisations, viz., the AMSL and the YIPS.

Established in 1981, the AMSL is concerned with the regulation of supply and marketing of perishable goods to ensure reasonable prices to growers. The FBC contributed one-quarter to AMSL's share capital of Rs. 100 m. The subsidiary maintains four regional offices which are distinct from FBC's Regional Offices.

Through an exceedingly bad deal in potatoes undertaken some years ago at the behest of the Government, the AMSL lost a large amount of money and has since acquired the reputation of an ineffective organisation. A substantial part of the money is now regarded as unrealisable. Besides, the AMSL does not contribute to the growth of the Cooperative Movement as it does not deal exclusively with cooperatives.

At present, the AMSL is working on three initiatives: (i) introducing improved technology for grading and packing of fruits for internal and overseas markets; (ii) improving the packaging of horticultural products; and (iii) helping to involve growers' cooperatives in improved production, marketing, storage and trade.

So far the AMSL has not proved its mettle. If it can succeed in its objectives, it will provide a much needed conceptual tool for improvements in marketing, storage and trade of perishable commodities. Moreover, the National and Provincial Supply Corporations' activities seem to duplicate the AMSL's objectives.

The Youth Investment Promotion Society (YIPS) was set up in 1986 to create employment among youth. It provides "technical assistance and guidance and arranges loans on soft terms through National Development Finance Corporation, Federal Bank for Cooperatives and Small Business Finance Corporation to eligible youth for setting up small businesses of their own." [18] The term "youth" refers to the age-group of 18-30. YIPS focusses on the educated unemployed. Although individuals are eligible to receive upto a maximum of Rs.50,000, group endeavours, such as cooperatives, are encouraged; the limit for them is Rs. 500,000.

So far, YIPS has identified over 100 projects for which investigations and feasibility projects are to be completed. For acceptance, projects need strong socio-economic justification. Some examples of the projects are: farming of non-conventional crops on marginal lands; promotion of live-stock and meat; chilling and dairy activities; storage and processing of

perishable commodities; mid-wifery services; nursing homes; drug stores, dispensaries in rural areas and urban slums; primary and middle schools; transport facilities for farm products; veterinary centres and other projects which have been assigned high priority by the Government. Applications, submitted on standard forms, are screened and monitored by the YIPS staff. Loans are to be secured through hypothecation of fixed assets, promissory notes etc. In some cases, recognized personalities can act as sureties. Financing modes are by marked up price, hire purchase system or leasing system. Financial charges are low, between 3 and 5%. Repayment period for loans is 8 years with one year grace period.

Efforts to Develop Processing

In recent years, the FBC has made efforts to develop cooperative processing. With Italian assistance, it has been seeking to develop institutional capability so that it could, in collaboration with PCBs, identify, plan and manage cooperative projects in cooperative industrialization. At the time of writing, the FBC has not advanced any project loans.

Entitled "Development of Project Planning Capabilities," the project's duration is two years and a planned budget of US \$ 723,000 has been allotted by the Italian Government; the GOP has made available about Rs. 9 million towards the project.

The Project envisages the setting up and training of staff for Project Planning Units (PPUs) in the FBC and in the four PCBs. The division of tasks between the PCBs and the FBC is that the former will be responsible for the identification and planning of projects and the latter unit will undertake project appraisal. The FBC training institute in Islamabad will assist in the training of the required personnel for which, at present, it has no competence.

At the time of writing, the FBC/PPU staff had been appointed. Emphasis has been laid on the experience and capability of personnel for project management and financing. Training of the FBC Unit in Italy and in the Islamabad Training Institute was to begin in March 1989 but had been delayed due to bureaucratic hurdles. A Draft Manual on Project Management is under preparation. Requisite staff for the PCBs will be appointed.

FBC: Some Issues and Suggestions

These may be summarized under the following eight heads:

High Vacancy Rates

First: at the time of writing there was a high vacancy rate of 50% in FBC's

existing positions. Naturally, this does not allow the Bank to function at full capacity. Reasons for the high vacancy rate are unclear. Sometimes bureaucratic delays are imputed for this but it is within the power of the Board to fill the positions. In fact, the high rate of vacancies could provide the Bank with the opportunity to develop a systematic recruitment policy and employ qualified candidates. Most senior positions are at present occupied by civil servants. This is not ideal; recruitment should be from the open market with knowledge of Cooperation and experience in Banking as the main selection criteria. At present, very few personnel employed have banking experience.

Dependence on the SBP

Second: the FBC is almost totally dependent for its finances on the SBP. This causes a dependency relationship and makes the FBC vulnerable to changes in Government and SBP policies. The FBC must make vigorous efforts to broaden its sources of funds. More market transactions, mobilization of capital by receiving PCB savings are needed. These will require many-sided efforts sanctioned by its Constitution and, not the least, the creation of a climate of confidence in its own capability.

Internal Structure of the FBC

Third: the internal structure of the FBC is flat with all the eight functions reporting directly to the MD. This involves the MD in a number of detailed matters which should better be left to the care of others. It will be a more rational use of his time if the eight departments were to be grouped into a smaller number, each to be headed by a senior enough officer and given a suitable designation. This interpositioning of senior officers between the regrouped Departments and the Managing Director would relieve the latter of routine matters and allow him to concentrate on development issues.

Development Function Neglected

Fourth: FBC's two principal functions are to supply finance to PCBs and to help develop the Cooperative Movement. The latter function is totally neglected by the Bank. Personnel in the Bank who possess cooperative knowledge are few and far between. At present, the structure focusses mainly on loan disbursement operations. As one report says: "No model projects for small farmers or schemes for cooperative marketing or plans for the organisation and development of national level apex institutions of the cooperative movement have been initiated so far." The creative genius for initiating new activities has to be ignited in the Bank and the sources for this will be most likely the FBC's Board and the spark from its employees.

Creating Effective Regional Offices

Fifth: FBC's structure is highly centralized. The Bank has recently created Regional Offices but they face circumstances which are adverse for their development. These offices are under-staffed and do not wield much influence vis-a-vis the PCBs. The Regional Offices act as post offices and Regional Officers are rarely welcome in the PCBs and the communication between the two institutions is minimal. The realistic role of Regional Offices has to be re-assessed, clearly articulated and decisively implemented. The Regional Offices of the Bank were created to act as extra tiers in the communication flow between the PCB and the FBC. In the present form, they do not fulfil that function.

Unwieldy Board of Directors

Sixth: the Bank's Board of Directors is unwieldy. Consideration of policy questions in the Board meetings is infrequent. Cooperators, with some exceptions, (more a matter of accident than a result of considered recruitment policy), hardly figure in the Board and its decisions are, therefore, not always informed by the basic knowledge of the Cooperative Movement. Neither is it a management board, rather it is more a kind of co-ordinating mechanism between federal and provincial interests. It does not take into cognizance the National Cooperative Union which, though weak in its present shape, is, notionally, a very important body and which, in a developed form, could undertake some of FBC's present functions.

Improving PCBs' Operations

Seventh: the FBC must take decisive action in trying to set right the PCBs whose economic position is extremely precarious. It must vigorously intervene in, what at present is, a drama dominated by power and patronage considerations in the PCBs' Boards. The FBC seems to feel constricted by its Federal status and its incursion into PCB affairs is unwelcome. However, it could exert its authority, firstly, through its control over funds supplied to the PCBs, its Board and the Advisory Committee of which the CEOs of PCBs are members, and, second, through a vigorous campaign of persuasion and advocacy for allowing the Banks to function without undue government influence and control. It has thus, in its hands, a number of instruments of power vis-a-vis the PCBs, but they have not been adequately used.

FBC and the ADBP: the Need for Exchange of Experiences

Finally: although the ADBP and the FBC operate in the same field, albeit for different audiences, there is no structured arrangement for the exchange of experiences between the two. An interchange of ideas will be

helpful to both as problems experienced are broadly similar. In both cases, the major supplier of funds is the SBP and it is in SBP's interests as well to insist that such an exchange takes place. Exchange of Board members and, on technical matters, discussions at the experts level would be helpful. ADBP has recently started work for the poor sections of the community and here the FBC is supposed to have experience as cooperatives are supposed to deal with poor people. More particularly, the FBC could usefully examine the *modus operandi* of ADBP's MCO scheme and the work by its Project Planning department. The ADBP has been involved in this activity for some years. It has identified 125 subject areas in which projects can be established, calculated the estimated fixed costs and the likely optimal capacity as well as the probable investments needed. [19] The FBC is at present trying to develop this activity, as noted earlier, with the help of the Italian Government.

VI

Relations between the FBC and PCBs

Even though under the 1977 Act the FBC enjoys considerable powers for controlling the operations of PCBs and the Multi-unit cooperatives, the impact is hardly visible. As noted earlier, it can inspect any PCB either at its own initiative or at the direction of the SBP. The Inspecting Officer is to be afforded all facilities, documentation etc. to enable him to discharge his task properly. If, on the basis of the inspection findings, the FBC feels that the PCB is not functioning properly, it can, subject to certain formalities, direct the PCB to re-orient its working. FBC's other powers enable it to have a meeting arranged of the PCB's Board and have one of its own officers attend and watch over the proceedings. Furthermore, the FBC is authorized to lay down policy guidelines in relation to PCBs' business, the credit ceiling to be maintained by them and the credit targets to be achieved, supersession of PCB's Board or the removal of the manager.

The above powers have been conferred on the FBC to enable it to help improve the working of the PCBs and, ultimately, the entire agricultural Cooperative Movement. The FBC has regularly inspected the PCBs, subsidies have been given towards the employment of qualified staff in cases where the PCBs cannot, on their own, afford to employ competent people and the field staff has been given support to help PCB develop a banker-customer relationship. These, and being the sole supplier of funds to PCBs, are all potent instruments and if the FBC were to exercise them judiciously, the working of PCBs could well be modified and improved. And yet, as is clear from the case of the Sind Provincial Cooperative Bank discussed

below, the situation has not changed for the better. Perhaps the clause relating to the control over cooperatives in the country's constitution makes the FBC hesitant to intervene in Provincial affairs. Moreover, as mentioned earlier, the PCBs are clearly under the thumb of the RCS who is not prepared to brook any interference from the FBC.

The Case of the Sind Provincial Cooperative Bank

As an example, we can summarize the contents of the FBC's Inspection Report for 1988 relating to the SPCB. The FBC, since its inception, has inspected the SPCB eight times.

The SPCB was established in 1919. With the enforcement of the FBC Act, all cooperative banks in the Province were merged into the SPCB. The Bank's principal task is to supply finance to the farming community in the Province. It maintains 12 branches in principal towns such as Sukkur, Mirpur Khas and Larkana. There is some confusion as to the site of its Head Office. Its Head Office is located at Hyderabad and the Principal Office, at Karachi.

Apart from pointing to the incompleteness of account books and general lapses in conforming to cooperative regulations, the general lack of care of premises, the Report listed societies which were indebted to the Bank to the tune of more than one million rupees (in the year ending June 1987, such societies numbered 29), other flaws identified are summarized below.

Deficiencies in SPCB's Operations

A major lapse related to the Capital Account of the Bank. There was no record of member societies' contribution to the share capital. The Provincial Government's contribution to the share capital had remained static for a long time. In view of the weak financial structure of the Bank, the Report emphasized the need for Government's adequate and timely contribution. Such contribution would enable the bank to request matching funding from the FBC which will help to enlarge the Bank's capital structure. The existing debt equity ratio was 31:1 which meant that the Bank had borrowed Rs.31 against a capital base of Re.1, a serious enough situation which required urgent rectification. Fifteen categories of Reserve Funds had been created, three more than in 1986, and the Reserve Funds in 1987 had shown over 100% increase from 1986, (from Rs. 9,177,397 in 1986 to Rs. 20,063,507 in 1987). Both the Reserve Fund heads and the calculation of profits contravened Cooperative Societies Rules, 1927 (Rule 22) and the by-laws of the Bank. The losses incurred and the incidence of bad and doubtful debts

meant that as on 30.6.1987, the Bank was estimated insolvent to the extent of Rs. 103,674 million Rupees. The policy with regard to the payment of dividend to member-societies needed revision in the light of the situation.

The financial position of the Bank was fast deteriorating due to the non-recovery of outstanding loans and the decline in deposits (Rs. 15,904,918 on 30.6.1987 compared to the figure of Rs. 22,251,537 on 30.6.1986). The Report also found irregularities in the working of the Bank's branches. The Bank depended for its borrowing entirely on the FBC. However, it had already borrowed excessively. Instead of borrowing 15 times of the various items (paid-up share capital, reserves, building fund minus the losses), it had borrowed 36 times of the aforementioned items. The investment policy of the Bank came under severe criticism. Non-realizable investments had not been written off, items which should have been dropped continued to appear in the Balance Sheet, the liquidity ratios to be maintained as laid down in Section 29 of the FBC charter were not maintained and the Report described the SPCB as a "chronic defaulter" in maintaining the required standards.

The loans and advances registered an increase of 13.9% over the previous year. 50% of the loans and advances from the funds made available by the FBC, though rescheduled earlier, were still classified as doubtful of recovery. There were other doubtful loans as well. Recovery of old loans from the amount advanced from the funds made available by the SBP to cooperative societies remained about the same as for the earlier year and no serious efforts had been made to recover them. These advances had been outstanding for the past about 40 years and were unsecured. Though time-barred, they continued to appear in the accounts. Cases where loans had been given for non-agricultural purposes were not unknown.

The maximum credit limit (MCL) of borrowing societies had neither been fixed by the Cooperative Department nor approved by the Bank's Board of Directors. The absence of such guidelines sometimes led to loaning beyond the repaying capacity of borrowers. Many societies were controlled by a few select people and the loans from the Bank went to the privileged few; in many cases, the authenticity of documents submitted for loans was doubtful. Six cooperative banks had been dissolved in the Province but contrary to the Government's order, the employees of those Banks continued to be treated as officers of the SPCB thus adding extra financial burden.

As a result of the above, the SPCB had not repaid the loans it obtained from the FBC. The first crop loan to the Bank was allowed by the FBC in 1977 and, even though re-scheduled, the amount was shown as outstanding a decade later. 80% of the loans were repaid out of fresh borrowings. The

total outstanding crop loan to the FBC as on 30.4.1988 was Rs. 432.49 million.

In order to improve recoveries, the FBC made three recommendations. It suggested that (i) field officers be directed to pursue the matter vigorously and appropriate targets of recovery be allocated to each one; (ii) defaulters should be referred to the Cooperative Department for legal action; and (iii) Directors of the Bank should be requested to exercise their formal and informal contacts in the community to achieve better recovery rates.

In short, the Report concluded that the Bank needed firm and efficient management. The responsibility for the weakness lay both within the FBC and the SPCB. The former had failed to exercise firmly enough the powers it enjoys vis-a-vis the SPCB to help it improve. The Sind Bank and its Board had allowed many serious lapses to occur in its working. Capital was inadequate and needed augmenting. Defaults were high and had to be pursued with vigour within a framework of stringent financial discipline; some useful schemes, which had been dormant, needed re-activation; peer pressure had to be created and generated on defaulters and there were cases of loans being advanced for purposes which were not allowed by the provisions of the Bank.

It is significant to note that in FBC's suggestions, no mention is made of the need for effective member control of the societies, timing of recovery campaigns at appropriate times and relevant and intensive education and training programmes which, ultimately, are the methods of ensuring good recovery rates. Several successful examples exist, such as the Grameen Bank in Bangladesh or the AKRSP in Pakistan, where the efficacy of such steps has been demonstrated.

VII

Agricultural Development Bank of Pakistan (ADBP)

Another agency concerned with rural credit is the ADBP. It was established in 1961 as a development bank for financing fixed outlays and providing investment capital for easing the transfer of modern technology and the creation of productive assets on the farms. The ADBP has a Board of 11 members plus a Chairman. The overwhelming majority consists of senior Government officers connected with the Federal and Provincial Ministries of Agriculture. For ensuring proper outreach, the ADBP has divided the country into 42 Regions, maintains a network of 250 branches, employs a staff of over 7500, has total assets of Rs. 26,703 million and a loan

portfolio of Rs. 22,911 million. Of this amount, 4.8% was loaned to the landless and 40.1%, the largest amount, to those owning land under 12.5 acres.[20]

The share of various institutions in supplying farm credit is shown in the following table:

Table 10: Supply of Farm Credit in Pakistan

Institution	Production loans	Dev. loans	Total	Rs. (m)
				share (%)
ADBP	1,696.389	6,019.689	7,716.078	48.5
Commercial Banks*	4,647.000	528.600	5,175.600	32.5
FBC	2,885.700	134.580	3,020.280	19.0
Total	9,229.089	6,682.869	15,911.958	100.0

(Source: ADBP Annual Report, 1988)

* Net of Rs. 388.400 Million for tobacco marketing

Of the total credit disbursed, the loans for tractors amounted to 38.1%; other inputs accounted for 19.7%; dairy farming 12.3%; farm equipment 6.5%; minor irrigation 5.6%; poultry 4.9%; livestock 2.3%; fisheries 1.6%; and the remaining 9% for miscellaneous items such as plough cattle, go-downs, cold storage etc.

ADBP's shares are held by all the Provincial Governments and the biggest subscriber (98.9%) is the State Bank of Pakistan. Main overseas contributors have been the ADB, USAID, the WB and IFAD. The Bank maintains 10 departments which deal with specialized activities. It grants short, medium and long-term loans, the largest (61.0%) being medium-term. 87.5% of the loans were secured.

In 1979, the Bank initiated the Supervised Credit Programme. The branch banking system was replaced by the village-based banking system and the Bank claims that that has "produced outstanding results in terms of productive utilization of credit." The Mobile Credit Officers (MCOs) have played an important role by helping to create a personal relationship between the Bank and the farmer. We shall discuss the role and functions of the MCOs a little later.

A small programme for the poor was launched in 1987 on a pilot basis to provide credit, knowledge and skills to the rural poor and to generate income and employment. MCOs specializing in off-farm activities were appointed to supervise the operations. There is a special Gujranwala Agricultural Development Project for the establishment of livestock and cottage industries and a Regional Technical Unit has been set up there. In order to facilitate the flow of credit, loaning procedures are being improved and streamlined through several measures such as the increase of loan limits, reduction in borrowers' contribution, admissibility of additional loans without previous ones being repaid provided the previous loan had been properly utilized, enhancement of loaning powers of Regional Managers and a more flexible approach to security for loans. A number of agribusiness projects dealing with pedigree and livestock breeds, dairying and milk production, agricultural mechanization, cotton ginning and others have been financed.

ADB's Mobile Credit Officers - MCOs

Much of the success of the ADBP has been attributed to the work of its MCOs who perform an essential task in the implementation of the Supervised Credit Scheme. MCOs' duties reflect many of the supporting services needed by the farmers, and ensure as well the recovery of ADBP's lendings by ensuring that farmers make prompt repayments to the Bank. This means that proper documentation accompanies the loan applications, the borrower's title to the land is unequivocal, the loan use is supervised and the data essential for building the project profile are collected.

The MCO is to reach out and identify the right and active farmers rather than wait for them to come to him. In the identification process, the MCO follows the Bank's guidelines, popularizes the Supervised Credit Scheme with the help of other agencies, collects data of the project area such as the farm size, irrigation sources, agricultural machinery in use, the farm requirements and, in that connection, also liaises with the suppliers of farm machinery. An increasing number of small farmers are to be brought within the Users' Groups which are to consist of at least three small landholders. The groups are to be set up to ensure proper feedback.

The MCO facilitates the farmer's access to loans by assisting him in the completion of the application form with the necessary supporting documentation, have the Pass Book updated, ensure his credit-worthiness and submit cases, beyond his own sanctioning power, to the Branch of the Bank and keep on-going contacts with the borrower about loan utilization and, finally, make sure that the loan is repaid at the proper time. MCO's minimum loan

portfolio is Rs. 5000 million for a period of two years. In addition, his list of duties spells out his touring responsibilities, the books and registers he is to take along with him and other details.

The supervised credit programme has expanded in recent years and is stated to be due to the efforts of the MCOs and the replacement of the branch banking system by the village-based banking system. The MCOs have been able to establish contacts with the farmers, a relationship which is at present lacking in credit cooperatives' operations. According to ADBP's 1988 Report, 1382 MCOs provided farm credit to 154,490 farmers in 40,294 villages. MCOs are specialists in various fields such as dairy, poultry, irrigation, fruits and vegetables. [21]

It may be mentioned in passing that there is a remarkable similarity between the duties of ADBP's MCOs and the functions assigned to the Mobile Guides of India's NCDC under its TOPIC Programme. Although there may be some differences in detail, our comments and suggestions regarding NCDC's Mobile Guides for the TOPIC programme in the chapter dealing with education and training in India, apply, *mutatis mutandis*, to MCOs and need not be repeated here.

VIII

The Need for a Voluntary Apex Body

We may now discuss the role of a voluntary apex body for cooperatives. Two facts which emerge from the preceding discussion are, *first*, the pervasive influence, often control, of the Government over the credit cooperative movement [22] and, *second*, the almost complete lack of attention of the FBC on the development of the Movement. The Movement needs its own body to plan, advocate, educate and give attention to its development. In Pakistan, there do exist Provincial Cooperative Unions as well as a National Cooperative Union in Islamabad. However, these are weak organizations and wield no influence whatsoever in the present scheme of things except for an occasional invitation from the Government to comment upon cooperative law. The Movement's own matters have become the concern of an external agency, the Government, and the priorities of work are not always in keeping with members' desires.

The Union: A Background

Of the existing Unions, the most important is the Punjab Cooperative Union. [23] It was established in 1918 and gradually took over the tasks of

organization, member education, supervision, audit, publicity and propaganda. The partition of Punjab was a serious setback to its operations. An all-Pakistan Union had to be created anew. In addition, there was East Pakistan which had had its own provincial Union, the Bangla Desh Jatiya Samabaya Union (BJSU). Each province jealously guarded its parity with others; it was all the more so since Cooperation was, and continues to be, a Provincial subject in the sub-continent since 1919. To have a Provincial Union raised to the status of a national organization was a matter of prestige. In the interim, the by-laws of the Punjab (West) Cooperative Union were extended and the organization was registered as the West Pakistan Cooperative Union. Similarly the by-laws of the Cooperative Union in Dhaka were amended to become applicable to the entire Movement in East Pakistan. Partly owing to international pressures emanating, for instance, from the International Cooperative Alliance, which insisted on one national representative to sit on its South-East Asian Regional Council, protracted discussions took place between the East and West Pakistan Cooperative Unions without reaching an agreed decision. By-laws of a National Cooperative Union were prepared but the progress was slow.

In 1971 East Pakistan became a separate country, Bangladesh. In West Pakistan, which then became Pakistan, it was decided in 1974 - 75 to set up a National Union. Consideration was given to revising the by-laws of the West Pakistan Cooperative Union (WPCU) with a view to adjusting these to the needs of the entire country. However, this did not materialize and the WPCU reverted with revised by-laws to its original position as the Punjab Cooperative Union thus leaving the field open for the formation of a national Cooperative Union.

A National Cooperative Union was registered in May 1983 under the name of the National Cooperative Union of Pakistan. Based in Islamabad but with its operational office in Lahore, its area of operation is the whole of Pakistan and all provincial Cooperative Unions, including the Punjab Cooperative Union, are its members. The National Union's aims and objects are to plan for the spread and development of the Movement, safeguard its democratic character, collect economic intelligence relating to the Movement, advise the Government on cooperative development, arrange for member education and training through seminars, conferences, research, publicity, suggest amendments to cooperative laws, represent the Movement at the national and international levels and safeguard its interests and undertake any other activity for the development of the Movement. Its supreme authority is the Council on which are represented, according to an agreed formula, the secondary organizations as well as some others. The Council elects a 21 member Executive Committee. Seats are allocated to

different provinces, Punjab having the maximum number, presumably, on the basis of the wider spread of the Movement in that province. There is provision for the constitution of other committees dealing with specific subjects.

Present Position : Weaknesses and Suggestions

The Union is a recent organization. Its chief weaknesses are its financial inadequacy and a lack-lustre performance within the country caused by internal weaknesses and absence of dynamic leadership. Apart from the present President and Secretary of the Union who are experienced and well-known cooperators and who wield influence vis-a-vis the authorities, there is a vacuum in the leadership. Annual meetings are scarce, probably, because the Union has not demonstrated its usefulness. When these are held, sectional and provincial interests supervene and cause a divisiveness in the leadership. It ought to be noted, nevertheless, that there are outstanding voluntary cooperators who could be brought within the Union leadership but this has not happened so far, presumably, because they are unable to make their way up the ladder in the rough and tumble of elections. The Union is unable to undertake useful activities for the Movement's benefit. Education work, at the national level, as noted in a later chapter, is in the hands of the FBC which has set up its own institute in Islamabad.

What can be done to alleviate the situation?

Three suggestions may be offered. Looking at the history and present state of Cooperative Unions in South Asia, it is clear that without the active support of business organizations, Unions will continue to languish for want of resources. The first thing to do, therefore, is to build active and mutually beneficial relations with cooperative business organizations. A necessary pre-condition for achieving this is to ensure the relevance of services provided by the Union. The Pakistan Cooperative Union's present annual budget is very modest which could not bear the costs of even one national activity. Under the circumstances, what is needed, initially, is education work which can be undertaken on a cost+ basis. The Union will have to develop competence for providing training, recruit qualified staff, have the necessary facilities, teaching equipment etc. Young, dynamic officers are needed who would, under the direction of a senior official, initiate the process of developing the required contacts. Part-time faculty could be recruited. There is no lack of expertise within the country; what is needed is for someone to identify the resources and then fit them into a co-ordinated scheme. During the author's visit to several institutions concerned with

agriculture and rural development, a number of outstanding individuals in agricultural universities, open universities, the agricultural development bank etc., could be identified.

And yet all these activities are absent because there is no assured source of funds. Although the Movement must be voluntary, initial one-time external financial support is essential. Such a grant should be administered by a group of selected individuals who are conversant with, and sympathetic to, the aspirations of the Movement and are cognisant of its role. Such grant should be for a specific period, say 15-20 years, during which time careful and conscious efforts will have to be made to raise funds through obtaining donations from cooperative and other societies, making contractual arrangements with cooperatives for providing training. The crucial element in this whole process are a one-time grant, probably from the FBC, and a small group of well selected individuals to initiate the process. This would provide the foundation of a process for a useful role to be played by the Cooperative Union.

Finally, the Union could also undertake other tasks which are necessary for the Movement and which would yield it additional income. Providing audit and supervisory services, printing accounts and other books needed by the Movement would be some of its other activities.

In fact, the past history of the Punjab Cooperative Union before partition reveals that the Union did perform these functions and despite several weaknesses, was judged by objective observers to be doing a satisfactory job. The Union was the chief non-official organization and represented almost all the 28,000 societies in the province with a membership of 1.2 million members and a total working capital of Rs.210 million.[24] The Union was responsible for the audit as well as the supervision of cooperative societies; it had 724 employees including sub-inspectors and auditors. It made a 10% charge on profits of societies as the audit fee and received, in addition, a Government grant. Although the Registrar was the President of the Union, a convention had been developed and the Registrar did not interfere in the affairs of the Union. As Gill says, he "acted as the neutral referee ready to blow the whistle on a foul" committed by a Board whose seats were allotted to Muslims, Hindus and Sikhs.

In 1961, the Government took away from the Union all its existing tasks except publicity. [25] The Department took over even the audit of societies and it is now conducted by officers of the Department thus infringing the basic principle of audit. [26]

It is now time to give back the functions of education, supervision and

audit to a voluntary body. Obviously the transfer is neither easy nor can it be achieved in a short time. As a first step, these tasks, as they relate to credit cooperatives, could be contracted out to the national voluntary organization. Whether it should be the existing National Cooperative Union or a new organization is not our concern here; it is, rather, the concept of the Movement's own organ, charged with specific functions, which is important. The mistrust of people has gone on for far too long and in the Cooperative Movement, the members must be allowed to assume responsibilities for what essentially are, and must ultimately become, their own organizations. A one-time sizeable grant from the FBC to the organization, with careful delineation of its organization, structure, objectives and tasks, led by credible leaders, is the first step in a major reconstruction of the Cooperative Movement.

CHAPTER 3

Long-Term Cooperative Credit in India*

Introduction

The structure of agricultural credit system is shown on the following page.

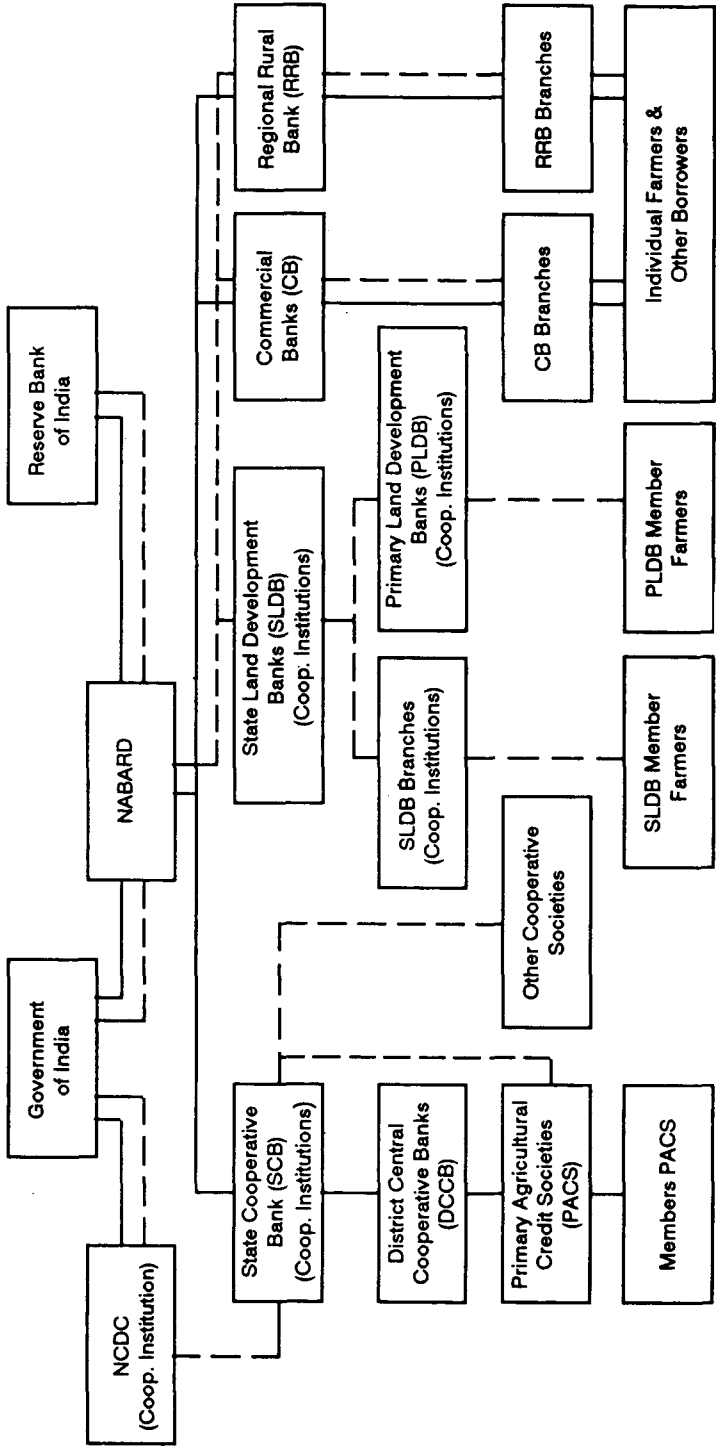
Agricultural operations need short, medium and long-term finance. Long-term credit is required, among other things, for investment in agriculture, land improvement, redemption of mortgages on land, discharge of prior debts and purchase of additional land. Repayments of such loans have to be spread over a sufficiently long time as the incremental income in Indian agriculture, if any, does not allow for repayment within the short run. On the other hand, moneylenders do not give loans for long periods nor are these repayable in fixed instalments over a period of time but on demand. Hence the need for an agency to grant long-term credit to farmers.

A separate long-term credit mechanism exists in India. The changes in nomenclature have reflected the changing functions of long-term credit organisations. They have been called, successively, (i) land-mortgage banks (LMBs), (ii) land development banks (LDBs) and, are now known as (iii) agricultural and rural development banks**.

* We are grateful to Mr P.V.Prabhu, Executive Director of the National Cooperative Agriculture and Rural Development Banks' Federation Ltd., for helpful comments and correction of some factual errors in the original draft.

** The evolution in the nomenclature of the banks from Land Mortgage to their present title has been gradual. Cooperation is a state subject and changes in the name require amendments in law; some states use Land Development Banks and some Agriculture & Rural Development Banks. The title LM is not used any more.

Chart III: Agricultural Finance



LEGEND

- Short-Term Credit ———
- Long-Term Credit - - - -

(Source: BOUMAN: Small, Short and Unsecured, O.U.P., 1989, p.13)

A Historical Review: Some Early Efforts

Although the first LM Bank was established in 1920 in Jhang (now in Pakistan), early action and serious analysis of the problems of long-term credit were undertaken in the Madras Province. The Registrar of Cooperative Societies had proposed in 1919 a scheme for raising long-term finance against the issue of debentures, based on the mortgages taken from members of rural societies of unencumbered immovable property through the same cooperative machinery which dealt with short-term financing. The scheme proposed that the Provincial Cooperative Banks (PCBs) should issue debentures on the security of the mortgages transferred to them by their primary affiliates. The shortcomings of the scheme were, first, that the mixing of short and long-term finance was not considered a desirable policy and, second, there were inordinate delays in the transfer of mortgages in a three-tiered structure before loans could be finally sanctioned. Later, another scheme was enunciated for starting primary land mortgage banks. The Government sanctioned the scheme in 1925. Some banks were started in selected areas of Madras Province. Their main features were: (i) limited liability, (ii) compact operational area to ensure personal knowledge of borrowers, (iii) limits on the borrowing powers of banks, (iv) flotation of twenty year debentures at 7% interest, (v) 9% interest on loans to individuals, ceiling on the individual's borrowing limits and the loan amount not to exceed 50 per cent of the value of the mortgage in the market, (vi) the maximum period of loan was seventeen years with an allowable extension of three years and (vii) the appointment of the Registrar as a trustee for these banks.[1]

The fragmented issue of debentures by individual banks aroused only limited response in the market. Besides, it was feared that the practice would result inevitably in a number of small institutions flooding the market with competing issues; control would become difficult; the security offered would be low and the interest rate would be forced up as a consequence of this and of the competition from purchasers. Finally, there would be the danger that the whole system of debentures would be brought into disrepute by the mismanagement of a single institution.[2] It was, therefore, felt that the issue of debentures should be centralized. The Townsend Committee of 1927-28 also made recommendations about some other aspects of, what were then known as Central LMBs, e.g., their formation, operational methods such as ways of raising capital, limits to borrowing power, appointment and role of a trustee, government guarantee of the principal sum and interest, duration of issue, provision for the disposal of collections either through the creation of a sinking fund or by other methods and representatives of debenture holders' on the Management Boards.

In 1929, the Madras Central LMB was set up with both PLMBs and individuals as its members. The Bank was administered by a Board of 18 Directors and, subject to its supervening authority, by an Executive Committee of six. The Registrar was an ex-officio member of the Board and two more members were nominated by him with Government's approval. Later, a separate Madras Cooperative Land Mortgage Banks Act (X), 1934, was passed which accepted the Townsend Committee's recommendation on a separate structure for granting long-term credit.

Until 1938, the Central LMB had floated debentures throughout the year at the prevailing market rate. This proved an impediment to the ready marketability of debentures and created some confusion because of differing maturity dates and interest rates. On the instructions of the Reserve Bank of India, the Central LMB was to issue debentures only once or twice a year during favourable periods and the Government was to provide temporary accommodation to Primary LDBs which was to be repaid by the Central LDB. The latter made the provision for the redemption of debentures in advance of the due date. The ways in which this was done were considered unsatisfactory by the RBI. The RBI, instead, suggested the creation of a "sinking fund ... to provide for the amortization of debentures by setting aside and investing every year, out of the collections, a fixed sum which, with compound interest at the rates which might be expected to be earned on gilt-edged securities, would yield at the end of the period for which the debentures were issued, an amount equal to that which had to be repaid." [3]. If, for some reason, these contributions, which were to be evaluated annually, fell short of the amount which the Bank owed, the deficit would be made good out of the Bank's own general funds. A simplified system of annual contributions to the Debenture Redemption Fund has now been worked out.

The Bank had retained a margin of 2 per cent between the rate at which it was raising funds on debentures and the rate at which loans were issued to the ultimate borrowers of the primary banks. This margin of two per cent was shared equally with the latter. The RBI recommended a higher margin to enable the LMBs to build up strong reserves. The figure was, eventually, raised to 3 per cent and the ultimate borrower got the loan at 6 per cent. This was considered high and, taking into account the experiences of other countries, the rate was later reduced. The Cooperative Planning Committee had suggested a rate of interest for the final borrower of about 4 per cent. [4] The Government accepted the reduction.

Over the years, the Government has extended support to the LDBs in several ways, for example, by providing subsidy for working expenses in the

start-up phase of a Bank, allocating staff for supervision and inspection, screening loan applications and appraising the land submitted for mortgage, guaranteeing the principal and the interest on the debentures upto a specified maximum amount and arranging so that the debentures could be treated as trustee securities. Audit fees were also waived for the first three years. Some relevant literature, such as village maps and settlement registers etc., were made available free of charge to PLMBs and the district maps to the Central LMBs. Some other concessions were also given.

Organisation and Modalities

The long-term credit organisation is now two tiered, and is of two patterns, viz., the State level Banks with branches at the lower levels and State level organizations and primary LDBs at lower levels. There is also the National Cooperative Agricultural and Rural Development Banks' Federation which is a non-commercial, representational body. Primary LDBs are at the base of the structure. Members' liability is limited and the coverage extends to a Taluka or a Block. The area has been extended beyond a Taluka as the limitation does not allow a primary sufficient amount of business (*ataluk* is an administrative division and is called so especially in the Western and Southern parts of the country; in the North it would approximate a *tehsil* which is an administrative sub-division of a district and covers approx. 10-20 villages).

The maximum borrowing limit of a primary bank is 20 times its paid up share capital plus the reserve fund. Loans are not allowed for redemption of mortgages and re-payment of prior debts, a practice which was prevalent until 1960. They are granted mainly for productive purposes and for initiating improvements in land and in methods of cultivation. Under certain conditions, permission to buy additional land with borrowed money is allowed. Membership is confined to those who have attained majority and own land. There is no ceiling on individual's borrowing limit; project viability is the main consideration but the borrower is asked to subscribe 5% of the loan amount to the Bank's share capital. This has been revised several times as the needs and inflationary pressures in the economy have increased. Repayment period is upto 15 years and an insurance policy is preferred.

Generally, a board of nine members manages a PLDB. Efforts are made to ensure that the Board is representative of the constituency it serves. Non-borrowing members also have representation on the Board. The Registrar nominates the first Board as this is supposed to ensure a fair composition and to put the Bank on the right lines.

The PLDBs subscribe to the shares of the Central LDBs. Every loan is secured by a first mortgage of land and is not to exceed 50 per cent of the market value of the land. Mortgage of reasonably good lands is accepted and wet, garden, well-aided and rain-fed dry lands are all accepted, although some restrictions apply to dry lands. Conditions are somewhat different in famine areas and the maximum borrowing limit is somewhat less as the value of poor land is low. Paid Secretaries are appointed in cases where the Bank's lendings exceed a certain amount. Although exceptions exist, a borrower must not be a defaulter of a financial institution if he is to qualify for a fresh loan.

Clear instructions have been laid down in the Manual about the procedure to be adopted for the preparation and transmission of loan applications, the nature of legal opinion to be sought and given, the modalities of investigation and the structure of the sub-registrar's report, the scrutiny by the officer concerned, the sanctioning procedure as well as the subsequent procedure, investigation of the title, enquiry into the need for the loan, factors to be examined in appraisals etc.

Changing Form and Functions : Recommendations of the Rural Credit Survey Committee

Initially, the banks were concerned mainly with the redemption of old debts. The debts had assumed serious proportions during the thirties and, with the collapse in agricultural prices, the farmers found it difficult to carry on their business without having the burden of existing debts lifted off their shoulders. Hence the LDBs confined their activities to providing credit against the mortgage of land for the redemption of old debts. A Central Land Mortgage Bank had been set up in 1929 in Madras and similar banks were established in Mysore and Bombay in 1935. Until 1947, however, the progress of long-term credit in the country had been slow.

A major change in the nature and scope of LDBs came with the recommendations of the Rural Credit Survey Committee of 1954.[5] The Committee's suggestions are worth noting in some detail since they have exercised a profound effect on the LDBs and brought the State squarely as a partner into the operations of long term credit institutions.

Enlarging the Scope of LDBs

Recognizing the limited impact of LDBs - until the early fifties, more than half the States had no such Banks - the Committee recommended that each State should have a Land *Development* Bank (LDB). (*From now on we*

shall use the abbreviation LDB rather than LMB). This would need an investigation into the tenure and tenancy laws in each state as clarity of land title was essential for the smooth functioning of the LDBs. Aspects which obstructed the operations of LDBs were to be eliminated. Mortgage registration procedures must be simplified. LDBs were under-capitalized and the Government's share in apex banks ought to be revised upwards from 51 per cent. The pre-requisites for the increase in agricultural production were manifold and the provision of long-term finance through institutional sources was very limited. The constitution of SLDBs had to be amended so that they would, in turn, be able to contribute increasingly to the share capital of their primary affiliates. The Committee suggested the widening of the purposes for which loans were issued from the redemption of prior debts to aligning "themselves to a positive policy of giving loans for land improvement and development including purposes such as bunding, digging of wells and acquisitions of pumps, agricultural machinery etc." [6] Priority will have to be assigned to loans requested for land improvement, reclamation, purchase of agricultural machinery and similar purposes which help to augment production. The SLDBs must make this policy clear to their primary affiliates and the latter, through their supervisors, to farmers.

At the same time, the quality of staff of LDBs had to be improved so that they could ensure that the project was viable and sound and careful supervision was exercised at various stages of the implementation. The size of the loans, linked as it was to the low value of land *before* improvements had been initiated on it, needed to be raised. This would require a time-bound guarantee to cover the difference in value before and after the improvement. Such guarantees should come from the Government. Effective supervision will reduce Government's risk. It would be advisable if the PLDBs, in order to cover the eventuality of a dispute to the title, would issue a guarantee to the Central LDBs for the loans issued. An arrangement along these lines would expedite the transaction and the loans could be disbursed, so to say, "prematurely". The Committee further recommended the setting-up of a modest guarantee fund at the primary level which could be deposited with the SLDB to which the Government could contribute. New production loans could be tried, first, on lands which had been newly irrigated. As major irrigation projects are completed, the loan portfolio would expand.

The LDBs had been granting loans for a uniform period of 15 or 20 years. The Committee suggested flexibility in the term and recommended that it should, rather, be linked to the purpose for which the loan was sought. Borrowing for a productive purpose, rather than for the redemption of old debts, will create means for repayment earlier than the stipulated 15 or 20 years. The term of debentures should consequently be shortened to suit the

objective of production loans. Besides, the reduced period would appeal to institutional investors in the market. The assumption, that with the disbursement of the first loan the borrower would be able to clear off the previous loan and not get into debt again, had not proved correct. As such, second or third loans had been obtained from the LDBs. The Committee suggested that the additional loans should carry a slightly higher rate of interest. Besides, the LDBs should regulate these loans as regards their purpose and repayment period. The possibilities of issuing "rural debentures" ought to be studied. These would be issued for purposes to which the farmers could relate their daily activities, such as the construction of a minor irrigation work in the area. The loans would be issued at a time when the situation is favourable for their being subscribed, e.g., immediately after the harvest. The Reserve Bank and the State Bank should make positive efforts to create an effective market for LDB debentures.

Other forms of state aid recommended by the Committee were: guaranteeing the principal amount and interest on debentures, provision of staff for undertaking technical tasks (e.g., valuation of land, examining schemes of land improvement, provision of overdraft facilities to LDBs), and some other aspects including the enactment of special legislation for facilitating the work of LDBs.

The Committee's recommendations were far-reaching. Recognizing the role of long-term credit in augmenting agricultural production, the Committee helped to widen considerably the scope of work of LDBs and made a number of suggestions for improving their operations. However, in keeping with the central thrust of its recommendations, the Committee's recommendations did greatly enhance the involvement of the State in the working of LDBs.

Table 11 gives statistical information on LDBs, their numbers, membership, deposits, loans issued and other matters for the period 1987-88 to 1989-90.

Structure

The long-term credit structure, unlike the other parts of the Cooperative Movement, is at present two, not three, tiered. [7]. It differs from one State to another. Broadly, there are three types: viz., unitary, federal and, a third type, in which long-term finance is dispensed through existing institutions for short-term credit. Over 50% of the LDBs have federal structure. Under this pattern, the primary LDBs are affiliated to the SLDBs. In the unitary structure, SLDBs have set up branches and operate directly through

Table 11: Information on Land Development Banks in India 1987 - 1990

Rs. (m)

No.	Item	1989-90	1988-89	1987-88
1.	No. of Central Land Development Banks	19	19	19
2.	No. of operational units	2824	2787	2711
3.	No. of supervisory units	311	299	295
4.	Membership at the end of the year (000s)	11436	12822	12463
5.	Owned funds at the end of the year	6543	5793	5693
6.	Loans disbursed	7418	7188	6905
7.	Debentures floated	7131	6255	6004
8.	Loans outstanding	39577	35345	32205
9.	Debentures outstanding	40718	36732	33840
10.	Purposewise classification			
	a) Minor Irrigation	3072**	2862*	3365
	b) Farm Mechanisation	1648	1476	1247
	c) Plantation & Horticulture	459	503	443
	d) Diversified purposes	1426	1444	1131
	e) Land Development	176	205	229
	f) Institutional Finance	177	169	269
	g) Non-farm sector activities	125	168	159
	h) Wastelands & Drylands Develop.	16	15	29
	i) Rural Housing	90	-	-
	j) Other Purposes	184	343	37
11.	Loans given to SC/ST	283	262	339
12.	Advances under IRD Programme	516	368	255
13.	Percentage share of advances to small farmers & other weaker sections	66.01	63.21	67.71
14.	Loaning Performances			
	a) Loaning Target	8563	8387	6946
	b) Percentage achievement	86.62	85.68	93.59
15.	Recovery Performance			
	a) Demand	14669	11739	9942
	b) Recovery	3855	6131	5241
	c) Recovery Percentage	26.27	52.22	52.71
16.	Percentage of primaries/branches with unrestricted eligibility	13.02	25.94	30.70

* Purpose-wise classification of advances in respect of Himachal Pradesh, Jammu & Kashmir and Tripura is not available.

** Purpose-wise classification in respect of Tripura is not available.

Source: National Cooperative Agricultural and Rural Development Banks' Federation Ltd.

them. In the third pattern, where no separate long-term credit structure exists, the SLDBs operate through the State Cooperative Banks which are the apex organisations of the short-term cooperative credit mechanism and which also carry out long-term credit operations.

Once the LDBs broadened their scope and started to give loans for increasing agricultural production, they progressed fast. In the early phase of their new role, they concentrated on advancing loans for minor irrigation works. In recent years, however, LDBs have further diversified their loaning activities. Mostly, these are for non-traditional activities which are ancillary to agriculture such as sericulture, fisheries, poultry, dairying. In 1982-83 according to a Federation publication, the identifiable productive loans formed 95.67% of the total loan portfolio. Increased efforts were made also to reach small farmers and other "weaker" sections who are given preference and are charged a slightly lower rate of interest, asked for smaller down payment and given a longer period of return. Loans to "weaker" sections amounted to 55% of the total loans in 1982-83. The Banks plan to expand their coverage of the "weaker" sections.

A purpose-wise division of loans is given in Table 12.

With the IRDP and the LDBs wishing to broaden the financing to include the non-farming sections, it became necessary, for reasons of financial prudence, to make changes in the security standards of the Banks and the legal framework governing them. Change from security-oriented to production-oriented collateral requires detailed, on-going, sensitive, firm and flexible supervision on the use of loans. The chances of making mistakes are real and lax supervision could present genuine risks for the Banks.

Raising Resources

The LDBs raise resources against mortgages and issue debentures which are guaranteed by the Government. This is a convenient form of raising capital. As the funds raised in this way come to the Banks as re-finance, the Banks have to lend first to collect sufficient debentures. In the interim, the Banks need resources which they raise from the SCBs, commercial banks and the NABARD. In addition, LDBs' keep their own reserves and other funds. By law, they transfer 25% of their profits to Reserve Funds. State Governments also contribute to the share capital of LDBs. The LDBs are granted re-finance facilities under NABARD approved schemes; several of these are operated under the World Bank/IDA assisted programmes.

The major source of loanable funds with LDBs remain the money borrowed through debentures. These are of two kinds: (i) ordinary debentures.

Table 12: Purpose-wise Division of Loans Granted

Purpose	1989-90**		1988-89*		1987-88		Rs. (m)	
	1989-90**	%	1988-89*	%	1987-88	%	1987-88	%
Minor Irrigation	3071.80	41.67	2862.00	39.83	3365.00	48.74	3365.00	48.74
Farm Mechanisation	1648.20	22.36	1475.70	20.54	1247.00	18.06	1247.00	18.06
Plantation & Horticulture	459.10	6.23	503.00	7.00	443.10	6.42	443.10	6.42
Diversified Purposes	1426.00	19.34	1444.00	20.10	1130.08	16.37	1130.08	16.37
Land Development	176.10	2.39	204.80	2.85	229.00	3.32	229.00	3.32
Institutional Finance	176.70	2.40	169.30	2.36	269.30	3.90	269.30	3.90
Non-farm Sector	124.80	1.69	168.30	2.34	159.80	2.31	159.80	2.31
Wasteland Development	16.40	0.22	14.50	0.20	21.30	0.31	21.30	0.31
Rural Housing	89.90	1.22	-	-	-	-	-	-
Others	183.51	2.48	343.90	4.78	39.60	0.57	39.60	0.57

** Purposewise classification of advances in respect of Himachal Pradesh, Jammu & Kashmir and Tripura is not available.

* Purposewise classification of advances in respect of Tripura is not available.

Source: Federation's Operations of the State Cooperative Land/Agriculture Development Banks, Statistical Bulletin, 1989-90

tures floated on the open market; and (ii) special debentures subscribed by NABARD, State and Central Governments. The rural debentures scheme has been discontinued since 1970.

(i) Ordinary Debentures

Before the creation of the ARDC (see below), ordinary debentures were the principal method for LDBs to raise resources for loanable funds. The principal sum and the interest thereon are guaranteed by the State Governments. According to the recommendations of the Rural Credit Committee, the debenture issue is determined at a meeting which, earlier, was convened by the RBI and now by the NABARD. Since the introduction of the special Development Debentures, the amount raised through this method in recent years has drastically declined.

The following table shows the sources which contributed to ordinary debentures for the period 1988-89 to 1990-91.

Table 13: Contributions made to the Ordinary Debentures

Contributions	Rs. (m)		
	1988-89	1989-90	1990-91
Govt. of India	84	90	92.5
State Govts	84	90	92.5
Commercial Banks	128.1	137.4	153.7
SBI & Subsidiaries	150	199.5	200
L.I.C.	350	350	400
Others	185.7	46.9	83.9
TOTAL	981.8	913.8	1022.6

(ii) Special Development Debentures: The Role of Agricultural Re-finance Development Corporation (ARDC)

These debentures had been supported largely by the ARDC. The Agricultural Refinance Corporation, later re-named as the Agricultural Refinance and Development Corporation (ARDC), was created in close collaboration with the RBI and began operations in the early sixties. This has been a major re-finance facility for special agricultural development projects

which, because of the quantum of finance needed for the special repayment schedule desired, could not be accommodated by the LDBs or the SCBs. Projects qualifying for such re-finance had to be well-defined, capable of close scrutiny and of generating surplus.

The assistance was to be extended to “schemes for encouraging full utilization of irrigation facilities, development of plantation crops and assisting the adoption of mechanized farming, use of electricity through tubewells, pumping sets etc.”[8] Refinance facilities from the Corporation were available against the Government guarantee of the principal amount and the interest. ARDC started with a share capital of Rs. 250 million. Its contributions to development debentures constituted 90 to 95% in case of minor irrigation and other special schemes for diversified purposes for small farmers and for all purposes in Northern and North-Eastern regions. The balance was subscribed by the State Governments and the GOI. ARDC’s functions have now been taken over by NABARD.

As noted earlier, the scheme of rural debentures was discontinued in 1970. These were for a term of five years meant to encourage thrift in rural areas and were treated as eligible for security for loans from scheduled banks. Their flotation was linked to schemes of benefit to rural dwellers. A Standing Committee on Debenture Norms, set up by the RBI in 1975, was concerned with issues such as standardizing norms for regulating advances in relation to overdues, issue of loans to small farmers in areas covered by special schemes, postponement of demand due to natural disasters. A number of changes in policy and procedures in the flotation of debentures were agreed [9].

Some Issues

At least four major issues need consideration. These are: (i) the excessive dependence of LDBs on the Government and the need for greater self-reliance by extending the capital base of the sector and the proper training of staff and education of members; (ii) high overdues; (iii) the pros and cons of having a separate structure for long-term credit; and (iv) the role of the national federation. These are discussed below.

(i) Excessive Dependence on Government: Relations with NABARD

The first major issue is the lack of autonomy of LDBs which denies them the freedom to evolve and implement their own policies. We have alluded to some issues in the broad area of government-movement relationship in the last chapter. Here it will suffice to include an extended quotation on the

subject from one of the Federation's publications. Writing under the title "Government control", the publication says: "At present, LDBs, like all other cooperative institutions, are tied up to various age-old rules and regulations which do not permit them to move an inch either way for the purpose of achieving their objectives, even if they so desire. The cooperatives are meant to be autonomous institutions managed democratically by the members themselves. However, in reality, they are neither autonomous nor democratic. They are subject to control from Government under the law, RBI, NABARD etc. Every policy and even the procedure is decided for them. There is hardly anything worthwhile they can decide on their own. Even in a State level cooperative, like the SLDB, the management may not have powers to appoint an Assistant or fix wages without the approval of the Registrar. Key functionaries like Managing Director, General Manager and Secretaries are appointed by Government and changed whenever necessary". The LDBs function under too many rules, regulations and control which hamper their growth. There are legal restrictions and rigidities which denies flexibility in loaning policies. The Federation feels the following need consideration: (i) change in the Banks' nomenclature from Land Development Banks to Agriculture and Rural Development Banks to reflect their changing role; (ii) opening of membership to non-farmers and specific mention of non-farm activities which would qualify for loans from LDBs including rural housing; (iii) advancing loans for less than five years without the mortgage of land; and (iv) raising resources by methods additional to the issue of debentures.

The Federation, the representative organization for the long-term credit structure, maintains that NABARD norms for loan eligibility are excessively rigid. It recommends that a more liberal approach be applied to the grant of loans. This would, possibly, increase the risks inherent in lending. Basically, it appears that NABARD's attempt is to provide for defence measures against the shifting market forces by laying down norms, procedures etc. If the LDBs were allowed flexibility of decision-making to adjust to changing situations, their response, so maintains the Federation, would be more timely and relevant. On the other hand, if re-finance facilities are provided by NABARD, the latter will retain the decisive say in the conditions on which it is prepared to allow re-financing. The margin of three and a half percent currently allowed to LDBs by NABARD on its advances for re-finance facilities is considered too low by the LDBs especially as the Banks have to lend 60% of their advances to small farmers and other weaker sections. Supervision of the utilization of small loans is costly. The costs of raising funds by LDBs has increased over the years without a corresponding increase in the lending rates.

Since September 1990, however, some revisions in lending rates have taken place. The margin now available on loans to the Banks is within the range of 3.5 to 6.5%, the actual rate depending on the size of the loan, the average margin being between 4.5 and 4.75%.

The key to the solution of many of the above problems is for LDBs to mobilize savings and raise deposits. This, unfortunately, the LDBs are unable to do since there is a difference in the amount of interest the LDBs would like to pay and the figure the NABARD and the RBI would approve. The National Federation submitted a proposal to NABARD on this subject in 1986 but probably because of some confusion about the status of LDBs in RBI and NABARD's perception, at the time of writing no firm decision had been taken.

(ii) High Overdues : Causes and Suggestions

The most serious problem of long-term credit, as, in fact, of all forms of cooperative credit in India, is one of mounting overdues. The 9th Indian Cooperative Congress noted "with concern that during (the) last five years there has been a steady increase in the overdues of Cooperatives." [10] More recently, the over-all recovery performance of PLDBs declined from 55% in June 1987 to 53% in June 1988. Recoveries at the apex level went down from 54 to 52% in June 1989.

The situation of overdues differs from state to state in the country. The NABARD Annual Report for 1988-89 noted that in 1987-88 the picture over the previous year improved in the SLDBs in 10 States. While in Haryana the improvement was 24 percentage points, in Gujarat and West Bengal the figure was 3 percentage points. It is difficult in a general study to indicate the reasons for inter-state variations. Several theories have been advanced but they remain speculative.

The causes of overdues are many and have been discussed in several publications.[11] The NABARD Report for 1988-89 summarizes the causes of deterioration in the recovery performance as: (i) incidence of natural calamities; (ii) the incorrect calculation, in some cases, of demand collection and balance; (iii) inadequate efforts for recovery and the failure to take coercive action against defaulters; (iv) the withdrawal of interest waiver facility in, at least, one State; (v) absence of linkages between credit and marketing and loan recovery from the marketing agencies; and (vi) political reasons. The last one is particularly sinister as the Movement is helpless against remission of loans sanctioned as a political favour, often, by a new party in office.

The three main suggestions advanced for improvement in recoveries are: (i) the postponement of current demand allowed by the NABARD due to delinquencies caused by natural calamities; (ii) the interest subsidy extended by the State Government for the timely repayment of cooperative dues; and (iii) vigorous recovery efforts by SLDBs. Other factors worth mentioning are: (a) the careful rescheduling and rephasing of loans when default is not wilful and is caused by factors over which the loanee has no control; (b) correction of organizational weaknesses such as the establishment of a link between credit and marketing; (c) synchronizing the repayment schedule with a period when the farmer has the maximum repayment capacity such as at harvest time; (d) devising insurance schemes against the non-payment of principal and interest; (e) encouraging the borrowers to make advance payments when they have surplus resources; (f) ensuring that the collaterals are bona fide and do not consist of, for instance, arid land; (g) adopting expeditious recovery procedures and strengthening LDBs' supervisory machinery; (h) deploying adequate and trained recovery staff and providing for their physical security; and (i) simplifying and evolving positive legal procedures for recovery, (the Cooperative Societies Act in Maharashtra provides for an LDB loan to be recovered from the sale proceeds of agricultural commodities and processing units like cooperative sugar factories).

In devising methods to counteract mounting overdues, it is important to distinguish between palliatives and fundamental approaches which attack the roots of the problem. Among the latter must be mentioned the credit education of farmers to ensure that the loan utilization helps to enhance the means of repayment and efforts which will instil among farmers a sense of ownership of the credit institution from which they obtain the loan. In a duopolistic situation in the village where the moneylender and the cooperative are probably two of the major sources of rural finance, a concessional rate of interest charged by the cooperative will only motivate the farmer to pay off, first, the more expensive - the moneylender's - loan. Unsophisticated borrowers need to be instructed in (i) the amount they need to borrow; (ii) the proper time to borrow; (iii) suitable deployment of loans within the framework of their activities; (iv) proper communication of the repayment schedule; [12] (v) awareness of penalties in case of default; and (vi) simple but adequate account-keeping. Extension and supervisory services will have to be considerably strengthened.

Another suggestion advanced by Kahlon and Singh [13] relates to the introduction of a cadre of agricultural credit specialists who, through extension workers, would help in (i) appraising on a continuing basis different investment proposals to amass area-specific information for farmers' guid-

ance; (ii) feeding the material to field extension workers who would be responsible for training and *not* for debt collection; and who could (iii) act as a link between the credit institution and the technologists, extension workers and the farmers. These measures would help to create better credit discipline among borrowers.

Finally, continuing member education is necessary. Among others, the contents of such education programmes should specify the rights and obligations of individual members vis-a-vis their cooperative societies. The member's perception of the cooperative must be that of an institution from which he can obtain a loan to advance his economic prospects, but also an institution whose prospects will be threatened if the borrower does not play the game by the rules. However, member education in the Movement is generally deficient both in quality and quantity. We have discussed this in the chapter on education.

(iii) Is a Separate Structure Needed for Long-Term Credit?

In recent years, questions have been raised about the advisability of having a separate mechanism for long-term credit in India. Will it be more convenient, instead, to integrate into one single agency both short and long-term credit? Will integration result in greater economies? It is suggested that the two have not developed in balance with each other thus reducing the effectiveness of both. There is a close relationship between long-term finance given for land improvements and the effective utilization of short-term finance. Would it be easier to achieve such coordination if the flow of credit were to come from a single institution? Would such integration be more convenient to farmers? These and allied questions have been considered by several committees and the pros and cons of integration are summarized below.[14]

Advantages of Integration

A recent Committee discussed the pros and cons of integration.[15] The extensive evidence obtained by the Committee revealed that those who favoured integration were guided by two main reasons: (i) the convenience of the farmers, and (ii) the economic advantages which will flow from integration such as increased viability of the PACs and SLDBs and the enhanced capacity for supervision by primaries over the borrowers. Moreover, an integrated organisation will have a larger capacity for mobilizing resources. All financial requirements of the farmers would be made available to him from one place and the agriculturist would not have to knock at different doors. The present dichotomous arrangements do not allow this.

In an integrated system, the PACs would become the single contact point for the farmers. Moreover, the two types of finance - long and short-term - are complementary and, as mentioned earlier, the availability of one will enhance the effectiveness of the other. The increased viability of PACs would allow them to recruit technically qualified staff to strengthen the supervision by the primary society on the end-use of loans. Remote control would be replaced by human contact and credit needs would be better assessed than under the present system. It would also simplify the provision of loans to a single state-level organisation by the RBI and the ARDC (now NABARD) and will simplify the present cumbersome process involved in the issue of debentures for raising funds for LDBs.

Some Counter Arguments

The principal arguments advanced against integration are as follows. Several earlier committees had recommended a separate long-term credit structure and found merit in the arrangement. The division of credit into short and long-term reflected a division of labour which had evolved into specialised procedures. Such specialisation had permeated the staff and increased their efficiency. It would be a disadvantage to lose the benefits of specialisation. The scope for the diversification of LDB work remained considerable and it would be wise not to disturb the present arrangements. Farm mechanisation, command area development, horticulture and processing of agricultural produce were some of the potential areas for growth for which long-term finance would be needed. It was incorrect to say that LDBs had been granting loans only to large farmers although as land was the required collateral, it was inevitable that the landed received loans from the LDBs. Increasingly, however, small farmers were being brought within the scope of LDBs. Lack of resources had limited the expansion of LDBs.

On the subject of the "single-window" approach, the opponents of integration pointed out that PACs will not be able to provide all farmers' requirements and they will, in any case, have to go elsewhere to satisfy their manifold needs. Thus the arguments for a "single-window" approach in practical terms had only limited validity. Besides, the need for long-term loans arose infrequently and hence the inconvenience caused by the inaccessibility of the organisation could not be regarded as a serious handicap. The separation of institutions for providing short and long-term credit acts as an insurance against an eventual cessation of total credit flow if, for some reasons, an integrated organisation were to collapse. Besides, the multi-agency approach was the accepted national policy. Generally, PACs are weak both financially and managerially and the first priority should be to strengthen them rather than burden them with additional responsibilities.

This applies to Cooperative Banks at the District level as well. At the State level, the SCBs will find it difficult to undertake the specialized tasks involved in long-term credit. The existence of two separate organisations did not preclude coordination between the two if serious efforts were made to achieve it. The merger of the two, instead of lending additional strength, would compound weakness. Other arguments against integration related to the different staffing patterns, difficulties of combining varying rates of interest within a single organisation and the strong opinions expressed against merger by the National Cooperative Land Development Banks' Federation and the 7th Indian Cooperative Congress.

In 1979, the Committee to Review Arrangements for Institutional Credit for Agricultural and Rural Development (CRAFICARD) examined the subject of integration and found that, in view of the general opposition of LDBs, integration between the institutions for short and long-term credit was not feasible. [16] Earlier, some pilot merger schemes had been planned in three States but even these were found difficult to implement. CRAFI-CARD, therefore, recommended that PACs, especially the strong viable ones, should (i) give agency services to LDBs for establishing contacts with LDB borrowers, (ii) undertake preliminary screening of loan applications, (iii) disburse loans and, (iv) receive repayments. In this way, while total integration will not be achieved, better coordination will make for economies and a more effective functioning of the system. Although these suggestions have been accepted by the Government of India, the idea of integration has not been totally abandoned; one could, perhaps, say that integration has been achieved at the national level in NABARD although this is a spurious argument as NABARD is a State, not a cooperative, body.

Some attempts have, however, been made to achieve integration. Andhra Pradesh has been experimenting with integration of the short and long-term credit systems. Under the first phase, the following action has been taken: (i) the existing 6,695 PACs have been re-organized into 4,565 viable societies by adjusting their area of operations; they are now dispensing both short and long-term credit; (ii) the SLDB has been abolished and its assets and liabilities have been transferred to Central (District) Cooperative Banks; and (iii) the primary marketing societies have been abolished. The second phase envisages the merger of State level institutions. For the time being, a common chief executive officer heads both the PCB and the SLDB. There is also a common membership of the Board of Directors of the two bodies. The State Government is expected to extend assistance towards PLDB's overdues but firm decision has not been taken yet. [17]

It is too early to assess the results of these integration efforts.

The National Federation of LDBs

The long-term credit movement maintains a national Federation in Bombay which is a non-commercial body and acts as a spokesman for the sector. It needs strengthening. At present, its main function is representational and it lobbies the various authorities on behalf of its members. It argues the sector's views on important issues before the Planning Commission and other official bodies. It attempts to strengthen the structure of LDBs and make their services efficient and competitive in a multi-agency rural credit set-up. It advises the Banks to diversify their efforts. A number of Banks have recently taken up non-farm activities; they also finance farm labourers and rural artisans. With the re-finance support of the National Housing Bank, the Federation has launched an initiative in the field of rural housing. With the assistance of RABO BANK of the Netherlands, it has recently set up a Project Cell which has released about fifty papers addressing some of the technical issues faced by farmers.

In an effort to improve the management quality of LDBs, the Federation has organized some specialized training seminars and has established in Bangalore a National Centre for Management Development in Agricultural and Rural Development Banking.

Finally, in concert with other credit cooperatives, the Federation has been supporting the initiative for the creation of a National Cooperative Development Bank (NCDB) under the Multi-State Cooperative Societies' Act. The National Bank will act as a balancing centre between surplus and deficit States and will also negotiate with external financing agencies. Sanction is awaited from the RBI and the GOI. At present, NABARD does not provide resources to LDBs for all purposes. The initiative for a National Bank will have to be taken jointly by the short and long-term credit wings of the Cooperative Movement. At present, the National Cooperative Bank is under active consideration.

Some additional tasks the Federation could undertake in order to serve its members are to: assess the educational needs of the Movement; build up a reference library on long-term credit in India and abroad; develop a data base of the courses available (their nature, duration, relevance etc.); consultancy work on technical matters with the help of experts recruited on an ad hoc basis; and supply improved market knowledge to LDBs. Nothing would bring the members closer to the Federation than the provision of a range of services needed by them.

CHAPTER 4

Government and the Movement : India's National Cooperative Development Corporation*

Origin

As a public corporation, the NCDC is heavily supported by the Government of India. In this chapter, we shall discuss the organization, activities, limitations and achievements of NCDC.

The origin of NCDC goes back to the recommendations of the All-India Rural Credit Survey Committee of 1954. The conclusions of the Survey profoundly affected the subsequent course of cooperative development in India. Examining the failure of cooperative credit in its broader context, the Report forcefully articulated the need for active State participation in the movement in the following words:

The failure of cooperative credit is explicable in terms of the total impracticability of any attempt to combine the very weak in competition with the very strong and expect them by themselves to create conditions, firstly for their emancipation from the interests which oppose them, and secondly for their social and economic development in the context of the severe disadvantages historically imposed on them by a structure of the type described. The problem is not so much one of reorganisation of cooperative credit as of the creation of new conditions in which it can operate effectively and for the benefit of the weaker. The prevailing conditions cannot be transformed by the very persons who are oppressed and rendered weak by their existence. The forces of transformation have to be at least as powerful as those which are sought to be counteracted. Such forces can be generated not by Cooperation alone but by Cooperation in conjunction with the State.[1]

* This is an updated and modified version of the author's earlier paper on the subject issued in 1986.

The Committee recommended that a Warehousing and Cooperative Development Board be set up. Concerning processing and marketing, the Report commented:

Here again the partnership of the State will involve the provision by it of financial, technical and administrative assistance; in conjunction with the State Governments, the Ministry of Food and Agriculture should be associated with the development of cooperative processing and cooperative marketing on a nation-wide scale. In other words, the Ministry would have to be institutionally linked with this part of the programme no less than with the one concerned with the development of storage, warehousing and distribution. For the latter, we mentioned a national board as providing the link. We envisage the board as equally serving the purpose of an all-India planning, financing and coordinating body in the context of the development, by State Governments, of cooperative marketing, cooperative processing and other cooperative economic activity. An appropriate designation for this body would therefore be the National Cooperative Development and Warehousing Board.

... The development of these and similar activities, by provision of finance and technical services, and by proper administration, will be one of the two main objects of the National Cooperative Development and Warehousing Board. As we envisage it, the Board's function in respect of cooperative development will, in turn, be twofold. There is first of all the planning of such development on the basis of the joint participation of Government and the cooperatives. Secondly, there is the financing of the development; this, as we have mentioned, will take the form of loans, in preference, and subsidies, where necessary, to State Government.[2]

NCDC was established in 1963 under an Act enacted by the Parliament in 1962. It came into being as a result of the bifurcation of the National Cooperative Development and Warehousing Board into NCDC and the Central Warehousing Corporation. The Act specified the composition of NCDC's General Council and its Board of Management, laid down its functions and identified the sources of its funding which, originally, were to be mainly from the Government. In 1974, the Act was amended[3] and NCDC now borrows also from the open market. In 1984, an informal Committee appointed by the Ministry of Food and Agriculture made several recommendations. Some further amendments are under consideration.

Functions

Under Section 9 of the 1963 Act, the Corporation's principal tasks are: the planning and promotion of programmes of cooperative development; the production, processing, marketing and storage of agricultural and forest products. Its principal means of assistance are financial, that is, granting loans and subsidies to State Governments and national level cooperative organisations. Where financial support is extended to cooperative societies, a Government guarantee at the appropriate level is required. Financial assistance is directed towards support to cooperatives for margin money, strengthening the share capital base, employment of additional staff needed for implementing the supported programmes and purchase of agricultural produce and requisites (seeds, manure, fertilizer, agricultural implements etc.)

In helping to plan and promote programmes, the Corporation undertakes research, evaluation and consultancy work. It has developed a cadre of consultants specializing in management, organisation, financing, feasibility analysis, costing etc. They assist especially when cooperatives undertake large projects in agricultural processing. The Corporation's Management Information Systems Division monitors the activities and evaluates the Corporation assisted projects. This ensures the flow of reliable feed-back to management and helps in well-informed decision-making. There is, in addition, an Evaluation and Statistics Division. The Corporation's Technical and Promotional Cell assists apex organisations to enlarge and deepen their services to members. Fields so assisted are: handloom, sugar, oilseeds, fertilizer, fruits and vegetables. Selective overseas training is encouraged and many country-wide conferences, seminars and workshops have been held to generate discussion on topical issues. These activities have enabled the Corporation to develop strong linkages with many cooperative organisations.

Policy and Management

NCDC's policy-making body is its General Council. Its President and Vice-President are nominated by the Central Government and, at the time of writing, are the Minister of Agriculture and Rural Development and the Minister of State incharge of Cooperation. Before the 1974 amendments, the relevant clause in the Act read: "There shall be a Chairman and a Vice-Chairman of the Corporation who shall be chosen from among the members in such manner as may be prescribed." The Informal Committee on the NCDC in a review of the Corporation suggested: "... the Chairman of the

Board of Management of the Corporation should be a non-official to be nominated by the Central Government and, in this capacity, he should be a member of the General Council of the Corporation”.[4]

The Council includes representatives of Central and State Governments as well as National and State level cooperative organisations; several Ministries dealing with matters of interest to the NCDC (Department of Agriculture, Ministry of Food and Civil Supplies, Ministry of Industry etc.); representatives (mostly the Chief Executives) of financial institutions with whom NCDC's interests intersect; representatives of several Apex cooperative organisations are included as ex-officio members (NCUI, NAFED, Cooperative Sugar Factories Federation, Cooperative Banks' Federation etc.); representatives of some cooperatives in Union Territories; [5] 4 individuals possessing specialized knowledge of cooperative development; the Managing Director of NCDC and some others. Thus the Council is a high-powered body and brings together a cross section of important government and non-governmental representatives concerned with the Cooperative Movement. In all, there are 51 members of whom 24 can be described as “non-officials”[6]; in 1979-80, non-officials numbered 23.

The Board of Management, a smaller body, has 12 members. Of these, 4 are from the voluntary sector and the rest, including the Chairman and the Vice- Chairman as well as NCDC's Managing Director, can be considered as representing the “official” side.

The Council deals with policy matters while the Board of Management considers operational issues. To illustrate this further, we may cite the main subjects discussed at a meeting of the two bodies.

Against a background of problems facing the country, the General Council at its meeting in October 1985 considered the major thrust of NCDC's work; reviewed the follow-up action on earlier decisions; examined the format of the forthcoming Annual Report and suggested improvements; reviewed the problems of PACSs (including the dominant influence of the relatively well-off members) and the measures to ensure fair dispersal of benefits to the poor; suggested steps to make primaries more viable and participative organisations and considered some issues of agricultural marketing and processing. In the appraisal of projects, the Council emphasized that both economic and social considerations should be given careful consideration.[7]

The Board of Management, on the other hand, at its meeting on January 3, 1985 reviewed new proposals for establishing processing industries, (a solvent plant based on oil cakes, a rapeseed processing complex, an oil

complex comprising an oil mill and a vegetable oil refinery, a soyabean processing unit), considered new proposals for establishing a Cooperative Development Service, an integrated fisheries project, a barley malt plant (the locations of these projects were spread out in different States), examined modifications in the scheme to assist in creating Technical and Promotional Cells in apex organisations and debated the mechanics of a pilot scheme for distributing farm inputs through cooperatives [8].

Organisation

The Corporation is headed by the Managing Director (MD) who has the over-all responsibility for the organisation. The post is traditionally occupied by a senior Government officer. Under the MD, there is a General Manager and an Executive Director. In addition, there are seven departments which report directly to the MD, viz., the Finance Adviser, four Chief Directors in charge of Industries, Marketing and Inputs, Processing and Storage and Rural Consumers, consultants in the fields of Spinning Mills, Cotton and Handloom as well as a Specialists' Pool and Management Audit. The Specialists' Pool has carried out several project appraisals, economic investigations, project costings etc. Reporting to the General Manager are seven Directors responsible for Personnel and Training, Coordination and Planning, Fisheries, Public Relations, Management Information Services and Evaluation, Regional Directors and Chief Director (TOPIC). The various consultants, the Economic Analyst's Division and the Director (Evaluation and Statistics) report to the Executive Director.

NCDC's organisation is presented in Chart IV.

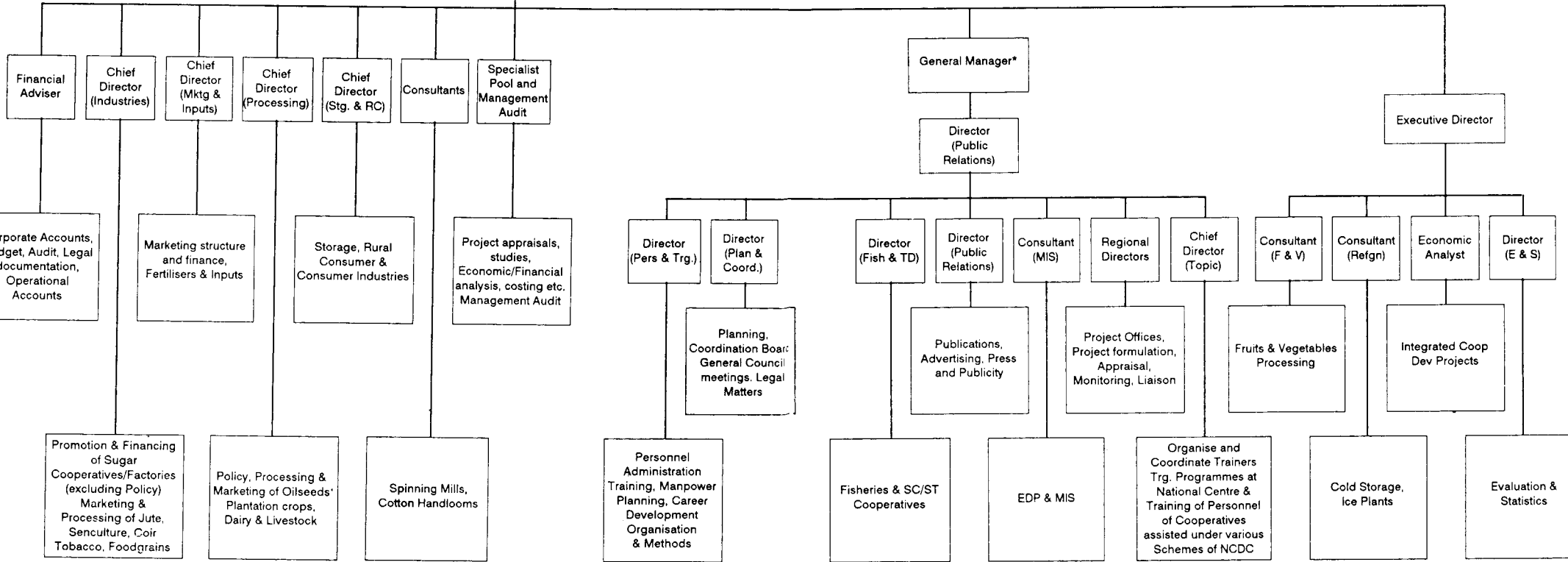
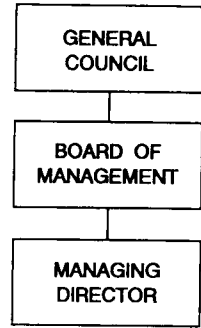
The NCDC is staffed by qualified people. Its internal organisation has responded to meet with its expansion imperatives. Compared with existing national cooperative apex organisations, it retains a sizeable cadre of qualified manpower to undertake specialized tasks in support of the Cooperative movement.

Finances

NCDC's finances are drawn from the following sources:[9]

- funds inherited from the National Cooperative Development and Warehousing Board;
- grants from Central Government for giving subsidies to State Governments and for meeting administrative costs;
- additional grants provided by the Central Government to enable the Corporation to fulfil some of the tasks specified in the Act;

ORGANISATIONAL SET-UP OF NATIONAL COOPERATIVE DEVELOPMENT CORPORATION



- Central Government loans;
- flotation of bonds and sale of debentures on the open market; and
- loan repayments and the interest earned.

At its inception in 1963, the Corporation inherited Rs.194.3m in the form of loans outstanding with State Governments. Until October 1985, it had received from the Central Government Rs.313.8m in grants which had been passed on as subsidies to State Governments in respect of centrally-sponsored schemes. From time to time, the Central Government has been providing grants on the recommendations of various Committees mainly in the context of the country's Plan frame which imposed additional tasks on the Corporation. At the time of writing, such amount totalled Rs.397.70m.

NCDC's major financial source has been the loans obtained from the Central Government. Until the end of 1984-85, it had received Rs.4290.9m in loans. Loans are for 15 years and the annual rates of interest have varied between 6 1/2 to 7 1/2%.

The Corporation's expanded functions required it to raise additional funds through open market borrowings. By the end of 1984-85 such borrowings amounted to Rs.2240.2m. Rates of interest varied from 6% in 1974-75 to 9.75% in 1984-85. Programmes worth Rs.1006.1m were financed out of Corporation's internal accruals.

The Corporation's financial assistance consists of loans or subsidies depending upon the nature of the activity assisted. National level or inter-State cooperatives [10] also get assistance as share capital contribution. Conditions of loans and grants are more liberal in the case of States classified as under-developed or least developed, or where the members belong to weaker sections, scheduled castes or are classified as tribals. [11] NCDC grants assistance for manpower development as this is regarded basic to cooperative development. The rate of interest, decided from year to year, is generally 2% less for cooperatives in underdeveloped or least developed states. The period of loans is 14-15 years. Where long-term investments (civil construction, provision of machinery etc.) are involved, a moratorium is allowed for 5 years for underdeveloped states and 3 years for others. During 1984-85, the average gross interest earned by the Corporation was 9.34% while the average it paid on government and market loans came to 7.19% thus giving it a margin of 2.15% (Rs.130.8m). Of this, administrative expenses totalled Rs.22.9m and subsidies on Corporation sponsored schemes were Rs.24.6m. The Corporation thus added Rs.83.3m to its coffers; of this, however, Rs.67.7m was interest receivable on loans which were subject to moratorium.

A point worth noting here was the Corporation's total dependence in 1962-63 for its resources on Central Government loans. This has, however, steadily declined as its market borrowings in 1986-87 constituted 40.3% of its funds, as is shown in the following table.

Table 14: Source of Funds

(Rs in m)					
Year	Central Govt.	Int'l funding	Thro' GOI	Internal accruals	Total
1962-63	23.6	Nil	Nil	Nil	23.6
1986-87	156.6 (10.5)	390.59 (26.7)	333.7 (22.5)	599.0 (40.3)	1485.2

Source: 25 years of NCDC. (Figures in brackets are percentages)

Activities

These can be summarized under the following four heads: (i) promotional; (ii) support to cooperatives in marketing, processing and storage; (iii) rural consumers' scheme; and (iv) developmental work for weaker sections and for helping to remove regional disparities in cooperative development.

NCDC's total assistance from 1962-63 until December 1987 for different activities is shown in Table 15.

Table 15: NCDC's Total Assistance from 1962-63 until December 1987 for different Activities

(Rs in m)			
Fields	Amount		
Credit	176.2
Marketing	1,205.8
Storage (including Cold Storage)	4,109.6
Processing	4,204.5
Consumers	911.7
Weaker Sections	819.7
Inputs	317.5
Promotional and Misc. activities	162.0
Integrated Coop Dev Project	10.9
Total	11,917.9

Promotional

NCDC's promotional support is directed towards strengthening cooperative institutions. To this end, it operates a series of technical and consultancy services. Brief reference has been made to this earlier. NCDC maintains a cadre of people qualified in management, organisational development, finance, economic analysis and evaluation. [12] They assist cooperatives in the formulation of projects for godowns, cold storage etc., review and assess project performance and undertake feasibility and management studies. Often, services are geared to specific commodities such as fruits and vegetables, cereals, dairy farming, textiles. Where necessary, appropriate guidelines are issued for particular activities. Technical advisory services are provided by the Corporation in the fields of refrigeration, dehumidification, insulation systems etc. Sophistication in economic analysis is achieved through the installation of an in-house computer which has, among other things, enabled the calculation of the rate of return on investments to facilitate determination of project viability. Sensitivity analysis, that is, the change in one variable and its impact on the over-all profitability of a project, is also undertaken. Better information storage and retrieval have helped management efficiency. Training programmes in the application of computer techniques to agricultural cooperatives have been initiated. The Statistics and Evaluation Division has done a series of studies in fruits and vegetables, studied the availability of oilseeds and rapeseed in selected districts and, for the World Bank, it has undertaken studies on storage. Outside consultancy organisations have been used from time to time for the study and evaluation of sugar cooperatives and fisheries.[13] The Technical and Promotional Cell seeks to create a service in voluntary apex organisations which will enhance their capacity to serve members. Some organisations assisted are: the Kerala Cooperative Rubber Marketing Federation, Federation of Fishery Cooperatives, the Cooperative Sugar Factories' Federation, the Andhra Pradesh State Handloom Weavers' Federation, the Federation of Cooperative Spinning Mills. Finally, NCDC sponsors, participates in, and encourages, conferences, seminars, workshops, etc. Thus, it enables the articulation and consideration of important issues at the national level and, in the process, deepens its relations with cooperative organisations. Some examples of these meetings have been: the Oilseed Cooperative Processing Conference in 1980; the bi-annual meetings of the Chief Executives of National/State level Cooperative Marketing Federations, Conference of Fisheries Directors for reviewing fisheries development and the reasons for its patchy progress; a Conference of Managing Directors of State Cooperative/Land Development Banks where NCDC I, II and III have schemes in operation; a high level conference to consider the development

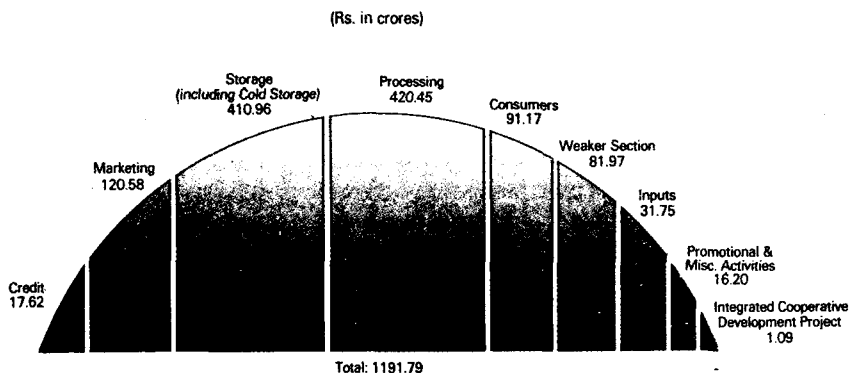
of PACS. Such gatherings are frequent and the subjects covered are varied.

Support to Marketing and Processing

Marketing

The following diagram gives the physical achievements of NCDC from 1962-63 to December 1987.

Chart V: Total Assistance Disbursed by NCDC from 1962 - 63 to December, 1987



(1 Crore = 10 million. 1 Lakh = 100,000)

In brief, the nature of assistance to marketing and processing units has been along the lines envisaged in NCDC's constitution and relates mainly to the provision of margin money, contribution to share capital, purchase of transport vehicles and the establishment of technical and promotional cells in apex organisations.

The cooperative marketing structure in India is extensive. In 1977-78, 3566 primaries were at the base of the Movement. These are classified into (i) general purpose and (ii) single commodity societies. According to a Reserve Bank publication, 80% of the societies are general purpose marketing organisations.

Both individuals and organisations are in membership of societies. There are considerable variations in the size of membership between the states. Tamil Nadu had the largest average number of members per society (4800) while the smaller, newer and hilly states showed a much lower figure. Principal functions of these societies are the marketing of agricultural produce, supply of farm requisites and distribution of consumer goods. UP also has a number of sugar cane supply societies (not to be confused with cooperative sugar factories) which deliver members' produce to factories

and distribute farm supplies to members.

The principal problems which the marketing societies face stem from their inability to compete effectively with the private moneylender-cum-trader who combines flexibility of operations with a multiplicity of services which he makes readily available to the farming population.

Specialized societies are active in commodities such as cotton, tobacco, arecanut, fruits and vegetables and some other crops. We may now describe NCDC's work in fruits and vegetables which is a comparatively new area of its work.[14] India's diverse climate makes possible the production of a wide variety of fruits and vegetables. Total production is 52m tonnes and consumption per capita is low. This reflects, partly, the lack of nutrition education and also deficiency in organisational and marketing arrangements. Scarcities and gluts alternate with regularity creating wide price fluctuations. On average, post-harvest losses are estimated at 20-30%;[15] The figure is likely to be higher in fruits and vegetables as crop perishability worsens the situation and both producers and consumers suffer. Cooperatives have only recently got involved in the storage and marketing of horticultural products. NAFED, along with some of its State and primary level affiliates, has been a pioneer in the field and the principal commodities of its involvement are potatoes, onions, ginger, apples and oranges.

NCDC provides 95% of the financial requirements to assisted cooperatives. It emphasizes and encourages an integrated approach to marketing from the point of collection through grading, packing, storage to retailing. The World Bank has assisted in the setting up of cold storages. The Government has set up a National Horticulture Board.

Apart from the measures which are specific to individual states, suggestions offered for accelerated marketing of horticultural crops are: the creation of special cells in marketing societies at the State level as such crops experience special problems due to their perishable nature, enlargement of NAFED's advisory functions to include the provision of relevant business guidelines to its affiliates, creation of a network of retail centres to be operated by growers' organisations in metropolitan areas. These measures, it is hoped, will shorten the chain of middlemen which presently extends from the producer to the consumer, raise growers' incomes and help to improve the image of cooperatives for the quality and uniformity of the produce they sell.

The cooperative marketing structure in the States is three-tiered, that is, the primary, the regional and the State level marketing organisations. There are three National apexes, viz., the National Agricultural Cooperative Marketing Federation Ltd., the National Tobacco Cooperative Marketing

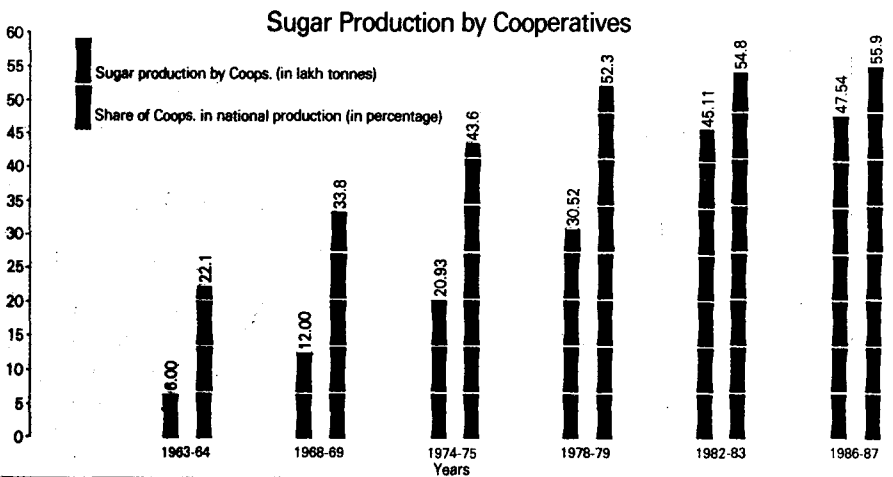
Federation and a Cotton Marketing Federation which is now in the process of being organized. In addition, 29 general-purpose State Marketing Federations exist in different states and in some Union territories.

NCDC assistance goes both to the apex societies as well as to primary organisations for strengthening the share capital. A sum of Rs.147m was made available to NAFED for the development of several commodities. In addition, Rs. 63m was provided to lower level societies which showed promise of development. NCDC has, thus, been assisting the marketing movement at both ends.

Processing

During the past two decades, cooperative processing has made considerable strides in the country. Sugar and milk processing are, of course, the most well known [16]. But lately several processing units have been established for other crops as well. The more important ones are: rice, dal (lentils), oilseeds, spinning mills, distilleries, jute baling, fruits and vegetables. NCDC has also given financial assistance to the National Heavy Engineering Cooperative Ltd., organised, initially, for producing machinery for sugar manufacturing but now producing plants also for other agro-processing industries. The diagram below shows the extent of sugar production by cooperatives.

Chart VI: Sugar Production by Cooperatives



Source: 25 years of NCDC, p. 17. Note: (1 Crore = 10 million. 1 Lakh = 100,000)

Capital requirements for such units are often beyond the financial pale of cooperative organisations. Hence, NCDC's support has been of immense value for the establishment of these industries. In addition to financial support, the Corporation helped several units deficient in management or technical know-how through research and advice. The Corporation thus follows what in some advanced movements is known as the "hospital" approach under which a weak primary is accepted by a central organisation for the improvement of its weak management.

Cooperative Spinning Mills have figured prominently in NCDC's efforts to promote cooperative industrialisation. Two kinds of Spinning Mills exist in the country, those set up by the (i) growers and by (ii) the weavers. Assistance is given for finance, technical advice, facilitation of installation etc. The All India Federation of Cooperative Spinning Mills, in turn, assists its members in project formulation and promotional work, consultancy service, rehabilitation of sick mills, inter-firm comparisons and also loans personnel for management of crisis situations.[17] NCDC has prepared model schemes to serve as a guide to cooperatives for setting up processing industries. Funds have been made available for techno-economic feasibility reports. New processing units, as well as the existing ones which need expansion, have been assisted. All this creates close and inter- penetrative relations between NCDC and cooperative organisations.

Rural Consumers' Scheme

In 1976, the Corporation decided to initiate a scheme for the promotion of rural distribution of consumer goods through PACSs. Even earlier, about 40,000 PACS were engaged in some consumer activity although this was confined to a few States and the principal commodity was foodgrain. The need for making available essential consumer articles in rural areas at reasonable prices was emphasized by the Conference of State Ministers of Cooperation in 1975. A scheme was formulated by the NCDC to involve selected PACSs. Under the scheme, 20-25 primary societies, known as Link societies, are associated in a project either with a well- functioning primary or a secondary consumer cooperative society which acts as a supplier. The latter are called "lead" societies. State Governments were advised to give preference to areas which were hilly or considered "backward". The existing fair price shops, which distribute "controlled" commodities, were encouraged to convert into cooperatives. Financial assistance is given in the form of loans, subsidies, margin money, construction costs of go-downs etc. By March 1982, 25,750 villages had been brought within the purview of the scheme and a total amount of Rs.209.50m had been released by the Corpo-

ration. Some assistance is provided for transport vehicles, furniture and fixtures. The Scheme has been operating in all States although the number of villages covered in different States varies greatly. Some staff training has been arranged mainly at the existing intermediate training centres.

In 1982, the Scheme was studied by an independent body [18]. Five states were selected for investigation and the main findings were as follows:

- the penetration of the scheme in the states studied was uneven, Tamil Nadu and Uttar Pradesh providing the highest and the lowest ends of the scale; as well, the level of consumer need satisfaction varied. The progress of “converting” “fair price” shops into cooperatives through administrative fiat was slow. On the whole, coverage in tribal areas (Tripura and Rajasthan) was relatively good;
- link societies (except in Tamil Nadu) confined the distribution activity largely to their headquarters and did not extend it to outlying societies. Hence, coverage of the population was limited. Reasons for this were the non-availability of NCDC/State Government assistance, management deficiency for running multiple shop operation and non-recognition of cooperatives as “fair-price” shops. The possibility of increasing the number of mobile shops was being considered;
- cooperative shops were more popular with the “weaker sections” than with others. This may have been caused by the indirect assistance given to cooperatives operating for tribes who are classified as belonging to the “weaker” sections;
- procurement and replenishment of goods at “link” societies had not been easy; there were logistical difficulties and despite Government orders that “lead” societies should supply goods to “link” societies at their doorsteps, effective delivery system had proved elusive;
- as a result, dissatisfaction with cooperative shops was widespread, the two principal reasons being the mismatch of assortment to demand and the absence of credit sales facility; and, finally,
- elected Managing Committees were uncommon.

On the positive side, the Study noted that the rural population generally welcomed the scheme and, to the extent that it was implemented, had found it a source of economic support to their household economies. Progress in sales had been substantial and the prices at cooperative shops were competitive. Many of the study’s recommendations, however, seem to emphasize

the need for a stricter enforcement of administrative orders rather than taking measures for increasing the competitiveness of cooperative shops.

Regional Offices

Seven Regional Offices spread in different parts of the country help NCDC's field work by assisting in:

- project formulation;
- promotion and implementation of programmes and liaison with State institutions and agencies;
- monitoring and evaluation of schemes; and in
- appraising and recommending to the Head Office proposals which require assistance of Rs.100,000 and over.

A visit to the Regional Office in Uttar Pradesh (UP) revealed the following. Established in 1978, the Directorate looks after NCDC programmes in UP and, through its Project Office in Bhopal, Madhya Pradesh (MP), two of the country's bigger States. (UP has an area of 294,411 km and its population in 1981 was over 110m). The office maintains a core of qualified staff, including civil engineers, refrigeration specialists as well as experts in processing and agricultural cooperation. Total staff strength is 22.

By 1986, UP had received about 17% of NCDC's total assistance. The State has an extensive cooperative structure. Government involvement is deep and pervasive; in fact, all Chief Executives of cooperative organisations, including many primaries, are government employees and not appointed by freely elected Boards of Management. There are over 8,600 PACSs, 353 marketing societies, 52 district cooperative federations, 55 district cooperative banks and 10 apex federations including the State level agricultural cooperative marketing federation.

The Corporation has been extending support to PACS for funding a variety of services to farmers. Godown facilities, including cold storages, have been set up. In fact, all PACSs in UP now own godowns. NCDC schemes contribute to share capital, encourage the rural consumer scheme, extend promotional and financial support to cooperative sugar and spinning mills, oilseed complexes, rice and lentil mills. An Agricultural Cooperative Staff Training Institute (ACSTI) has been established and with a faculty of five, it has begun imparting training to PACSs' managers. The entire cost for this is borne by the NCDC; a programme for mobile guidance to primaries has been drawn up. A Project Coordination Committee, with members from

relevant government departments, is charged with the task of maintaining coordination at the State level. The Committee reviews various schemes, identifies obstacles, suggests remedial measures and allocates responsibilities for follow-up action.[19]

Implementing Organisations in the States

(i) State Cooperative Banks (SCBs)

The Corporation channels funds to cooperatives through State Governments. The institutions responsible for implementation, especially for NCDC's internationally aided projects, are the SCBs and/or the State Land Development Banks.[20] SCBs, as mentioned earlier, provide short and medium-term credit and are the apexes of the rural credit structure in the States. The Movement in India has a heavy credit bias; it is old and extensive and is beset by some grave problems of which high rates of overdues are the most persistent. In 1977-78, 27 SCBs were in existence. Their structure varies and in some cases in the country an additional intervening tier (misleadingly) called the Central Bank operates at the District level while in others, primaries have direct affiliation with the Apex Bank.[21] Most Banks, with different kinds of support, some preferential treatment and subtle pressures from the government have been enabled to operate on profits. Government contributes to the share capital. Owned funds in 1977-78 over 1975-76 had increased by 34.8%. Membership is mixed between societies and individuals and the latter, much the minority influence, are granted loans against their term deposits. Capital base is sought to be strengthened by linking affiliated institutions' borrowings with their shareholdings. Deposit mobilization is encouraged by (i) providing incentives to local bodies and quasi-government institutions to keep their deposits with SCBs; (ii) elaborating a systematic programme of branch opening; (iii) introducing new savings schemes; (iv) improving customer service; (v) simplifying procedures; and by (vi) arranging more intensive staff training. Lending is mainly for short and medium-terms and the largest share of loans has been for the purchase of seeds and fertilizers and other farm requisites. Overdues, as noted earlier, have remained a major problem and many short-term loans have been converted into medium-term loans. An all-India Federation of SCBs exists since 1964 and takes country-wide initiatives on behalf of members. [22]

(ii) State Land Development Banks (SLDBs)

The other implementing agencies of NCDC's programmes are the Land Development Banks. We have discussed them in the chapter dealing with Long-Term Credit.

In Uttar Pradesh, it is the SCB which is responsible for implementing NCDC's World Bank supported storage project. In over four decades of existence, the SCB during the past five years has shown increase in its share capital, reserves, deposits and working capital. It has 29 branches, 12 Regional Offices and 17 pay offices in sugar factories with whom it has extensive dealings. The Bank advances loans for the maintenance and improvement of livestock, agro-industries and the development of cold storages in which the World Bank loans have played an important part.[23]

Internationally-aided projects

Support from the World Bank (WB)

NCDC has obtained support from two international sources: the European Economic Community (EEC) and the World Bank (WB). We shall confine our discussion to the latter.

Recognizing the need for extending the infra-structure for handling increased agricultural production, the WB agreed in 1979 to grant a line of credit to the Government of India, with NCDC as the on-lending channel, for support to agricultural cooperative societies. WB support to the Corporation has been in three projects known, within the Corporation, as NCDC I, II and III. According to WB abstracts, NCDC-I was meant to strengthen "the institutional framework responsible for promoting and financing development of cooperatives, particularly village level multi-purpose cooperative societies". The States involved in the scheme were: Haryana, Orissa and Uttar Pradesh. The project emphasized a more disciplined, project-oriented approach to financing basic facilities for cooperatives at the primary, regional and State levels. Investments comprised godown construction for cooperatives and supporting assistance, for instance, financing vehicles, engineering instruments etc. One result of additional go-downs was expected to be greater ease in the availability of farm inputs, especially fertilizers, at the village level. It is this emphasis on fertilizers which probably explains NCDC's close collaboration with IFFCO.

NCDC II was to "provide credit for cooperative godowns, cold storage and marketing facilities to meet the input supply and post-harvest requirements" of five more states. The support was to promote the development of cooperative institutions and expand the capability for sub-project preparation and to undertake appraisals. Additionally, the project provided technical assistance, training in marketing techniques and cold storage operations as well as research development on experimental storage facilities.

NCDC-III was initiated in 1984 when the WB further helped to expand

the project by agreeing to finance some additional components. [24] The support was for strengthening the Corporation's capabilities and for extending its involvement in new areas in the participating states. Project rationale was that it would lead to: improved and expanded facilities for marketing, input supply and storage; assist import substitution of edible oils by encouraging local oilseeds processing; increase the efficiency of cooperative ginning and spinning mills; and intensify cooperative training programmes. Additionally, it would create a positive impact on a large number of farm families by creating additional employment which, in the early construction phase, will especially benefit women. In addition to supporting the construction of several thousand rural godowns in six States, the project sought the development of 800 oilseed growers' cooperatives, soya bean processing and solvent extraction plants, establishment of 11 cotton ginneries and 5 spinning mills. There was an additional component of staff training; training institutes in 6 states had been set up and a training programme for staff of rural godowns and processing plants was undertaken. Percentage allocations of the total resources on different activities were: rural storage 23%; soyabean production and processing 21.7%; cotton processing 30.8%; institution building 2.3% and physical and price contingencies 5.6% and 16.0% respectively. The focus on storage was seen as adding a permanent asset to the PACS, facilitate the physical housing of several services (storage of requirements including consumer goods), a reduction in post-harvest losses, economies on prices of inputs by being able to buy in bulk, withholding sales until the prices favoured the farmers and, even, a meeting place.

NCDC monitors the projects, checks on the progress of construction, identifies the obstacles and suggests remedies to overcome them. Agencies involved are many and this makes the task difficult. Detailed inspection guidelines have been laid down and the State Cooperative/Land Development Bank, which is the immediate implementing body, prepares reviews of the progress of NCDC/World Bank projects.[25]

NCDC I, II and III have expanded storage facilities. A total of 8,298 rural godowns and 747 marketing godowns were completed by March 1985 providing an additional storage capacity of over 800,000 tons of which over 93% (this includes EEC support as well) was under the internationally aided projects.

Apart from the difficulties specific to individual states, other obstacles encountered were: cost escalations, legal difficulties in transfer of land to cooperatives for construction, delays in finalizing locations, shortage of qualified engineering staff, lack of building materials and delays incurred by contractors.

Two Evaluations: Haryana and Orissa [26]

The Corporation's work in the field of storage has been evaluated from time to time. Before the initiation of NCDC II, earlier programmes were evaluated and, by way of illustration, the findings of two reports are summarized below.

Haryana

Both rural and marketing godowns were evaluated. However, we shall concentrate only on rural godowns and within that, on the impact of the construction of godowns on primary societies. 33 rural godowns out of 299 were randomly selected for study. Certain key indicators had been identified by the WB. These included: several features of PACS (membership, credit, deposits, turnover, farm input sale etc.), employment and profitability calculations and operational efficiency in terms of interest rates, repayments, service fees for various tasks. Through a process of rationalization, the number of PACS in Haryana had been brought down from 6565 in 1974-75 to 2214 in 1981-82. The study found that the number of PACS financed by the District Banks had recorded some increase; average membership of sampled societies had gone up somewhat. In the societies studied, 87% of the families had been covered as against a State average of 79%. A slight decline was registered in the membership of small farmers and the "other" category, which included artisans and landless labourers, had shown a rise. This indicated increased diversification of PACS membership. Credit disbursement to societies (from District banks) which had been allotted godowns, had progressively risen. 42% of the total credit flow into societies included in the sample had gone to "weaker sections". This is facilitated by certain safeguards which operate in Haryana (1/3rd of the total advances must go to them; the concept of universal membership in PACS means that everybody who applies is admitted into membership unless there are specific grounds for rejection and the link between shareholding and credit for "weaker sections" is 1:20 while for others it is 1:10). In the sampled societies which had been allotted godowns, the percentage of overdues to demand in 1981-82 over 1979-80 had declined. The value of fertilizers distributed by sampled societies had risen in 1982-83 during the previous three years. There was, in the words of the Report, "a significant increase" in the rate of growth of deposits after the commissioning of rural godowns; the share of non-member deposits to total deposits had gone up.

However, no over-all trend was noticeable in the impact of godowns on societies' financial viability. The financial operations of 10 societies showed they had either recorded profit increases or a reduction in losses; in 15

societies the impact could not be measured as they had obtained godowns only close to the start of the evaluation; and in 8 societies there was either reduction in profits or increases in losses. Capacity utilization of godowns - the dominant commodity was fertilizer - varied among societies caused, no doubt, by the many factors which influence the level of fertilizer consumption such as the level of agricultural development in the area, seasonal factors, incidence of large and small farmers and irrigated or dry areas, proximity to urban centres.

Orissa

The Orissa Evaluation Report was somewhat less optimistic. The Report describes Orissa as "a typical backward state" with a paddy-based mono-crop economy. Its agricultural development is low. Consumption of fertilizers is 10 kg per hectare, one of the lowest in the country and the ratio of fertilized area to total cropped area is only 20.7%. Impact indicators studied were the same as in the case of Haryana. The investigation found that post project coverage by PACSs of rural families had gone up; the percentage share of small and big farmers in societies' membership had declined while that of rural artisans and others had increased. Societies' membership composition had diversified. Average credit disbursement to societies in the sample was less than the figures estimated in the loan applications; the latter figures, as the Report noted, were probably pitched too high. Credit disbursements in kind as percentage of total disbursement were lower, having declined from 32.5% in 1979-80 to 21.86% in 1982-83. The value of fertilizers distributed to cooperatives was also lower than the estimated figure in the Project Report. Part of the reason for this, the Study noted, could have been that the distribution of fertilizer in the State was done by the Orissa State Cooperative Marketing Federation (OSCMF) and Government policies had changed frequently in allocating fertilizer distribution responsibilities to different agencies in the State. According to the Report, non-cooperative sources of distribution had been increasing their share due to factors such as freight advantage, sale of preferred varieties to readily accessible areas leaving out the remote regions (pp.128-29). Value of consumer articles distributed by the sampled PACSs had registered a significant increase; this was not the case for other farm inputs such as pesticides and seeds. The percentage of loans to demands had also registered an increase, from 26 in 1978-79 to 35 in 1982-83. There was a decline in the percentage share of State Government in the working capital and a corresponding increase in the contribution of agriculturists. Employment generation had increased to the tune of 20.6% over the pre-project level; but this was caused largely by the employment of salesmen needed for managing

the non-credit business of societies.

Although it is difficult to regard storage as a sole causal factor, leading to subsequent changes in PACS, it appears that, on the whole, the WB support had led to a much needed expansion of storage facilities with its consequent advantages. However, storage facilities are used by farmers with marketable surplus. This leaves out those who are landless or cultivate only for their own consumption.

Some Issues and Special Schemes

We shall now discuss NCDC's programmes for village improvement, the shift in emphasis of PACS's activities, the Corporation's concern with equity and its attitude towards NGOs.

Farmers' Service Centres (FSCs)

NCDC's contacts with the Indian Farmers' Fertilizer Cooperative (IFFCO) go back to the time when NCDC helped IFFCO in its formative stage. Registered in 1967, IFFCO now has about 26,000 cooperative organisations as shareholders, an authorized capital of Rs.2000m of which slightly over Rs.970m is paid up. It operates four fertilizer plants. IFFCO contributes 13.3% of the nation's nitrogenous and 26.4% of phosphatic fertilizers. Its turnover was over Rs. 4,911m and it employs over 5000 personnel. IFFCO has promoted another fertilizer cooperative unit called Krishak Bharati Cooperative Ltd. (KRIBHCO). It also pioneered collaboration with Senegal in the fertilizer field. By all accounts, IFFCO is a large cooperative organisation.

IFFCO has undertaken many promotional activities.[27] One of these is the organisation of Farmers' Service Centres (FSCs) which, in 1983-84, numbered 544. [28] In addition to providing modern technical knowledge, FSCs sell high quality seeds, fertilizers and pesticides on a cash and carry basis.

Inspired by the positive results of IFFCO's Service Centres, NCDC, jointly with IFFCO, has helped to set up additional Centres. The ultimate objective is to transform selected primary credit societies into multi-purpose organisations in order to meet farmers' essential needs. IFFCO's own centres are separate from the ones envisaged under the joint scheme. In this scheme, NCDC provides margin money (Rs.20-30,000) as loan through IFFCO to each centre to enable societies to raise working capital from Cooperative Banks. IFFCO gives additional subsidy. Both schemes have similar objectives, namely, "to provide inputs under one umbrella and to

disseminate knowledge on improved agriculture to the farmers in the vicinity of such centres.” Perhaps the main difference is that IFFCO’s principal motivation is to maximize fertilizer use by farmers while NCDC’s objective is broader, developmental. The criteria for inclusion of primaries in the scheme have now been made less stringent and instead of the primary society having to show a certain percentage of loan recovery level, there is now a mention in the criteria of the “potential” of recovery. As the more experienced institution with experience of FSCs, IFFCO carries the main operational responsibility at the field level and NCDC provides major financial support. The FSCs and the rules governing their functioning are intended to (i) increase PACSs’ viability, (ii) develop selected primaries for being truly multi-purpose organisations, and to (iii) ensure transfer of advanced technology to farmers. For increasing viability, IFFCO will supply fertilizer directly to primaries, without going through higher tier Marketing Federations, allow more liberal rebates in off-seasons, pass on larger share of the distribution margin to societies, provide some assistance towards transportation and pass on the full benefit of cash rebate to PACSs. It is expected that in addition to increasing societies’ income, the measures will encourage sale of fertilizers on a cash basis. Primaries will be required to maintain separate accounts for fertilizer operations (the absence of separate accounts has been a problem in ascertaining the profitability of fertilizer operations), have the books regularly inspected and audited, the stocks verified by IFFCO’s field staff and submit such reports as required by NCDC. By the end of 1985- 86, a total of 2500 cooperative societies were to be developed as FSCs; of these, until the end of 1985, NCDC had approved 926 proposals out of a total of 1124 recommended by the Registrars of Cooperative Societies.

NCDC-IFFCO joint scheme is of recent origin and its long-term strengths and weaknesses cannot be ascertained. Obviously, the working of IFFCO-sponsored FSCs will provide guidance since the joint scheme is likely to follow IFFCO’s lead. Mention may be made of a recent limited impact study of IFFCO’s direct sale system of fertilizers on the Cooperative Movement. [29] Several primaries were studied in Madhya Pradesh and a number of advantages and problems were noted. The system’s relevance to NCDC’s work, however, will probably be marginal.

Change-over to “Single-window” Approach

NCDC’s main purpose in setting up the FSC programme is to develop selected primary credit societies into multi-purpose organisations. Part of the reason for diversification of activities stems from an expectation that the “single-window” approach will add to farmers’ convenience as well as

enhance their interaction with - and, hence, loyalty towards - the cooperative society. However, there are difficulties. The Movement in India has largely remained, as it was originally conceived, credit oriented. Despite the 1937 recommendation of the Reserve Bank of India and its confirmation by the 1945 Cooperative Planning Committee, over 50% of village societies remain predominantly credit organisations. According to an NCDC study, of the income of (sampled) societies in Haryana, over 90% was from the interest received on loans while the remaining less than 10% was from sale of consumer goods, agriculture inputs and others. The pros and cons of a multi-purpose structure have been extensively debated in cooperative literature and we need not summarize the main points of the debate. What needs to be said here is that the management capability needed in a multi-purpose organisations is of a higher order; accounting procedures will have to distinguish between areas of high and low returns otherwise the profit centres will begin to subsidize the less profitable activities and, ultimately, place a burden on the economy of the cooperative. Coordination between different activities will be needed in order to ensure that the various activities are mutually re-inforcing and are subserving members' interests. All individual activities must move in tandem and strain towards achieving a surplus. Given the present level of management in rural cooperatives, achieving such transformation is likely to prove difficult and will require intensive training of employees.

Village Adoption Scheme (VAS)

As with FSCs, NCDC was probably encouraged by IFFCO's experience in the VAS and has initiated its own work for village development.

Subsequent to the launching in 1982 of the Prime Minister's 20-Point Programme, [30] the Corporation adopted several villages for development. Elements basic to the approach are: (i) limitation of the area of operation (e.g., a village) to maximize impact; (ii) need identification and evolving suitable programmes in response to those needs; and (iii) coordination with other agencies operating at the village level. Some areas of action emphasized in the programme are: demonstration of HYV seeds, linking of credit with a lead store under NCDC's Rural Consumer Scheme, infra-structural developments, (especially the construction of a Panchayat House, setting up veterinary centres, building overhead water tanks), input supply, storage facilities, intensification of social forestry, effective implementation of family welfare programmes and others. [31]

Despite many difficulties experienced in the implementation of the programme such as political tensions (where the village institutions were

controlled by different political parties), the problem of coordinating with other agencies, obtaining legal titles and opinion differences over the siting of various infra-structural facilities, some useful work has been done. There is a genuine effort made to identify and respond to locally felt needs and to coordinate the energies of several organisations for income-generating and family welfare projects.

An Evaluation

An Evaluation of NCDC's VAS [32] programme, based on the study of selected villages spread in different parts of the country, revealed the following weaknesses:

- the programme has been diffused and a more stringent set of priorities with focussed action was needed;
- a more precise village selection criteria was needed; where implementation was lax, it was attributable to the inadequacy of monitoring and supervisory staff at NCDC's Regional Offices; adoption must be for a specific period and not open-ended; and
- problems were experienced in coordinating with other agencies; this created difficulties especially where responsibility for implementation rested outside the NCDC.

In suggesting an alternative approach, the Study recommended that the presence of non-NCDC existing schemes in the villages should be recognized and the VAS should be looked upon as part and parcel of the IRDP in which "development is the objective, integration the method and the focus is on the rural poor." The task is vast and the Government by itself cannot achieve all that is needed. Hence contributions in thought and kind are needed from diverse sources. The main objective of the VAS should be the "optimum utilization of the growth potential of the village" with the gains reaching the poor sections of the community. In order to achieve this objective, NCDC should adopt an approach which is flexible and matches the need of the village it adopts. There is no particular model to follow. A time bound programme, lasting say five years, and attacking poverty with the assistance of all institutions involved in rural development is needed. The present village selection criteria emphasizes the (i) proximity of the project location to the State capital, (ii) the village to show considerable potential for development, and (iii) the presence of an existing bank or an operational cooperative society as well as an ongoing central or state Government development programme. These criteria inevitably tended to introduce a bias in the selection of villages which are already somewhat developed. The

approach needed to be broadened and villages which have remote locations but are accessible should also be included. Village backwardness and development potential should be the two principal criteria in village selection. Once a village has been selected, an appropriate intervention methodology should be adopted. The Community Oriented Needs Assessment Model (CONA), developed in the USA was relevant. Different agencies have developed different approaches in this respect. The IFFCO Village Adoption Scheme emphasizes technology transfer motivated, partly, by its own interests, that is, fertilizer consumption by farmers. Thus seed treatment, soil testing and protection of plants from animals and pests and *gobar* (dung) manure are emphasized in the IFFCO approach. NCDC, on the other hand, places accent on income-transfer activities for the benefit of the poor.

The Committee recommended that a three pronged approach should be adopted which would emphasize (i) cooperative (ii) developmental, and (iii) distributive work. It elaborated specific tasks under each of these three groups and spelled out the obligations of the NCDC and its Regional Offices. A multi-agency approach was needed. This should include organisations such as the Apex and District Marketing societies, the State Cooperative Bank and IFFCO. Coordination with other programmes was necessary. Approximately, Rs. 500,000 per society would be needed as NCDC's financial outlay in this regard.

NCDC and the Voluntary sector : A Background

There is some concern expressed by representatives of the voluntary wing of the Cooperative Movement that NCDC might usurp their functions. Because of the extensive support the Corporation receives from the Government, it is implied that NCDC's efforts will not serve the long-term interests of the Movement. Reasons advanced are an amalgam of ideology and practical considerations.

We may begin by outlining the gulf which exists between the two "sides" and then discuss NCDC's attitude towards NGOs. But first the background.

The Movement in India started with the Act of 1904 which allowed only credit cooperatives to be formed. During its more than 87 years of existence, the Movement has now grown in many directions although, as noted earlier, its concentration has continued on agricultural credit. Especially after 1950 and under pressure for accelerated development, the Movement has come under criticism mainly for the following reasons: (i) it has moved slowly and has not responded quickly and flexibly enough to emerging needs; (ii) it has

continued to think in small, evolutionary terms without recognizing that with external push, the Movement could initiate and run much bigger projects; (iii) cooperative societies at various levels are ineffective because of lay management and are infested by “politics”; furthermore, their benefits are cornered by the elites and do not reach those who most need them. It was, therefore, important that the Government participated actively in cooperative development by providing it both financial and managerial support.

The exponents of voluntary cooperation, on the other hand, point to the (i) voluntary nature of the Movement, to Cooperative Principles and to the historical evolution of the Movement in Western countries, (ii) emphasize that self-help and mutual help are the motivating forces of Cooperation, (iii) if development is to be relevant and effective, it must be need-based and proceed from below as the top down approach will not benefit the “poor” and (iv) that if the Government were to intervene, it will emasculate the Movement by killing people’s initiative and the spirit of self-reliance (these are sometimes loosely described as the “cooperative character”) and distort priorities thus rendering cooperatives irrelevant to members’ needs.

The two divergent schools of thought have their manifestations, on the one hand, in large government machinery which exists for cooperatives (Departments of Cooperation at the Centre and at State levels, Registrars and their subordinates reaching down to the sub-inspector level) and, on the other, in the existence of voluntary cooperative institutions with their three or four tiered structures ending up with national apexes such as NCCF, NAFED etc. There is, in addition, the National Cooperative Union of India which acts as the custodian of the Movement’s ideology and the representative of the Movement. It has the two principal tasks of arranging for education and training and for organizing periodic Congresses.

The above portrays a dichotomy which is sharper than what actually prevails in the country. In practice, the Movement has been considerably assisted by the Governments in various forms and there are many meeting points between the “official” and the “voluntary” wings; NCDC provides one such meeting point.

Although the situation has been changing, the description of the Corporation in the preceding parts has demonstrated its considerable dependence on the Government. Large part of its funds come from the Government and if subsidies were to be added, the figure becomes much higher. In addition, its senior officers are drawn from the Government. The debate on Government/ Movement relationship may appear sterile, still more so, for a development organisation like the NCDC to whom it is meaningful only to the extent that the pattern of relationship advances (or retards) the process of

sustained development. The concept of development is very much under discussion and this is not the place to summarize the different points of view. Two things, however, seem generally accepted. One is that meaningful development must refer to the growth of the individual and his influence in moulding the framework in which he operates; in other words, the individual must be the subject, not the object, of development. This emphasizes the participation of the individual in the decision-making process. A top-down approach, which stifles participation, will not release or sustain a process of long-lasting development. The second aspect relates to the involvement of the poor and the weaker sections (including women) in the development process. It is contended that without their participation, the process could be seriously jeopardized. The “trickle-down” approach, so long the darling of planners, has not worked.

Potential Role of NGOs

Only recently, NCDC has initiated efforts to build contacts with NGOs. [33] The position of NGOs in developing countries is not strong; governments do not normally accept them and in many countries, especially in repressive regimes, NGOs are looked upon with scepticism, even suspicion. A recent consultation on NGOs in Asia says: “fragmentation and isolation are key problems (of NGOs)... The Governments in each of the countries in the region are working towards cooptation or control of NGO activities.”[34]

The first organized dialogue was in the form of a seminar the NCDC organized in 1985 on voluntary organisations to which a number of NGOs were invited. [35] Some illustrative comments reflective of NGOs’ expectations from NCDC are quoted below:

- “NCDC should direct its financial assistance for promoting such (Samakhya) voluntary organisations”;
- (was) “it possible for NCDC to evolve separate schemes and programmes for voluntary organisations; (the speaker) expected NCDC to take a leading role for planning and implementing schemes for voluntary organisations and suggested that some of the programmes of voluntary organisations which do not fit into the present schemes of Government may be supported financially by the NCDC...”;
- “. . . advocated the creation of a forum (for) NCDC and voluntary organisations which should meet on a regular basis to scrutinize and implement new proposals...”.

NCDC representatives, after pointing out the constitutional constraints, indicated some collaboration possibilities: it could assist societies with registration, aid the preparation of village-based projects, which could be implemented through voluntary agencies, assist the NGO projects in obtaining State Government clearance, produce materials with the objective of helping to professionalize NGO management, establish a cell for voluntary organisations to deal with cooperative development programmes, create a widely based forum and help in transfer of technology through cooperatives.

Concern with Equity

NCDC's concern with equity shows (i) in its attempts to support cooperatives formed by scheduled castes, tribals and people inhabiting hilly areas [36] and its (ii) help to cooperatives in States which are classified as "under-developed." We may consider the latter first.

When the Fifth Five Year Plan was being formulated, certain disparities were observed in the level of cooperative development in the different states. [37] The observation was a logical step inasmuch as the approach to development planning was then shifting towards equity within the country rather than concentrating on achieving quick growth which had been characteristic of earlier efforts. As a result, the Working Group on Cooperation classified the States into "A", "B" and "C" categories. The "C" class States, considered cooperatively underdeveloped, included all the Eastern States besides Himachal Pradesh, Rajasthan, Jammu and Kashmir and some Union Territories. A lower level of agricultural development and a weak infrastructure which could not fully utilize the facilities of national development schemes were considered the two primary features of under-developed States.

In an attempt to help redress the balance, a Central Sector scheme was devised in 1974-75 for rapid development of marketing, processing and storage. NCDC was the implementing body for a Rs.250m scheme which had been sanctioned during the Plan period and was supplemented by some of Corporation's own resources. Additional funds were provided in later years either by the Government or the Corporation.

NCDC's approach includes concessional rate of interest, lesser equity participation demanded from cooperatives assisted and other forms of subsidies. Contributions are made both to primary marketing societies and the apex organisations. Studies have been financed to identify problems of Marketing Federations in Bengal, Orissa, Himachal Pradesh and others. An Accelerated Storage Development Programme has been undertaken in Orissa

and Rajasthan under IDA/EEC projects. This has led, in the words of the Corporation's 1979-80 Report, to "over-all improvement in cooperative development programmes in the under-developed States and Union Territories." (p. 125)

Yet, merely concessional financial support will not correct regional imbalances. The causes of these disparities are complex. They have not been studied in depth in cooperative literature. The reasoning that these States cannot afford to meet the normal terms and conditions of loans but that they, nevertheless, possess the potential for development, which can be triggered off by liberalized assistance, appears simplistic. Concessional finance may spark off development; it may, equally, retard growth by encouraging a less than prudent use of resources thus worsening an already bad situation. Local leadership (often ascriptive, rather than achieved, in Indian villages), land ownership patterns, infra-structural facilities for agriculture, all are causal factors which lead to stunted cooperative development. Shortage of finance is only one aspect out of many. The more concessional the terms, the greater is the need for stricter vigilance by the supervising institution. More effective, of course, will be the control exercised by members of a cooperative. [38] This emphasizes the need for sensitizing members to their rights and obligations vis-a-vis the organisation through effective education and training schemes and for the development of local leadership as well as a more stringent role for supervising institutions.

Cooperatives for "Weaker Sections"

NCDC's approach to weaker sections consists in its support to those cooperatives which, presumably, involve members of the "weaker sections". These have included members of handloom, sericulture, coir, fisheries, dairy, feed mix, poultry, sheep and other livestock cooperatives. The Corporation's Report for 1983-84 gives details of financial support to these cooperatives and also notes the positive result of such support. [39] It does not - perhaps could not in a publication of the nature of an Annual Report - identify the extent of involvement of the weaker sections in the industries mentioned. However, it would seem inaccurate to assume that members of cooperatives in these fields consist entirely of weaker sections.

The other aspect of NCDC's work in this field is its assistance to Tribal and Scheduled caste cooperatives. Again, assistance is in the usual forms to Large Scale Agricultural Multi-Purpose Societies (LAMPS) and their apex organisations, and the Tribal Development Cooperative Corporations (TDCC). The latter undertake procurement and marketing of minor forest produce.

Conclusion

Limitations

We have described the organisation, structure and activities of the NCDC in some detail; we may now summarize the limitations, achievements and deficiencies of NCDC. We must note, first, that the NCDC is not a cooperative organisation; it is an organisation for cooperatives. Hence the yardstick for judging its achievements cannot be the same as those for a cooperative organisation working on traditional Cooperative Principles.[40]

- NCDC has touched only a small part of the Movement in the country. The scope of its efforts is by no means co-extensive with the entire range of the Movement. [41] Hence, NCDC's impact is to be assessed not on the basis of the vast changes it has, or has not, been able to bring about, but by its capacity to stimulate growth, offer innovative approaches and raise the Movement's credibility in areas where it is operating.
- NCDC's principal leverage is finance and, to some extent, by virtue of the reputation it has built up, its powers of persuasion. However, the effectiveness of the financial instrument is somewhat blunted by the fact that it cannot, except in the case of multi-unit cooperatives, directly intervene in cooperative matters in different States. Under the Indian Constitution, Cooperation is a State subject. This also means that the benefits accruing to the Movement are not solely due to NCDC's work; State cooperative institutions can also rightfully stake a claim. By the same token, the limitations of State level organizations adversely affect NCDC's work. The Corporation's functions are specified in the Act and this limits its flexibility for action in the face of emerging needs.
- the Corporation is heavily dependent on the Government for its leadership and finance. As a para-statal body, it does retain more flexibility than a Government Department. It must, nevertheless, bow to Government policies. Although there are several voluntary cooperators on its policy-making and management bodies and, in that sense, the NCDC is a Government-Movement partnership, the Movement remains much the junior partner. Conversely, by virtue of its close contacts with the Government, the Corporation has been able to intervene successfully on behalf of the Movement and obtain for it a place in several Government sponsored schemes such as food and jute procurement.

as a “national” Corporation, NCDC must work for the entire country resulting in a thin deployment of resources over a wide area. The Working Group on Cooperation said: “The over-all progress of the Movement is very striking. But the development is uneven in different areas in the country”. [42] This explains NCDC’s concern with the rectification of regional imbalances in the Movement’s growth.

Achievements

Despite the limitations, NCDC’s achievements are considerable and can be summarized as under:

- the sheer physical achievements of the Corporation between the years 1962-63 to December 1987 are impressive. It is doubtful - although obviously one cannot be certain - if without the existence of an organisation like the NCDC, the Cooperative Movement would have been able to record similar results;
- NCDC’s financial advances to cooperative organizations have increased significantly. In the early years, they were Rs. 100 m; the figure now is Rs. 1191.79 m. By seeking funds from the open market, it is reducing its financial dependence on the Government;
- the Corporation has provided continuity of approach in cooperative matters. This is important especially as senior cooperative officers in the Government frequently change; [43]
- the NCDC has led to the promotion of considerable rural industry as well as the development of marketing and storage within the cooperative sector. It has, therefore, been instrumental in introducing new technology in agriculture. In addition, it has provided support to apex organisations in order to make them more effective service organisations for their members;
- although the problem is complex and its causes intractable, the Corporation has made some efforts to correct regional disparities both in terms of helping to restore the balance between different States of the country but also between different sections of the population. NCDC has thus shown sensitivity to social issues in its Village Development Schemes, Rural Service Centres and some other activities;
- it has begun a dialogue with NGOs although the long-term results on its policy are yet unclear;

- by its working methods, NCDC has encouraged economic discipline in the functioning of societies it assists. As a result, it is helping to create an image of cooperatives as efficient, professional and business-like organisations. This is in contrast with the usual image of a cooperative which is considered strong on ideology and weak on business efficiency;
- within the limitations imposed upon it by the rules of a para-statal organisation, NCDC has tended to become a half-way house between the “official” and “non-official” wings of the Cooperative Movement.

Weaknesses

The principal weaknesses of the Corporation are as follows:

- its organisation is rather flat giving too many people direct access to the MD and the General Manager. With the creation of the post of the Executive Director, the problem has somewhat eased, but there is need for the re-grouping of some functions within the organisation;
- NCDC's resources are far too limited for the enormous tasks of cooperative development. It must explore new avenues for raising funds both from the open market and elsewhere. Besides, its main leverage is finance which is too narrow an instrument for developmental purposes. Limitations of finance must force it to undertake (i) a stringent delineation of its priorities which, in turn, would necessitate an intensive dialogue with the Movement and, at the same time, (ii) the Corporation should develop what for want of a better word could only be called its “moral” influence, its powers of persuasion. Its role of advocacy is as important as its other tasks; but this function has not been vigorously pursued;
- only a very small part of its work has a direct impact on the primary societies; by working through State Governments and/or Apex organisations, NCDC reinforces a process that may militate against the bottom-up approach to development. This is particularly relevant to areas where the Movement is being controlled and manned by Government personnel, as is the case in many States. Working through the existing organisations could in the long run curb, rather than encourage, local leadership. Much more attention is, therefore, needed on improving the village societies;

some of its model blue prints have been adopted in States without adequate consideration of local conditions. The Experts Committee in its Report of 1971 [44] alluded to some defects in storage construction, under-utilization of storage facilities etc. Part of the blame, of course, rests on the shoulders of State Governments. Many deficiencies have been corrected over the course of years through a more realistic planning and by the steps the Corporation has taken for strengthening its technical and consultancy services;

NCDC's acceptance of the role of NGOs is hesitant. Although there may be grounds for this attitude, the important part NGOs can play at the village level, especially in training, will only assist the implementation of NCDC's own programmes. Furthermore, there is scope for improvement of relations between the Corporation and some apex cooperative institutions. NCDC is now established enough to experiment with bold methodological approaches to cooperative development. It must not err on the side of timidity;

finally, the criticism laid against NCDC that it is nothing more than a mechanism for transferring Central Government funds to State Governments may have been valid in the early years of its existence. But now NCDC has developed close relations with many cooperative organisations; its fund of knowledge and experience has increased considerably. The 1971 Experts Committee summarizing the responses from National/State level Federations said: "The NCDC has helped the various cooperative programmes. The existence of NCDC has helped to promote non-official participation in the Movement." [45]

CHAPTER 5

Cooperative Education and Training : The Indian Scene

Early Attempts by the Reserve Bank of India [1]

The Indian Cooperative Movement has an extensive education and training network. The earliest attempts at a coordinated approach to education and training were initiated by the Reserve Bank of India which set up a Central Committee for Cooperative Training (CCCT). Constituted in November 1953, the Committee was established “for formulating plans and organizing and directing the arrangements in regard to the training of the personnel employed or to be employed in the cooperative departments and institutions in the several States.” This was a recognition of the lack of trained manpower in the Movement and the ever-growing tasks which the Cooperative Movement was to shoulder. Whatever training was being provided in Pune (then spelled as Poona) under the auspices of the Bombay Provincial Cooperative Institute had, therefore, to be regularized, standardized and, above all, expanded for the growing needs of cooperative institutions.

The CCCT had an eminent “non-official”[2] as its Chairman and a number of State and Central senior Cooperative Government Departmental officers as its members. The Chief Officer of RBI’s ACD was the member- secretary and the RBI provided the secretariat services as well. The Committee was not an ad hoc group brought together to produce a report but a Standing Committee created to show results. The RBI and the GOI bore the costs, even if the Committee was not to concern itself exclusively with the training of personnel involved in rural cooperative finance.

Integrated Scheme for Education and Training

The Committee devised an integrated scheme for cooperative education and training. Its main features were: (i) a three-fold classification of cooperative personnel as “higher”, “intermediate”, and “subordinate”; (ii) the need for the expansion of existing training facilities at Pune; (iii) the eventual establishment of regional training centres; and (iv) training schemes at the State level for the subordinate category. The training of non-officials such as members, directors and the general public was left to the NCUI (then known as the AICU).

The duration of the Senior Officers’ course was six months, of which four were devoted to theory and the remaining two to practical training. The syllabus included the study of (i) Cooperative Law, (ii) Cooperative Banking and other forms of Cooperation, and (iii) Cooperative Administration. Facilities were available for specialisation in any of the four subjects including agricultural marketing and industrial cooperation. Teaching was mainly through lectures and seminars, a practice which has now undergone considerable change. The practical component of training included visits to cooperative institutions such as Cooperative Banks and RBI’s ACD.

The intermediate personnel were trained at five zonal centres. The course lasted eleven months of which six and a half were allotted to a discussion of theoretical aspects and the remaining period was devoted to practical work. The five compulsory subjects were: theory, history and practice of Cooperation, Law, Banking, Book-keeping and Accountancy and Rural Economics. An optional area of study was to be chosen and the zonal centres offered specialization in subjects which were particularly developed in the State where the Centres were located. Local Committees were appointed to administer the Regional Centres.

Finally, the training of subordinate personnel was to be undertaken on a state-wide basis. The CCCT finalized a scheme and each State was to have two schools with a total annual training capacity of 160 candidates. The larger states could have more than two schools while the smaller ones, if necessary, were to join with their neighbour to ensure efficient utilisation of facilities. Expenses would be shared between the State and Central Governments. Faculty requirements for a school and the salaries and other practical conditions were specified.

Member Education

The training of members, directors, managing committee members, as said before, was left to the NCUI. The NCUI had elaborated a member

education scheme. It suggested the creation of mobile training units to serve the education needs of members and three stages were designated: (i) a brief but intensive reorientation of the existing policy and practice of cooperation; (ii) a course of training for members of elected committees for instruction in the nature of their duties; and (iii) the training of elected office-bearers (managing committee members and secretaries) in the business operations of the society.

The contents of NCUI's scheme were accepted. However, the methodology of implementation was modified. The scheme was introduced in selected States on an experimental basis rather than applied to the country as a whole. It was hoped that this would allow for modifications in the light of experience gained. The State Cooperative Unions were the main administrative agencies and over-all coordination was left to the NCUI. To achieve the objectives of the scheme, the entire country was divided into three parts: (i) where cooperative unions existed and functioned well, (ii) where unions did not exist but could be set up at a later stage and the immediate tasks could, temporarily, be performed by an ad hoc committee; and (iii) those areas where the small size of the State did not warrant a Union.

The CCCT met regularly, reviewed the progress, discussed faculty recruitment, compensation rates, administration and curricula to improve the programme. In considering additional financial assistance, broad principles governing assistance were enunciated and precise definitions of trainee categories were formulated. Additional information, if needed, was to be collected by the RBI officers. The length of the study period for which the trainee could be reasonably absent from his organisation and the formulation of the "model" syllabus were some other issues which the Committee addressed. And, finally, the training scheme for non-official cooperators was reviewed. With this objective in view, the State Cooperative Unions' capabilities for implementing the programme were examined and the need for publicity and propaganda work, preceding the activities of the mobile units, was emphasized.[3]

The Change

The Background

The break in the arrangement came in 1962 when a Committee on Cooperative Training appointed by the GOI in 1960 suggested a change. The Committee's Report was not unanimous and the RBI representatives on it registered dissent. The creation of a separate Ministry of Community

Development and Cooperation at the Centre had led to the sharpening, within the Government, of the call for new initiatives. The large-sized cooperative society, transcending the borders of one village and recommended by the All-India Rural Credit Survey, did not meet the approval of the Planning Commission and the National Development Council. Both favoured the small, one-village-one-society pattern.[4] A section of voluntary cooperators had been unhappy with the major role of the RBI in cooperative education. Education and training and the dissemination of cooperative ideology, they felt, belonged rightly to the voluntary sector and they had been kept largely out of the operations of the CCCT. The long and short of these discussions was that a Committee for Cooperative Training (CCT) was constituted in 1962 within the NCUI to assume the responsibility for education and training in the country. The Central Institute of Management of Consumer Business at Bombay and the National Cooperative College and Research Institute at Pune, which had been functioning for sometime, were merged to form the VMNICOM; at the same time, the member education programme was given a more practical orientation. In 1976, the CCT was replaced by the NCCT.

The National Council for Cooperative Training (NCCT) : Objectives and Operations

The reason for this somewhat lengthy digression into history is to show that the present institutional arrangement at the Centre seems to be guided, not by an objective discussion of substantive issues but, unfortunately, among others, by territorial consideration of the parties involved. This also explains the somewhat ambivalent nature of NCCT, which is anchored within the NCUI but has the Director of Training in the Government Department of Cooperation, as its Secretary.[5]

The NCCT has a Council of 27 members drawn from various organisations which is responsible for its over-all operations. Its responsibility includes the operation of the VMNICOM, 18 Cooperative Training Colleges at regional level and 92 Cooperative Training Centres, which cater for the different categories of cooperative personnel in the country today. Member education is out of NCCT's purview; its responsibility rests with the NCUI.

NCCT's objectives are to:

- formulate over-all education policies relating to cooperatives;
- plan, organize and direct training of cooperative employees; establish and manage cooperative training institutions;

- periodically assess training needs and provide for them; also organize and undertake research in training;
- maintain effective liaison with appropriate national and international institutions (NABARD, Universities, MATCOM, ICA) including schools and colleges and to suggest syllabi; also maintain high standards of educational excellence;
- provide consultancy services to cooperatives especially in management; and to
- raise adequate funds from the Government and other institutions for its operations.

Some facilities are available for foreign Cooperators as well. [6]

VAMNICOM* - The Training of Senior Executives

As the premier training institution in the country, VAMNICOM provides training for senior executives in cooperative institutions. In 1987-88, it organized 44 programmes in which 968 senior executives participated. Regular and short-term specialised training programmes are held. The core course focusses on Cooperative Business Management and short-term programmes cover diverse fields, e.g., credit and banking, processing, cooperative law, crop insurance, leadership development. Additionally, seminars are organized, some by the Institute and some in conjunction with other agencies such as the ICA. In 1987-88, the subjects discussed included: fertilizer marketing through cooperatives, management of marketing and human resource development, management of cooperative rice mills, irrigation cooperatives, rehabilitating weak land development banks, cooperative law, recovery and overdues in credit societies, technology transfer, zero-based budgeting etc. The thrust of the Institute is to help in the efficient management of Cooperatives. For the first time, the one academic year post-graduate diploma course was organized on a fee-paying basis; a part of participants' costs was paid by the sponsoring institutions. This was an attempt to build in automatic check on the worthwhileness of the course.

Mid-level Personnel

For this category, there are now in existence 18 cooperative training colleges located in different states. These cater to the needs of Cooperators in the states in which they are located. For allocating finances, the courses

* For ease of pronunciation, the Pune Institute sometimes thus spells its abbreviated name rather than VMNICOM -

are divided into A, B and C categories. "A" refers to those courses which are 100% financed by the NCCT; in others, NCCT's contribution gradually diminishes. In 1987-88, a total of 7,983 personnel were trained in these colleges. Management training for industrial cooperatives and handloom cooperatives are organized because of the growing demands of these sectors.

The NCCT reviews from time to time the training methodology and recommends the introduction of improved techniques, field-oriented case studies, role play, in-tray exercises, group discussions, panels, seminar methods etc. Outside specialists are invited to lecture. Cooperatives in the field are studied and notes and diaries written; case studies are developed by teachers. A number of cooperative societies are "adopted" to ensure a two-way communication between the class-room and the field. Some demonstration units are organized and consumer shops are set up and run by the students and the faculty members.

Junior Level Personnel

Junior level personnel are trained at the 92 Junior Level Cooperative Training Centres which are managed by the State Cooperative Unions. Their working methods of improvement and are reviewed in a special NCCT cell. These Centres are funded by State Governments except those where finances are obtained from the Cooperative Education Fund. The courses offered are of a foundation nature covering cooperatives of different kinds. Some offer specialized courses. Each Centre "adopts", as a minimum, four societies.

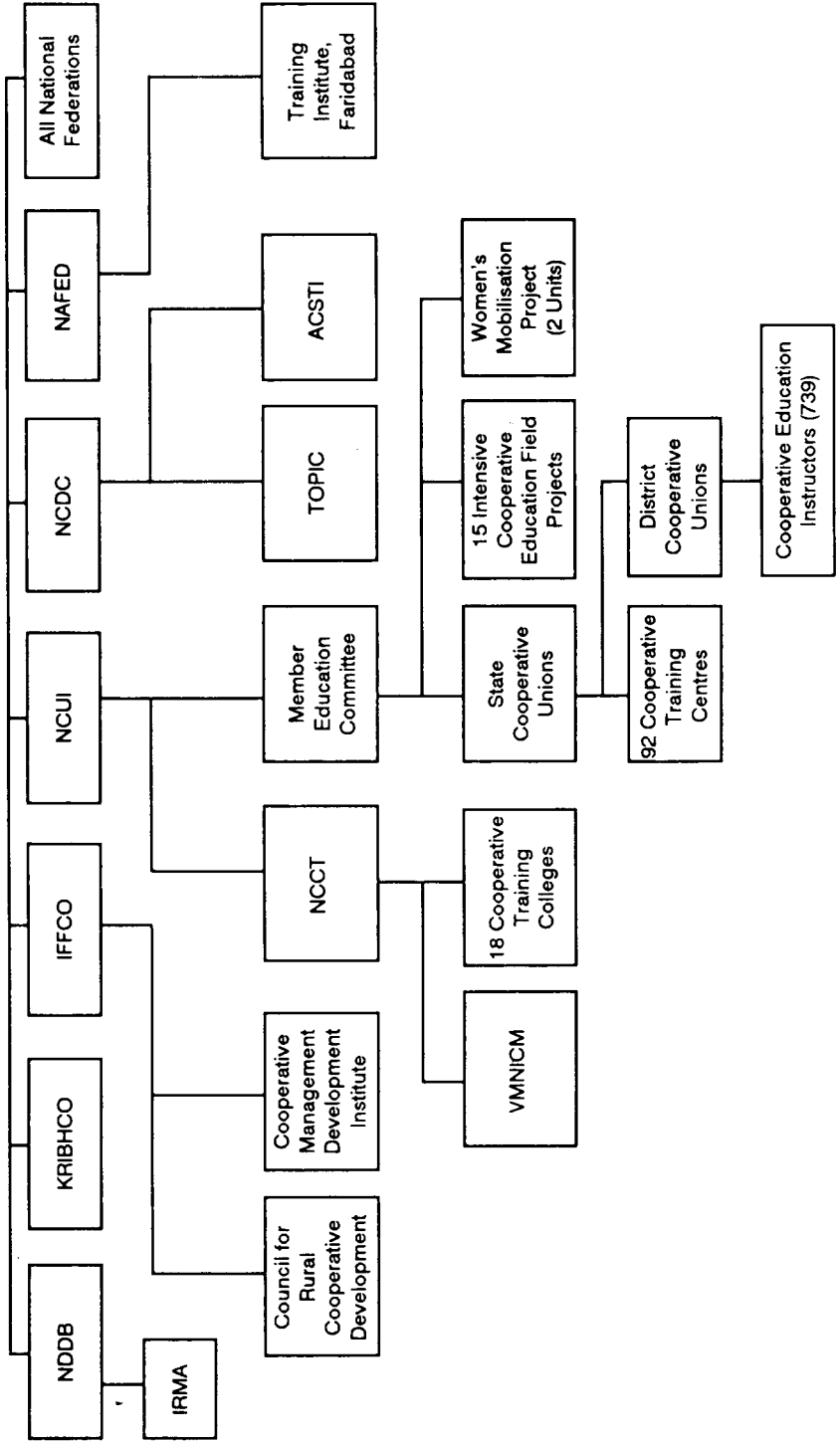
A diagrammatic representation of the training and education institutions in India is given in Chart VII.

Three Recent Inquiries

(i) The NCCT Survey

We may now take note of three recent inquiries which have commented on the existing training and education programmes in India. The first is a survey of training facilities for personnel of credit cooperative organisations initiated by the NCCT in 1979.[7] Although confined to credit cooperatives, the credit sector forms the overwhelming part of the movement and the Report, therefore, covers a very large part of the Movement. Additionally, it deals with generic issues which cut across sectoral boundaries and the discussions have wider relevance. Working on the basis of a questionnaire which was circulated to agricultural finance and training institutions, the

Chart VII: Present Arrangements for Cooperative Training & Education



Survey also identified the weaknesses and suggested the needed changes. A total of 1296 institutions were covered in the survey and the response rate was 55% (697 replies). The Report gives detailed statistical information about the responses from various institutions and the States.

The Report noted the following weaknesses. Pre-service training arrangements were generally absent. Although some cooperative training institutions had arrangements for private candidates before they were to work with a cooperative bank, these were exceptions. Schools, colleges etc. hardly undertook teaching of Cooperation. Only four Universities in the country offered special diploma courses in Cooperation and these courses did not attract large numbers. All Agricultural Universities had courses in Cooperation at the under-graduate level but only four offered post-graduate programmes. The Report recommended the initiation of pre-service training courses in rural finance and for including agricultural banking in the University syllabi. In-service training was necessary for moulding attitudes, skill development and management orientation.

The user institutions were generally satisfied with the training imparted. Their specific suggestions related to the need for practical orientation of courses, more job-oriented training, refresher courses, improvement in physical facilities (including libraries, teaching aids and material), induction of specialised faculty and introduction of correspondence courses. Trainers' views, on the other hand, laid more emphasis on the development of the faculty, opportunities for further training, improvement of teaching techniques, use of audio-visual aids in teaching etc. The backgrounds of the staff employed in cooperative colleges differed between States but generally the staff was satisfactory. Strengthening existing cooperative training institutions was preferable to creating new ones as the latter would require additional investments. The practice of obtaining finances from those institutions which sponsor trainees must be emphasized. Most of the finances came from the Central and State Governments and, although this practice will have to continue for some more time, the Movement must mobilize increased resources for this purpose.

(ii) ILO Seminars: Manpower Planning

A second endeavour in the field of education and training was the series of seminars organized by the ILO with the support of the Norwegian Government. These focussed on manpower planning in the Movement. Two regional seminars and several national seminars, including one each in Bangladesh and India, were held on subjects dealing with education and training. The main conclusions of the regional seminar held at Chiangmai in

Thailand in 1979 were discussed at a number of national seminars with a view to examining their relevance in the national contexts.

The main conclusions may be summarized as under:

1. A large percentage of the cooperative staff was unqualified; only 21% had received some training and 60% had no previous work experience;
2. in managerial positions, there was a high percentage of vacancies. In countries such as Sri Lanka and Indonesia where the situation is particularly acute, crash management programmes had been organized;
3. compared with other organisations, turnover of staff in cooperatives was high, probably because of the lack of country-wide cadres which reduced promotion possibilities, encouraged unfavourable pay scales and increased job insecurity. The high rate of turnover in cooperatives and the large investments in training were reducing the cooperatives' competitive power vis-a-vis their opponents. Objective recruitment policies were essential. These aspects must be rectified and linked to an appropriate training system if staff commitment is to be ensured;
4. manpower surveys are essential as they would reveal the weaknesses of the Movement as a business enterprise and indicate how and where remedial measures could be applied. Such surveys must include projections for the medium-term future, which would establish the training requirements and the arrangements required for meeting those needs. Manpower Planning Units should be set up within the national organisations with the additional task of promoting a progressive manpower planning and personnel policy; and
5. finally, the Seminar laid strong emphasis on the development of the faculty; an excellent physical complex is no substitute for a well-trained faculty. Adequate supply of relevant and effective teaching aids was essential; MATCOM's manuals were given high praise.

The regional seminar also discussed the role of the Government and the voluntary sides of the Movement in the training arrangements. It suggested a gradual transfer of training-related functions to the voluntary sector. As the seminar put it: "The Government policies should aim at nurturing the growth of a Cooperative Movement which will be democratic, autonomous and self-reliant".[8]

(iii) One Man Committee (OMC) on Training and Education

Appointed by the Ministry of Agriculture and Cooperation, this is a more recent evaluation done by a retired officer of the Government. The report was issued in 1989. The terms of reference dealt with (i) the relevance and the over-all effectiveness of the existing policies for training and education; (ii) evaluation of the existing schemes; and (iii) suggestions for improvement. Information was obtained from 382 cooperative training institutions and 9 management organisations. The OMC also took into account the views of some earlier committees.[9] It considered the issues under two heads: (i) cooperative training, and (ii) education.

Cooperative Training

The following aspects were examined: (i) essential ingredients of a realistic policy of training; (ii) finances for training (should these come from the public exchequer?); role of Central and State Governments; the Movement's own capability to finance the costs; (iii) is a Central agency required for administering training? if yes, its legal status and role vis-a-vis different kinds of training; (iv) measures needed to establish and maintain the excellence of training institutions; and (v) the role of cooperators in the management of training institutes.

Some selected aspects are discussed below.

Importance of Training Policy

Considering training as an essential part of cooperative development, the OMC argued that the training component, both for cooperative employees and government officials, must be included in any scheme of cooperative development. Failure to do so had harmed the Movement and led to the collapse of new schemes. Cooperative institutions often plead that they are unable to spare their employees for specific periods. It is, however, necessary that training reserves are maintained. Training should be seen as part of a broader personnel policy. Pre-induction training is essential and exceptions should only be made in the case of some minor jobs in primary societies. A short intensive programme for new entrants will equip them better for the tasks ahead and help to familiarize them with aspects of new programmes. The Cooperative Movement has branched into fairly sophisticated industrial enterprises (fertilizer, sugar processing, milk and dairying, manufacture of filaments etc.) and pre-induction programmes should be seen as aspects of a continuing, broader human resource development programme. Industrial firms have recognized the importance of such training. Cooperative management is, in fact, more complicated inasmuch as it

has to combine the creation of surplus and, at the same time, pay adequate attention to social concerns. This duality is embedded in Cooperative Principles and balancing of the economic and social aspects is not easy. The OMC asked the Central Government to bring to bear influence over the State Governments and cooperative organisations to lay down clear guidelines for such training and to ensure that aspirants to senior and intermediate level positions have received such training.

Finance for Training

The OMC outlined the responsibilities assigned to the Movement by Government authorities and national planners especially in alleviating poverty. It suggested the modalities for calculating the education fund levy. In case the response was not adequate, the OMC suggested the collection of more information in order to ascertain the precise situation and suggest measures for raising the needed funds. What was clear, however, was that the funds available were grossly inadequate. Keeping in mind that member education, financed by the NCUI, had not received the attention it deserves, it would be impractical to expect the Movement to take on substantial additional costs of training institutes. The figure of 25% which the NCUI was contributing towards training from the Education Fund was a reasonable principle. Under the circumstances, the Central and State Governments should continue to carry the financial burden of cooperative training. Nor does the fact that Cooperation is a State subject provides a strong argument that the matter should be left to the States. Simultaneously, the Reserve Bank and other financial institutions should be persuaded to make increased contributions; the participants or their sponsoring institutions should bear the variable costs of training and exceptions should be made only where training is organized for the “weaker” sections of society.

A Central Agency for Training

The OMC was impressed by the arguments given by respondents in favour of having a central agency for training. The perception of the Cooperative Movement was one of an “inter-related and integrated system” rather than a series of discrete activities. There was, therefore, the need for a central agency with responsibility for the “formulation, coordination and implementation of cooperative training programmes in the country.”[10] The scope of these activities would include (i) assessment of training needs and establishing a forum for appropriate training, (ii) effective liaison with other agencies and (iii) the conduct of some training programmes and management of training institutes.

The OMC suggested that the Central Agency should not preclude other cooperative institutions, especially, the larger ones (such as NCDC, IFFCO, NDDDB) from organizing training facilities of their own. Needs of cooperative training are too vast and diverse to be catered for by one agency alone.

The Central Agency will be registered under the Indian Societies Registration Act of 1860, rather than under the Multi-State Cooperative Societies Act, as had been recommended by the Swaminathan Group. This would ensure speedy and flexible action and would suit the needs of the Agency. Many other organisations in the country had taken recourse to a similar approach. Organizing the Agency as a para-statal body would need a parliamentary legislation which would involve considerable time.

The OMC suggested a 40 member General Council to be “nominated by Government from among national cooperative federations, State cooperative unions, Government officers and eminent intellectuals to oversee the affairs of the Central Agency.” Of these, 14 will be from the Government or Government related institutions. It will be chaired by the Minister in Government at the Central level. A smaller compact body of 15 will constitute the Governing Body which will meet frequently to provide guidance to the Director-General who will oversee the day-to-day affairs of the Agency. Special Standing Committees would look after specific matters.

VAMNICOM as the Central Agency?

VAMNICOM had suggested that it should be recognized as the Central Agency because under the present circumstances, the Director does not enjoy sufficient delegated powers to manage and coordinate the activities of lower level institutions. OMC disagreed with VAMNICOM on the grounds that the Institute should concentrate on achieving academic excellence rather than get involved in cumbersome administrative details. However, the autonomy of VAMNICOM must be ensured and the Director must have the freedom to raise matters before the Central Agency. It must have efficient staff for administering training centres and be assured of adequate funds from different sources to justify the claim of being a representative organisation. There was increasing demand in CTCs to teach through local languages. This would make it difficult to evolve common cadres as language proficiency was an element for consideration in establishing them.

The responsibility for the operation of the Education Fund presently rests with a special committee of the NCUI. The OMC found that neither the NCUI nor the State Cooperative Unions had an accurate idea as to how much they were entitled to receive every year under the Act. Collection methods must be streamlined and the Registrars should help in the process.

The Committee also commented on the salary structure and facilities for employees.

Commenting on the training institutions, the Committee suggested that VAMNICOM's major thrust should be two-fold: to develop as a genuine centre of excellence and to play the leadership role vis-a-vis other training institutions. This would involve a number of urgent tasks such as the improvement of teaching techniques, careful attention to the preparation of field case studies, improvement in the Institute's research capability and output and in the quantum of its consultancy work. Furthermore, it will need to achieve a level of credibility so that other bodies would use VAMNICOM as a training institute, charge an economic rate of fees, have CICTAB, initiated by the FAO, accepted as a SAARC institution and embark on a nation-wide programme of pre-service training. Additionally, it must explore programmes of distance education, give up the idea of having its status raised to that of a Deemed University, establish a second campus in North India and ensure that the existing staff vacancies are urgently filled.

Finally, the OMC remarked, among others, on the nature of the courses and faculty utilisation. It found the courses well-prepared especially where advance consultations had taken place with potential clients. The feed-back from participants was mainly by way of end-of-the-course evaluations and needed improvement. Post-training consultation with selected trainees would help to improve the courses in establishing relevance of training to employment needs.

On CTCs, the OMC found that the supervision by local committees was satisfactory. The powers of the Chairmen, however, had to be delineated precisely so that there would be no unnecessary interference in the daily work of the Centre. Selected Centres should be developed into Zonal Institutes. Some sectoral and management courses could also be organized at these Centres. These will involve additional tasks such as manpower planning, training of trainers and acting as resource centres. The capacity utilisation in "C" courses (where participants contribute to the variable costs) was excellent. Vacant positions for teaching staff had to be filled. Faculty development, the key for improved teaching, did not receive adequate attention.

Cooperative Education

The second part of OMC's report was devoted to issues which beset cooperative education. Cooperative education is directed at two groups: the ordinary members and committee members. The State Cooperative Unions and the District Cooperative Unions are responsible for member education

and the NCUI arranges over-all coordination. The larger part of the approach is through Cooperative Education Instructors (CEI) who are peripatetic and visit cooperative institutions organizing education by temporary visits. There are in all 739 Instructors in the country. In some areas, there has been a shift to the Cooperative Education and Development Scheme (CEDS). Under this arrangement, a group of, say, three CEIs team together to work intensively in three adjacent blocks. Initial visits are followed by repeat visits when efforts are made to intensify the knowledge imparted. Agricultural technology and farm management have been added to the contents and technically qualified government officers are invited to explain these subjects. Of the 452 districts in the country, 326 districts are following the peripatetic approach while the remaining are under the CED scheme.

Scheme for Women

Alongside these two approaches, the NCUI has developed some special schemes. In several States, there is a scheme especially focussed on women. The guidelines for the scheme were established by the NCUI. It is implemented through 78 Lady Education Instructors. They conduct short-term courses for women members, potential members and house-wives and hold two or three day courses for girls in schools. Management Committee members are trained in 5 day courses held in collaboration with the JTCs. There is, as well, a programme for the education of youth. In recent years, NCUI has made attempts to enlarge the audience by including non-agricultural organisations such as urban cooperative banks, credit societies, labour contract societies and other organizations. Some Unions have directed attention to scheduled and tribal sections of the society.

Indore Pilot Project

Extension of the member education programme to other parts of the country was based on the experience gained from the Indore Pilot Project.[11] The Programme was initiated by the NCUI with SCC and ICA's assistance. Its objectives were to: increase cooperative membership, enhance member participation by raising the attendance at meetings, initiate realistic planning for assessing the farm input requirements, ensure timely repayment of loans, increase societies' self-reliance and encourage cooperatives to undertake farm guidance activities.

The Project was evaluated by an NCUI Team. It found that the Project had created some positive results and improved the working of cooperative societies. It suggested extension of the project to other states. This has now

been done. Each project area consists of three contiguous blocks and is staffed by three qualified staff members, two of whom specialise in the fields of education and farm guidance and the third is the Project Officer. Classes are organized for secretaries, members and management committee members of village cooperatives. Women form a specific audience. Subjects relevant to farmers' needs are discussed such as deposit mobilization, the need for prompt loan repayment to ensure the efficient functioning of the society. Farm guidance relates to the production and development of crops, new activities such as dairying, horticulture, plant protection and fertilizer use. These projects have been experimental in nature and have continued in 15 selected blocks for seven years. For a country-wide impact, other blocks will need to be brought within the scope of the exercise. Another study conducted in Imphal confirmed that the societies under the project had performed better than societies in the neighbouring blocks. It argued, however, for better coordination with other agencies and suggested that more attention should be paid to the production of education materials and teaching aids. The cost per member is modest and the possibilities of replication of the project to wider areas, as well as the consequences of withdrawal from existing areas, would need to be assessed by an independent agency.

National Centre for Cooperative Education (NCCE)

The NCCE was started in 1958. Located within the premises of the NCUI in New Delhi, it is meant mainly for the education and orientation of the CEIs. It also conducts leadership development programmes, pedagogical courses and provides support to all NCUI member education programmes. The Centre receives three to four hundred trainees every year and its capacity utilization in 1988-89 ranged from 50 to 92.4%. Earlier, the NCUI, agreeing with the recommendation of the Sisodia Committee, [12] recommended the expansion of NCCE to cover more programmes, including aspects of training. The OMC did not agree with the suggestion. If implemented, the OMC felt, the NCCE would move into the field of management and go beyond cooperative education which, in India, relates to member education and not employee training. It was better, instead, to strengthen VAMNICOM for management training. Nevertheless, the needs of member education were vast and noting that in 1989 cooperative membership was 145 millions, the OMC recommended strengthening the NCCE's faculty. For this, it suggested maintaining a systematic experts panel and inviting outside experts to lecture on issues confronting cooperatives, and then to evaluate carefully the leadership training programmes by analysing the improvements initiated by participants after they had gone through the

programme. This would require some organisational additions to the NCUI.

On financing, the OMC reiterated the need for regularisation of the Education Fund and improvement in its collection methods. The Fund was estimated to yield in 1989 a revenue of Rs. 7.1 million. It must be ensured that cooperative education was the first charge on the Fund and only a limited amount, say 25%, was diverted to training. Separate sectoral support was to continue for programmes of industrial and handloom cooperatives.

The OMC noted the following four weaknesses in the member education scheme: (i) the inadequacy of CEIs for meeting the very large needs of members, potential members and directors; the number of women instructors, it noted, was hopelessly inadequate; their increased strength will create a multiplier effect; (ii) similarly the number of Education Officers, who supervised the work of CEIs, was also insufficient leading to ineffective supervision (in several States, the Education Officers or their deputies were not in place); (iii) the materials available for peripatetic Inspectors and the back-stopping facilities for CEIs were not upto the mark; and, finally, (iv) there was need for coordinating cooperative education work in the field with other programmes of functional and adult literacy.

Other Training Facilities

As shown in the chart on training and education arrangements, several large cooperative organizations have created their own training facilities. They contend that their requirements are too specific to be catered through, what they perceive as, generalist training available elsewhere and that their requirements are sizeable enough to justify separate arrangements. Not all are devoted exclusively to the training of Cooperators. Two such endeavours, namely, the Institute of Rural Management (IRMA) at Anand and the Training of Cooperative Personnel in Cooperatives (TOPIC) set up by the NCDC, are described below.

IRMA

IRMA was created in response to the much-needed training requirements of rural institutions, especially those engaged in the dairying industry. IRMA's principal support comes from the NDDB which wanted to create a cadre of rural managers largely, but not exclusively, for producer cooperative organisations. In fact "IRMA's founders envisaged it as a custodian of the true spirit of the Anand pattern, the hallmark of the Dairy Board's ethos and philosophy stressing the partnership between the rural people and professional managers working through democratic organisations owned and effectively controlled by the former." [13]

The main elements of IRMA's training work are: a two year residential post-graduate Programme in Rural Management (PRM); short-term intensive programmes for those already employed in rural organisations; consultancy services to cooperatives which also result in IRMA's in-house store of teaching material; and research in the management processes of rural institutions.

Of the above, IRMA's main area of engagement has been the PRM. Approaches to the conduct of this course concerned with rural, as distinct from generalized, management have been intensively discussed. Current thinking seems to emphasise the following: (i) the concept of enterprise within agriculture; (ii) a cross-disciplinary social sciences approach to the subject; (iii) analysis of the surrounding political environment within which rural managers operate; and (iv) the internal universe of rural organisations. Stretching over 85 weeks, the programme concentrates on class-room work, field visits and practical training. For developing management skills, the course focusses on financial management, marketing and distribution, organization theory, operational research and simulation theories. Case method is adopted as the principal instrument for class-room teaching. Production of adequate and suitable teaching material remains a genuine need. Identifying suitable organisations for study, where the constant presence of researchers will not unduly interrupt the work of the organisation, remains a problem. Techniques for watching the rural environment are discussed and skills and methodologies for the observation of the rural situation are noted and analysed. Inducing change in rural communities encounters the heavy over-lay of traditions and hence broad-based methodologies in the field are adopted. Reports and diaries of visits are written and discussed in open student-faculty meetings. This helps to sharpen participants' presentation skills and analytical faculties.

Post-training analysis has revealed the following. Of the 350 IRMA graduates, 250 have accepted employment in rural cooperative organisations. Inevitably, there has been some "leakage". A number of constraints have been experienced by the trainees in their work situation: the work environment is not always conducive for managers to apply their newly acquired skills thus causing frustration; established bureaucracies in cooperative organisations are often unreceptive to new ideas; the culture of professionalism is missing and hence trained managers are not always accepted. The last is, no doubt, caused by the long tradition of honorary work in cooperative organisations. These difficulties have forced attention on the profile of entrants to the PRM so that qualified graduates will have less difficulty in being accepted in rural organisations. Short joint seminars

consisting of PRM participants and Presidents and Board members of producer cooperatives are also considered.

NCDC and the Training of Personnel in Cooperatives (TOPIC) [14]

Under the rubric, TOPIC, NCDC operates its own training programme. Initiated under NCDC-III in 1984, the training programme is specifically related to areas of rural storage, cotton and soya bean processing which are supported by the World Bank. The project is implemented in collaboration with State Governments and Cooperative Banks. The allocations on different components of institution building are as follows: setting up Agricultural Cooperative Training Institutes (ACSTIs) - 28%; Training of "A" category staff - 0.9%, "B" category - 35%, "C" category - 2.2%; mobile consultancy through guides - 11%; and the National Centre - 15%. (The categories relate to the staff to be trained; "A" have the widest and "C" the narrowest of responsibilities). For the storage (go-down) personnel, it is estimated that 20,000 people will need training. That will cost approx Rs. 135.23 million. The training programme will identify the training needs, design a programme based on those needs, produce training material, set up skill development programs for senior and junior level personnel, establish mobile units to encourage member participation, extend on-the-job training for junior personnel and monitor and evaluate the training.

A National Centre for Cooperative Trainers' Training and Material Production (CCTTMP) has been established in New Delhi and State level Centres are being set up in stages. These will function under the supervision of the State Cooperative Banks or the LDBs and a senior officer will be responsible for this task. As an example, in one State, Uttar Pradesh, (which the author visited), the Centre was set up some years ago and will be concerned with the training of "B" category personnel who consist of over 2,000 senior personnel of PACS and the staff of the godowns of marketing societies. A faculty of five specializes in credit, marketing, consumer, accounting and storage. A four week programme dealing with the management and operations of PACS has been set up. Participative methodology is emphasized.

Mobile guides (MGs) are used for undertaking peripatetic training of PACS employees. The PACS are mainly involved in dispensing short-term credit and training focusses on that aspect of their work. However, in recent years, PACSs' functions have diversified to include the stocking and retailing of agricultural inputs and consumer items as well as the purchase of foodgrains. Some efforts are also directed at savings mobilization although the success in this field has been sporadic. The enlargement of PACS' activities has caused strain on their management resources.

The principal functions of MGs are to impart on-the-job training to “C” class personnel (salesmen, godown assistants etc.); prepare a business plan in consultation with society’s authorities; help the society to achieve the plan targets; represent the societies in their charge at higher levels; ensure that PACS observe Cooperative Principles; ensure efficiency in management and monitor their performance and provide feedback to the NCDC’s World Bank supported projects. Generally, an MG has charge of 25 societies and at the end of the first two years, the expectations from MGs’ efforts are that the society has been able to create the basic infrastructure, regular meetings have been held, the number of defaulters has been reduced, profits have been earned and dividends declared and societies will have effective, functioning Presidents and CEOs who would have received training. Finally, a month-by-month plan of work has been elaborated and time is allocated for MGs activities for a two year period. [15]

Although detailed planning is an advantage, it appears that the tasks envisaged for the MG, who is the key actor in the game, are too diverse and difficult to achieve. A closer analysis of his duties will require him to be a planner-cum-implementor, an advocate, a canvasser for ideology and a monitor - a range of skills which is difficult to find in an individual who, if previous experience of Community Development Schemes in the early sixties is any guide, will remain at a lowly status. Besides, the MG will be working in a peripatetic situation which, especially in times of adverse climatic conditions, will be difficult.

It is difficult yet to draw some general conclusions. However, the following five suggestions would help to improve the MGs scheme.

First : the selection and recruitment of MGs needs to be done with care. The framers of the programme recognize this when they say: “Selection of the trainer, his approach to the job, his motivation and above all the manner in which he carries his duties and functions and acts in relation to primary cooperative would determine his effectiveness.” His acceptance by the village community is essential for the success of the programme; experience shows that people chosen from the local community enjoy greater acceptance within the community.

Two : a flexible application of the scheme is essential. Conditions, both climatic and sociological, differ greatly. Dichotomies may be struck at a scale which are meaningless in a micro-context. The administrator’s and village level workers perceptions often differ; a centrally elaborated scheme, therefore, needs careful local adaptations.

Three : the success of MGs depends upon effective back-stopping

support. It should be available when needed and should be field, rather than desk, oriented. State Cooperative Banks and ACSTIs are supposed to provide such support. Over time and with the feed-back from MGs, such support would become more effective but only if conscious and deliberate efforts are made.

Four : active and competent NGOs could provide support to the programme. But the NCDC so far has not made any serious move in establishing rapport with such organisations; NCDC's ethos remains predominantly Government-oriented. Selective use of the experience of NCUI, Samakhya, Amul and others would be beneficial.

Five : successful PACS should be used as training grounds for personnel of those societies which are not doing well. Nothing is more easily learned, accepted and retained than a successful organisation's experiences achieved roughly by the same strata of population in a broadly similar environment.

Some Issues and Concluding Remarks

Without attempting to assess in detail the education and training system in India, we may highlight some selected issues and add some remarks. [16]

1. Estimating Manpower Requirements

Clearly the structure for education and training in India is extensive although in the absence of accurate projections of future manpower requirements, it is difficult to say if the output of trained people is adequate for the Movement's present and foreseeable needs. A detailed exercise to determine the manpower needs has to be carried out at the local, State and national levels. This will have to be done both sector-wise (credit, marketing, consumer etc.) and according to job specifications such as credit officers, accountants, salesmen, warehousemen.

2. Over-emphasis on institutional training

Institutional training is over-emphasized. Class-room teaching, especially in a Movement concerned with practical issues and meant for mature audience, must accommodate field situations and problems. Field visits, therefore, must figure prominently as integral parts of the programme. Carefully selected societies, where trainees can spend adequate time, studying the working and problems, writing up diaries recording their observations and collecting material for case studies for use in the class rooms, must form essential parts of the teaching aids. The material so collected would

make teaching increasingly relevant to the needs of the Movement. Curricula, at the best of times, are a distant reflection of reality and the gap between the two must be narrowed as much as possible.

During the past decade and a half, there has been discussion in the Indian Movement on improving the content of training and for making it increasingly relevant to the Movement's needs. There is talk of creating "centres of excellence". This has, among other things, sharpened the emphasis on the use of modern teaching aids, improved teacher orientation and effective field training. Contacts with some international programmes such as AMSAC, MATCOM and CEMAS have helped to focus attention on the need to review teaching materials and techniques. [17] The effectiveness of the suggestions will depend, however, in the first instance, upon the willingness of the teachers to adopt the improvements. To repeat a cliché: education and training are very much culture bound and a number of societal factors, and the attitudes moulded by them, constantly intrude in the classroom situation. Kierkegaard, the Danish existentialist wrote: "To be a teacher in the right sense is to be a learner." The hardened attitudes in Indian training institutions make this approach rather remote because it runs counter to the concept of traditional *guru's* infallibility. The free-flowing discussion in which both teachers and the taught learn from each other still remains to be accepted and practised. What Paulo Freire calls the "banking" concept of education [18] in which the teacher is the depositor and the students the depositories, still remains the general rule in Indian cooperative training centres.

3. Member education

The programme of member education is weak. As owners, it is essential that members are instructed in their rights and obligations vis-a-vis their societies. The rather rigid classification between members and employees overlooks the integrated nature of a cooperative. Organisationally, a strong and active link has to be established between the NCCE and the training centres; at present they operate in isolation from each other.

The member education programme categorizes the audience into members, committee members and potential members, the last meaning the general public. There seem no efforts directed at the development of a second rung of leadership. Hardly any attention is paid to the education of the general public, probably because of the difficulty of establishing priorities in what appears to be an amorphous audience. One approach would be to concentrate efforts, in the first instance, on specific groups in society such as trade unionists, teachers, journalists and housewives. This will make the

efforts cost-effective as the training of these groups will create multiplier effects.

4. Need for "rolling" training for employees

There are no flexible, on-going training programmes available for employees. Once a participant leaves a training institution, there is a finality about his exit. There is the need for a more realistic appreciation of the dynamics of the process and to strengthen the link between theory and practice. Field problems do not remain frozen and new situations raise new issues with which employees have to grapple. A "rolling" arrangement by which employees have the opportunity to go back for training at different stages of their careers will help to update them in new developments.

5. Inter-action with outside institutions

Inter-action of trainees with outside training institutions and knowledgeable people needs to be increased. The Movement is treated as a closed system and in-grown attitudes abound. This inhibits cross-fertilization of ideas. A Movement which, ideologically, envisages the creation of large parts of the universe within its own "image" engenders inward looking attitudes. The situation needs changing and a more deliberate attempt to arrange the flow of ideas from outside into the Movement will have to be ensured.

6. Need for adapting the curricula to local needs

Local input into structuring the curricula will have to be considerably increased. A syllabus drawn up centrally can hardly encapsulate the diversities of situations in India. Identification of local needs and curricula adaptation in accordance with those needs will help to increase the relevance of training programmes.

7. Practical facilities

A number of practical matters need urgent attention. These are: the compensation packages for faculty members, their social status, physical facilities such as libraries, hostel arrangements, etc. Cadreisation, although beset with difficulties, (especially if it has to accommodate local specificities e.g., teaching in the local vernacular), will improve the recruitment of teachers into the Movement and help advance their promotion prospects.

8. Need for increasing the appreciation of Education/ Training

Recognition of the importance of education and training in the Movement is not widespread among policy-makers. The tradition of voluntary work in the Movement, giving rise to mistrust of qualified people, may be partly responsible for this. Selection of personnel for training, their availability, post-training adjustment are not given the attention they deserve. Budgetary allocation on education and training suffer the first cut at the sign of an oncoming recession, a time when training is supremely important. This would require raising the consciousness of policy makers to the essentiality of training. The most common concern expressed by policy makers is the evaluation of the results of training. Education evaluation techniques will have to be evolved, refined and adapted. Converting education results into Rupees and Paises is elusive at the best of times. An end-of-the-term evaluation - sometimes called "happy-face sheets" - (forms trainees are asked to fill up) may leave the teachers happy but do not carry conviction with the Board which is more concerned with the bottom-line results of the organisation. A four level assessment may be suggested. The "happy-face-sheet" is just one to which could be added the use of tests at the beginning and end of a training course, repeat tests at the end of six or nine months while the trainee is at work to see how well the trainees have retained the acquired skills and, lastly, a subjective assessment when the trainees are asked to review the extra material benefits they have generated for the cooperative as a result of the training received. [19]

Some organisations, on the other hand, feel that tying training to operational results is not cost-effective as it requires data which is often unavailable or unwieldy. Besides, causal relationships are difficult to establish. The important thing is to keep a balance and not go overboard in assessing training results.

9. Motivation for training

Connected with the above is the fact that many societies are hesitant to spare personnel for training either because they are short handed or the authorities do not appreciate the advantages of training. Apart from raising the policy-makers' consciousness to the importance of training, some additional motivation could be provided such as (i) pegging salaries more closely to skill development rather than to seniority considerations; (ii) more explicit contractual arrangements regarding the obligations flowing from training for both employers and employees; and (iii) providing flexible hours for facilitating return to the training institutions. The introduction of some of these suggestions would require changes in deep-seated practices as well

as a careful analysis of their economic implications.

10. Pre-induction training

This is missing and is perhaps indicative of the fact that recruitment needs have not been specifically defined to match the needs of the organization. Pre-induction training will concentrate on corporate culture, the nature of the task and the environment in which the employee is to work. It will, in short, facilitate entry and make it less of a “traumatic” experience for the entrant.

11. Recruitment and Training of Teachers

The ideal “mix” in a teacher’s background is often debated. In recruiting a teacher, should one look for facility in teaching skills or close familiarity with the subject? If an individual combines both, that is, of course, ideal. If not, it is probably preferable to select a person with ability in good communication skills and then have him instructed in knowledge of cooperatives.

At present there is no regular programme for the training of teachers. It is essential that members of the faculty have the possibility of updating their knowledge. Teaching methods are traditional; the use of modern aids is exceptional. The psychology of learning tells us that teaching should be done in a small group with the teacher acting as a participant-facilitator. Attitudes tend to be authoritarian and Government proximity to training institutions does not help the situation either. The Movement should not think in terms of creating its own teacher training institution but rather make arrangements with some training colleges of which there are many in the country.

The above comments may appear too harshly stated; they must, inevitably, overlook the many exceptions which are bound to exist in a Movement of the size of the Indian cooperative network.

CHAPTER 6

Education and Training in Pakistan

The National Centre for Cooperative Training (NCCT)

We will now turn to Pakistan and examine the education and training facilities available within the Cooperative Movement.[1]

The FBC set up in 1979 a Training Institute for the improvement, in particular, of PCBs staff, the Cooperative Movement in general and the training of the Federal Bank's own staff. The Institute got its permanent status in 1980 and was upgraded in 1987 as the National Centre for Cooperative Training. The FBC, as discussed earlier, is at the helm of the country's cooperative credit system. Besides, there are, in all, 207 branches of the PCBs and about 59,000 cooperative societies in the country of which approx. 42,000 units form part of the FBC credit system through the PCBs. Many, perhaps most, employees and members need training.

About 500 officers and a large number of clerical personnel are on the staff of the PCBs and their affiliates. FBC's work continues to expand under pressure from the State Bank to enlarge its coverage and provide more finance for agriculture. This is caused, partly, in order to create a direct banker- customer relationship between the PCBs and its borrowing societies. A field officer scheme has been introduced in the Provinces of Sind, NWFP and Northern areas. There are plans for the expansion of this scheme as also its extension to other PCBs.

The NCCT organizes routine training for officers of the PCBs, the FBC and runs some other programmes such as the training of trainers of the Provincial Cooperative Colleges. Management training of senior officers of large societies and those for whom there are no other training arrangements has not so far engaged its active consideration. It will also have a role in the training of staff required for the project financing activities which, at the time

of writing, are presently under discussion for support from the Italian Government. When project financing scheme starts for a period of four years, 758 field officers are planned to be employed and many will need training. At an appropriate stage, NCCT could also undertake the training of foreign nationals. Additionally, it would liaise and coordinate its activities with other national as well as international agencies. The training needs are, therefore, very large.

The NCCT has very little to show for its 12 years of existence. Even its objectives and functions have not yet been clearly spelled out.

The NCCT hand-out identifies ten activities which it is to undertake: formulate overall policies/plans for training; arrange for the training of senior personnel; undertake periodic training needs assessment; liaise with other relevant institutions (Government, Universities, other Banking institutions); establish and manage cooperative training institutions and identify problem areas needing research. Furthermore, the NCCT is to arrange training for technical staff of teaching institutions; promote education in Co-operation in schools and colleges, (and for this purpose, formulate syllabi, standardize tests and publish text books); evaluate courses on Cooperation as taught in various institutions; and provide consultancy services to cooperative institutions especially in the field of management.

So far, 1306 participants have attended the courses organized by the Centre. These have mainly included officers of PCBs, the FBC and the Departments of Cooperation.

Some other courses recently approved by the FBC's Board are: two in-service training courses which will concentrate on Banking Law and Practice, account keeping, Cooperation and credit, general development economics and agri-business management, project preparation. Others are two pre-service training courses for introduction to work in cooperative organisations; several short duration workshops for officers of cooperative banking institutions; and two special courses on subjects of importance to Banks' and the departmental staff.

The NCCT proposes a training programme for the consideration of the FBC Board. For 1988-89, the following main activities were suggested: one/two in-service training courses for the theoretical and practical training of PCBs' employees; one pre-service training course for field officers of PCBs and the FBC; 4 to 5 field short-duration workshops mainly to acquaint cooperative personnel with field problems. Others suggested are: one or two specialized courses for teachers and principals of cooperative colleges (for this, services of outside teachers from Open Universities, Rural Devel-

opment Academies etc. will be obtained); two to three management courses for FBC staff and some miscellaneous activities such as organizing special lectures and film shows.

The total staff of the college is 29 of whom 8 can be regarded as faculty members including the librarian. It is housed in rented premises with grossly inadequate facilities, with only one class-room which can accommodate 20 trainees. The Principal is responsible to the MD of the Bank. All costs of the participants, including a small pocket allowance, are borne by the FBC but the salary costs remain the responsibility of the employer. Some audio-visual and computer facilities are available.

In addition to the NCCT, some other educational facilities exist in the country such as the Pak-German Institute of Cooperative and Agriculture in Multan, a Regional Cooperative Training Institute in Bahawalpur, a Cooperative Training Centre, Rawalpindi, the Sind Government Cooperative Training Centre in Hyderabad, Cooperative Training College, Peshawar, and the Cooperative Training College, Faisalabad. Of these, we give below some details about the Peshawar, Hyderabad and the Faisalabad Training Colleges.

Cooperative Training College, Peshawar, NWFP

Established in 1958 and up-graded to the status of a college in 1975, the College concentrates on the training of departmental staff from sub-inspectors to Assistant Registrars as well as managers of big and primary societies. A seven month programme is organized for Assistant Registrars and Inspectors and smaller duration courses for other personnel; office holders and member education courses last three days. Syllabi for assistant registrars and inspectors concentrate on Cooperative Law and Practice, Principles of Cooperation, accounting, business management, general economic and community development. For large societies, trained managers are required and the courses for them concentrate on the same subjects as for Assistant Registrars but with less focus on Cooperative Law. Secretaries of primary societies are often honorary and these societies normally deal with only credit. Courses for them concentrate on the duties and powers of secretaries, objectives of cooperatives and accounts and book-keeping. Courses for Managing Committee members focus on the objects of cooperatives, Principles of Cooperation with emphasis on thrift and the role of the General Body and the importance and purpose of holding regular general and specialized meetings.

The courses organized by the Peshawar Training College during the years 1986-87 and 1987-88 sessions are shown in the following table :

Table 16: Showing Courses Organised by the College during 1986-1988

Categories	1986-87		1987-88	
	No. of classes	Participants	No. of classes	Participants
Asst.Reg/ Inspectors	-	-	1	45
Sub-Insp	1	29	1	26
Mgrs. of big societies	1	14	-	-
Secys	20	437	28	750
Mg Cmmtte members	17	523	15	504

Weaknesses

A note prepared by the College identifies the following deficiencies. The teaching methods do not take cognisance of modern approaches. The teacher is not a facilitator and for the participants it is not a learning experience. Use of audio-visual equipment, participative techniques such as group discussions, refresher courses, evaluation, study tours, case studies and follow-up methods are rarely used. Facilities and funds for these are not available. There is considerable lack of teachers' who have had instruction in training methodology. As the note says: "The College is relying on the training manuals and techniques that are quite old and out of date. They need to be brought upto date keeping in view the changes that have taken place in the contents as well as techniques and methodology." Physical facilities are meagre; hostel accommodation is not conducive to reflection and study; the library is accommodated in one room which is 14'x12'.

The Sind Cooperative College, Hyderabad

This College has, comparatively speaking, a more modern building. Originally established as a Regional Cooperative Training Institute in 1958, it was raised in 1979-80 to the status of a College at a total cost of Rs.2.20 m. It has an administrative building, a two storey hostel and living quarters for different categories of personnel. In 1983-84, its total budget sanctioned was approx. Rs 600,000 both on capital and revenue accounts. In 1987-88, its

total budget was Rs 245,446. With the elevation in its status, a wider category of audience was invited to participate in its facilities including Assistant Registrars and some field personnel. Until 1988, it had organized 5 courses for Assistant registrars and Inspectors, 4 six-month training courses for sub-inspectors, 16 refresher courses and some field courses and mass education programmes. Teachers are recruited from the Cooperative Department, not entirely on the basis of their backgrounds in training and capabilities in allied fields. The college has a library of about 3000 volumes but has no librarian. Teaching techniques adopted are confined to lectures, precis-writing, library studies, field training and research. The deficiencies are about the same as those in the NWFP Training College.

The Government Training College, Faisalabad

This institution, founded in Lahore in 1952, was raised in 1960 to the status of a college from that of a Training Institute. The College is the premier training centre for the Cooperative Movement in the country. With the exception of the NWFP and Sind which, as we have seen, have their own training colleges, the Faisalabad College caters to the needs of the Movement in the Punjab and in the remaining parts of the country which have no training institutes (Baluchistan, Azad J & K and Northern areas). The senior officials of the Movement and the supporting departmental staff are trained here. The College has its own campus occupying 31 acres and comprises the training and administrative blocks, hostel for 150 trainees and other facilities. The College is run by the Punjab Cooperative Department; officers of the department are posted at the college as teachers and for undertaking related tasks. The teaching staff is inter-changeable with the field staff although there is a clear disinclination for staff to go to the field.

The audiences are the same as in the other Cooperative Colleges, namely, the Assistant Registrars, Inspectors, Inspectressés, Managers, accountants etc. It also conducts in-service training courses and, on request, arranges programmes for overseas trainees and has, so far, received participants from Nigeria, Turkey, Iran, Kenya and Malaysia.

The courses for Assistant Registrars and Inspectors last 7 months; the duration is reduced for junior categories. Courses for bank managers and accountants also last 7 months. Short courses are available for re-orientation in legal practice, audit, and for Assistant Registrars and inspectors. Other short-term courses are offered in salesmanship, business viability and agricultural supply. Teaching methodology is about the same as in other colleges and end-of-course assessments held twice a year, seem to be the

only form of evaluation of participants' work in the College. We have already noted the limitations of this method.

The College is managed by an Advisory Board of which the RCS is the Chairman; most other members are Government officers. The Board advises on the training programmes of the College. It supervises the Regional Cooperative Training Institute at Bahawalpur and the Cooperative Training Centre at Rawalpindi. These two offer certificate courses for departmental personnel. The Board also lays down the qualifications of trainees, prescribes admission and evaluation tests and oversees the syllabi. In addition to the Principal and the Vice Principal, the Faculty consists of two senior instructors, 6 instructors and 4 junior instructors. Guest lecturers are invited from the Department and the Agriculture University, the latter is also located in Faisalabad.

The college makes special arrangements for the training of teachers. A teacher training course is organized and outside facilities are also used for this purpose. Case studies are prepared on the working of cooperatives and are used as teaching aids.

The College is also responsible for the education of members, office-bearers and secretaries of primary societies. The training focusses on the importance of by-laws, members' rights and responsibilities, duties of managing committee members, administration of funds and agricultural supplies, relationship of directors with the employees and others. The field staff of the Cooperative Education Unit of the office of the RCS includes an Assistant Registrar (Education), 21 Education Inspectors and 21 sub-inspectors.

Some Weaknesses of the System

An examination of the syllabi for the different courses shows the rather routine classification of subjects. More pervasive is the lack of innovative, flexible approaches to teaching and syllabi formulation. Greater exposure to the field situations is necessary. Use of modern educational technology is rare; the "chalk and talk" method is predominant. Teachers have very limited say in shaping the policies; physical and financial facilities are meagre and teachers' status within the FBC and the Departmental structure is low. The close association of the training institutions with Government departments acts as a constricting factor which encourages routine, rather than, original thinking and inhibits critical analysis. Most initiatives stem from the Department and many senior faculty members are loath to criticize their parent employer, viz., the Department. Book knowledge is emphasized and

the constant interaction between the classroom and the field is ignored. Field diaries, which ought to be written up properly by visiting participants, are ignored and, consequently, the steady accretion of the understanding of field issues, which would enrich teaching, hardly takes place. These factors result in closed minds and the fresh breath of original and innovative thinking are at a discount. The author's discussion with the faculty revealed more engrossment with issues of status, salaries and promotion prospects rather than with educational matters. There is a singular lack of emphasis on education of members, managing committee members and the general public compared with the training of government and departmental employees.

To summarize: the weaknesses of the training system in Pakistan are: (i) facilities for training are inadequate for the needs of the Movement, (ii) teaching methods are obsolete, (iii) a proper system for the selection of participants is missing, (iv) teachers are recruited mostly from Government Departments without any background and aptitude in teaching, (v) facilities for teachers' training are lacking, (vi) member education is sadly neglected. No opportunity is available to coordinate the training institutes' work with, for example, open Universities some of which have produced excellent teaching and study materials and have in place a number of group contact points in the rural areas. [2]

CHAPTER 7

Concluding Remarks

Not surprisingly, there emerges from the preceding chapters a striking similarity between the Movements in India and Pakistan; they have had a shared history until 1947. At the risk of generalization, it may be said that the Movements in the two countries have not proved as effective as their pioneers had expected them to be. Credit discipline is lax, overdues abound, member apathy is widespread and leadership is riven by political factions and often plays to the hidden agenda of their political masters. The Movements are perceived as extensions of Government departments and members feel no obligation towards the cooperatives; education and training programmes are divorced from practical field situations.

In this chapter we offer brief reflections on two aspects which have strongly influenced the working of Cooperative Movements in the two countries, namely, (i) the overwhelming influence of the Government over the Cooperative Movement, and (ii) Cooperative legislation. We will then present brief information on two cases, one each from Pakistan and India, which operate without government tutelage and have achieved outstanding success.

Government-Movement Relationship

This multi-faceted area is complex and no ideal model of Government-Movement relationship could be presented which would suit all situations. All Movements in South Asia are confronted with the issue of excessive government intervention and will have to reckon with it for many years to come. That government intervention in the affairs of the Movements is excessive in India and Pakistan is clear even to a cursory observer of the Movement. Large government departments exist and government officials occupy positions even at low levels of the Movement. Senior executive positions in large cooperative societies are occupied by government officials who are “seconded” to such cooperatives. It is common knowledge that when a govern-

ment officer is about to retire, he arranges a placement with a cooperative. This extends his working period and assures him an income which is important in a situation where pensions are meagre and cannot sustain the family on the standard to which it has been accustomed.

The net result of the Government's dominance over the Movement is that the spirit of self-help - the motor force of Cooperation - is smothered; it vitiates members' priorities and drastically reduces the power of the General body of the Cooperative. Laidlaw says: "All too often, the strong embrace of Governments ends with the kiss of death for cooperatives." [1]

It would, however, be both unfair and incorrect to suggest that all Government officers "seconded" to work with the movement are guided by these motives. Many are devoted workers and serve cooperatives well. In addition, there is nothing wrong with the fact that the Movements should seek the accumulated experience of an officer. The problem arises when the loyalty of the officer continues to be with his parent department even while working with the movement, and he remains subject to the discipline of the government including its promotion and transfer rules. This causes divided loyalty and results in discontinuity in the work of the cooperative.

Although many factors account for government intervention in the Movement, the most oft-quoted reason given is the financial assistance which the Government extends to the Movement and the need, as perceived by Governments, of placing one of their own officers to oversee the affairs of the cooperative. The Minister after all is responsible for the way Government finance is used. He is the one to answer questions relating to government expenditure in the State/Provincial legislatures.

What can be done to avert excessive Government control? The following four suggestions may be offered.

Financial Help and Government Intervention

First, if government interference stems mainly, if not exclusively, from the financial aid the State provides to the Movement, it would emphasize the crucial need for the Movement to build its own financial capacity in order to be able to refuse external support. Schemes of capital formation, including imaginative use of the patronage refund, and efficient economic ventures which will establish the Movement's credibility in the market and enable it to raise additional resources from the open market, become crucial. Once the Movement acquires financial independence, it would then have the moral and material strength to say an unequivocal "no" to external interference; it would be the master of its own affairs. To continue to receive and, in fact, ask

for financial aid from the Government and then to complain of its intrusion is, to say the least, inconsistent. To further say that the source of government income is mainly from the taxes which it collects from the people, as if that gives a right to the Movement to claim financial assistance from the government, is to show ignorance of the inter-play of group interests which operate in society.

On the other hand, it is entirely fair for the Movement to make an economic charge for the services it renders to the Government. Both in India and Pakistan, the Movement has been assigned a number of tasks by the Government. In their enthusiasm for planning, the authorities have used the Movement as a tool in their developmental work. If the governing organs of the Movement agree and are prepared to undertake the extra tasks, the Movement should make a charge for the tasks it performs for the Government.

“Ideal” Relationship between the Government and the Movement: Need for Research

A second suggestion is to build, through careful research, an “ideal” construct defining the relations between the Movement and the government and the roles of the two parties. The suggestion generally offered on the division of functions is for the Government to provide a framework which is conducive to the growth of the Movement and, for the movement to concentrate on its day-to-day work. This is not specific enough. Precise details need to be worked out and contained in a policy statement and, for every day consultation, presented in the form of guidelines. What position should the Government take between the attitudes of “total indifference”, “active support” and “open hostility” and what would be the implications of each stance? There is an obvious need for research into the specifics of the subject. ICA’s Regional Office for Asia and the Pacific could undertake this research; in fact, it has already held several consultations on the subject.

Registering Cooperatives: Greater Stringency Needed

Third: there is also the need for a more stringent procedure for the registration of cooperative societies. The Movement’s strength or weakness consists in its primary societies; without strong roots, the Movement would remain weak as the primaries are the ones which send impulses throughout the entire super-structure of the Movement. Hitherto, the registration policy for cooperatives has been governed by the desire to meet targets rather than by considerations of responding to a commonly-felt need and the strength or the growth potential a cooperative may have to be of service

to its members.[2] Need ascertainment for a cooperative, before registration is, thus essential. A probationary period could be made obligatory before registration takes place. During this period, the aspiring cooperative should be asked to show, among others, a progressive increase in savings, the regularity of meetings held and the incidence of member involvement. Gradually, this would help to strengthen the base of the Movement and would, ultimately, benefit the entire structure. The well-known Comilla Project in the former East Pakistan followed this practice.

Need for “Autonomy Index”

But the above would apply only to cooperatives which are to be newly registered. What about those - the majority - which are already in existence? To them, we finally suggest, the concept of “autonomy index” should be applied. The concept is designed to measure an individual cooperative’s or a cooperative sector’s and, ultimately of the entire Movement’s capacity for self-governance. The parameters of the concept should be established through careful research.[3] As a minimum, the following six criteria may be mentioned: (i) the economic strength of a cooperative; (ii) internal capital formation programmes; (iii) the quality of its leadership and management; (iv) its credibility in the community; (v) member participation; and (vi) the existence of secondary organizations which could provide support and guidance to the primaries. Further research would establish additional criteria. Those cooperatives which are relatively “successful” will be examined first at the anvil of the above criteria. If a cooperative were to score, say, 6 on a scale of 1 to 10, active measures would then be initiated to withdraw government control from the society. The investigation into cooperatives’ capacity to operate autonomously will be conducted by selected teams of at least three members, one representing the Movement, the other the Government and an independent Chairman. These “Committees” would be set up at Provincial or State levels. The initiative for starting the process should be taken up by an appropriate organization. An agency like the NCUI in India would play a leading role in this exercise. Obviously a vigorous public relations campaign will have to be mounted to obtain the agreement of the Movement and government officials to establish the credibility of the process. The selection of qualified and objective members who will sit on the “Committees” would be a critical factor in the success of the process.

It would be argued that the process is cumbersome and complicated and would take considerable time before it could be applied to the entire Movement. Moreover, without the goodwill of the parties, it will be difficult to implement the suggestion. That is why a major effort in persuasion is required. The procedure cannot but be complicated; Government control

is extensive and has existed for about nine decades; the feeling of dependency on the Government is almost total and widespread. No easy solution exists. Once a few cases have been successfully decided, the process would gather speed and develop momentum.

Cooperative Laws

Connected with the above discussion is the nature of cooperative laws which at present govern the Movements in India and Pakistan. They are regressive, give extra-ordinarily wide powers to government officials - the Registrars - and make a mockery of the autonomy of the Movement. Cooperatives are perceived by the people at large as government institutions. We cannot allude to individual cooperative acts as they have been enacted by different States or Provinces. Weeraman *et. al.* have done a comprehensive job of analyzing the legislations in different States of India.[4] Basically, the study has pointed out - and quoted chapter and verse to support the findings - how the Movement's autonomy is infringed. The existing laws allow the state, companies and other corporate bodies automatic membership, place limitations over an individual to occupy an office for a certain number of terms, give the power to governments to remove a cooperative officer and to post supervisory staff in cooperative societies. All these attest to the extensive powers which the Registrars enjoy.

From time to time, Cooperators have protested against such restrictions. In an economic climate characterized by de-regulation and privatisation, there is now, in India, under discussion a model Cooperative Bill which seeks to remove these anomalies and give the Movement the freedom to govern itself and develop at its own pace and volition.

Model State Cooperative Societies Bill

In March 1990, the Government of India through its Planning Commission constituted a Committee "to consider and finalize the Model State Cooperative Societies Bill drafted by the Planning Commission." The final report is not yet out but the thrust of the discussions is clear. A Core Group which the Committee formed to finalize the Report has recommended severe curtailment of the unfettered powers of the Registrar in matters of compulsory amendment of by-laws, nomination on management committees, vetoing or rescinding resolutions adopted by the General Assembly, issuing directives, supersession of committees of management and several other aspects. The Bill specifies the functions of cooperative federations and unions and lays down the qualifications of a Registrar of Cooperative Societies. [5]

Some Exceptions

There are, both in India and Pakistan, outstanding exceptions where cooperatives, or organizations drawing their inspiration from the fundamentals of Cooperation, have developed autonomously and in deference to members' wishes.[6] They have made significant contribution to the benefit of the farmer-members and to rural development generally. One programme does not call itself a cooperative although it is very close to the roots of Cooperation; the other is registered as a cooperative.

(i) The Aga Khan Rural Support Programme (AKRSP), Pakistan [7]

The AKRSP in Pakistan is a rural development programme. Initiated in 1982, AKRSP's activities are confined to the three districts of the Northern Areas of Pakistan, namely, Gilgit, Chitral and Baltistan. The Programme derives its inspiration from the ideas of Raiffeisen who, in 19th century Germany, mooted the idea of joint action in order to rid the peasants of usury, and laid the foundations of agricultural cooperation. In addition, the programme has been profoundly influenced by the Comilla project which had been established by Akhtar Hameed Khan in the former East Pakistan, and who remains closely associated with the AKRSP. The Comilla project emphasized member participation, women's education, savings and extension. The AKRSP has also benefitted from Korea's and Taiwan's experiences of cooperatives and farmers' associations. It operates without government support although several international Aid agencies, including Canada's CIDA, have supported it financially from time to time. The originality of the programme, however, lies in the fact that the various strands have been woven into a pattern which is suitable for local conditions. Need identification, with the active involvement of local inhabitants, is emphasized and the focus is on the practical resolution of problems. Much of the credit for this must go to its dynamic General Manager (GM), Shoaib Sultan Khan.

Objectives and Structure

The Aga Khan Foundation is registered as a private non-profit organization in Pakistan. It has provided the seed money for the Programme and continues to support it. The Programme's objectives are to:

- help develop broad-based village level organizations that can mature into self-sustaining institutions;
- complement and supplement the activities of other development agencies, including those of the government;

- help develop managerial and practical skills by imparting training to rural cadres;
- identify and prepare development proposals and mobilize resources to implement them; and to
- develop a long-term strategy for the use of natural resources to the advantage of villagers with a view to raising productivity.

A Board of Directors deliberates upon policy matters and a GM heads the organization. A Management Group, consisting of specialists, assists the GM. Field staff is locally recruited. A number of field dialogues between the GM and the villagers have preceded project planning and implementation. Social organizers explain the importance of community participation to the residents. This is achieved through the formation of Village Organizations (VOs) of which there are now about 1100 in existence; about 280 women's groups have also been created. Social organization is an important aspect of AKRSP and it is through the VOs that the AKRSP assists the development of leadership for organization and development. At VOs general meetings, trade specialists are nominated. These specialists provide guidance in their areas of expertise such as agricultural production, marketing, credit and savings and livestock improvement. The Foundation arranges their training and pays for their services. Productive Physical Infrastructure Projects (PPI), one in each area and suggested by the local inhabitants, have been created by the AKRSP. "Together", says the WB Report, "the VO and the PPI become vehicles and stimulants for local income and employment generation." (WB's Second Evaluation Report, '86).

Lessons Learnt

The lessons learnt from AKRSP's experiences have been the following: groups bring within the grasp of isolated communities the advantages of scale; group and individual savings can be promoted provided that control of savings is retained in the hands of the group; regular savings, howsoever small, are essential for collective management; VOs promote genuine participation in the planning and implementation of programmes; economic, rather than social service, activities facilitate the creation of effective organizations in their early phases. Above all, organizations which follow these lessons can achieve sustainable development of the resources available to them.

All villages are eligible to participate in the programme provided they agree to the terms of partnership with the project entity. Two of the principal clauses in the partnership terms relate to the holding of regular

meetings of the VOs and a compulsory weekly saving of 25% out of the costs of labour provided by villagers for the development of the PPI Project.

The Programme, in short, has concentrated on the formation of VOs and Women's Organizations; identification and implementation of PPIs; creation and increase in savings; development of marketing; implementing training programmes for agricultural production, livestock and marketing; introducing appropriate technology; undertaking research and development and exploring the replication possibilities.

Table 17 shows the summary data on AKRSP Programme performance for the period 1983 - June 1989:

By most accounts, the programme has been a resounding success. It has, however, its detractors.[8] Their comments revolve around three aspects. First, bureaucracy had not taken firm roots, at least at the local level, at the time the Northern areas were incorporated into the administrative structure of Pakistan thus making the programme implementation easier. Second, support from the Foundation has given the programme an assured income. Three, the programme has been fortunate enough to recruit local personnel and has at its disposal the experience of the originator of the Comilla Project and a capable GM.[9]

(ii) The Kaira District Cooperative Milk Producers' Union, Anand[10]

Our second example is from India. There the Kaira District Cooperative Milk Producers' Union, or as it is popularly known by the seat of its location, "Anand", has shown outstanding results under the remarkable leadership of Dr. V.Kurien. The lessons of Anand are now being applied to other schemes such as Operation Flood and Oilseeds Cooperatives. There are other examples as well: sugar cooperatives which produce over 50% of the total sugar in the country and Samakhya which has been initiating the formation of voluntary cooperatives in South India.

The Anand pattern is simple and effective and works as follows. At the base are the village primary producers' cooperatives which are formed under the guidance of a milk supply officer of the Union. The Union is the secondary organization. Entrance fee to primaries is nominal and the value of a share, which an aspiring member has to buy, is also modestly priced. The members undertake to sell milk through cooperatives and the governing organs are democratically elected by members. The Committee elects a Chairman and all Committee members are honorary workers. A small paid staff is employed to look after the day-to-day work of the society. A milk collection centre measures the quantity of milk delivered and a sample is

Table 17: Summary Data on AKRSP Programme Performance, 1983-June 1989

	1983	1984	1985	1986	1987	1988	1989 ¹
<i>Village Organisation Established</i>	131	379	477	571	762	933	1,087 ²
<i>Women's Organisation Established</i> ³	10	72	100	133	174	248	271
<i>Productive Physical Infrastructure Projects Identified</i>	363	706	826	1,045	1,249	1,346	1,426
<i>Completed</i>	23	114	195	256	375	514	560
<i>Savings and Credit (Rs. Millions)</i>							
Deposits by village & Womens organisations	0.8	6.4	11.9	18.0	34.3	51.3	66.1
Credit Disbursed/year ⁴	1.0	3.2	8.3	12.5	25.7	34.6	30.8
<i>Marketing</i>							
Village Organisations Participating/year ⁵	11	8	45	164	191	215	73
<i>Training</i>							
Number of courses/year ⁶	4	8	14	16	24	37	19
<i>Beneficiaries</i>							
Village Org. Members/Infrastructure Project	12.1	31.0	35.8	40.0	45.2	51.3	53.0
Percentage of Rural Households ⁷	12	32	36	40	46	52	54
Average Members per Group	92	82	75	70	59	52	54
Women's Organiz. Membership (thousands)	.6	4.2	5.4	6.8	8.3	9.7	10.3
Average Members per Group	60	58	54	51	48	39	38
Agriculture Credit/year ⁸ (thousand households)	4.7	13.1	12.2	39.4	40.3	61.0	36.1
Marketing/year (thousand households)	0.5	0.3	1.1	4.4	6.6	8.5	2.8
First-time Trainees/year	91	179	275	347	401	770	370

1. To June 30.

2. Includes 50 village organisations in Gilgit formed since 1987 by members splitting off from existing village organisations.

3. Includes women's sections of village organisations.

4. Short and medium term.

Source: *WB Evaluation Report, 1988, 6*

5. Includes repeat participation of village organisations.

6. Also, 57 refresher courses have been held, making a total of 179 courses and 2,433 trainees attending.

7. Total number of rural households is 98,200

8. Includes double counting of short and medium-term lending to VO's.

taken for testing its quality. The testing equipment is supplied free of charge by the Union. Milk is delivered daily, in the morning and the evening. Payment is made in the evening for the milk delivered in the morning and the next morning for the previous evening's delivery. Figures are entered in the pass book of each member. Quick payment of cash to producer members has played an important part in ensuring loyalty towards the cooperatives and contributed to their success. In addition, the producers receive a bonus at the end of the year after allocations have been made to reserves.

The Union, on the other hand, provides several key services which a primary, individually, cannot obtain for itself. It buys the milk, processes it, sustains the growth of milk cooperatives and provides technical services for increasing milk production such as balanced feed, veterinary care and artificial insemination facilities. It also makes transport arrangements, separates and bulks the milk on the basis of quality and makes the payment to primaries three times a month. Mobile veterinary dispensaries are maintained and villages are visited frequently. Communication links are kept through newsletters which cover matters of interest to producers. Women's meetings are held at which extension officers explain scientific methods of animal husbandry. Women play a very important role in the dairy industry. The secondary organization provides effective service and guidance to its primary members.

The spread of the Movement has contributed to social and economic changes. The democratic process is helping to dissolve social and economic division; "untouchables" stand in the same queue as the high caste individuals; economic advantages help to emphasize the need for efficient managers; modern concepts such as organization and technology, balanced cattle feed, nutrition and health measures are accepted in the countryside; women are acquiring a new status; and uncovering new employment opportunities curbs unbridled emigration to cities.

Wider Application

The Anand model is now applied to a wider context. First, a number of dairies have sprung up in Gujarat modelled on "Anand". At the national level, the NDDDB was set up in 1965 at Anand and enunciated a programme known as "Operation Flood." The Kaira Union provided a model. The Programme has now been in operation for over 25 years. It prides itself on its fierce independence, the spirit of "Anand". Over 5,000 cooperatives are organized every year in the Project area, often, without NDDDB's Spearhead Teams, which are arms of NDDDB's assistance. Where organizations are weak, assistance is given through an effective monitoring system coupled

with field extension work and comprehensive education programmes.

NDDDB's Annual Report for 1989-90 lists some of the achievements as follows:

- increasing the incomes of small producers;
- evening out the supply in periods of scarcity and surplus thus stabilizing prices benefitting both the producers and the consumers;
- establishing a nationwide network of cooperatives which are democratically and autonomously operated;
- creation of an enormous market which sustains production increases;
- steady increase in milk procurement figures, amount marketed and the number of members and cooperatives modelled on the "Anand" pattern;
- independence from commercial imports of milk solids and the manufacture of modern dairy equipment in the country;
- improvement in the nutritional and hygienic standards of milk.

The last Impact Study has, however, revealed the following weaknesses in some regions: low level of participation by members, nominated - not elected - Boards of Unions and Federations, management by departmental personnel, poor financial results and misuse of cooperatives by leaders. ■

REFERENCES

References: Chapter 1

1. Both quotations are from Ledesma: *The Cooperative Experience in Asian countries*, CENDHARRA Manila, 1982, vii. The author repeatedly faced the rhetorical question in some South Asian countries : “How can you expect a democratic Movement to succeed in a country where the political system is not democratic”?
2. Kroeber & Kluckhohn, after a review of several hundred definitions of “culture”, arrived at the following summation: “Culture consists of patterns, explicit and implicit, for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture system may, on the one hand, be considered as products of action, on the other as conditioning elements of further action”, in *International Encyclopaedia of the Social Sciences*, New York, 1968, 528.
3. The authoritative formulation of, and commentary on, Cooperative Principles will be found in ICA *Commission on Cooperative Principles*, London, 1976; for a critical examination, see: Craig & Saxena: *A Critical Assessment of Cooperative Principles*, Saskatoon, 1984.
4. Several countries claim similar efforts were made which pre-date the Pioneers. For some earlier thinkers, who directly influenced the present day Cooperative Movement, see any standard book on Economic Doctrines, such as Heilbroner: *The Worldly Philosophers*, New York, 1986, chapter V.
5. For a background of the formulation of these Principles, see, ICA: *Report of the Proceedings of the Fourteenth Congress of the International Cooperative Alliance*, London, 1934, 131-177; also ICA: *15th Congress*, London, 1937, 145-173).
6. A discussion of this formulation will be found in: ICA: *23rd Congress Report*, Vienna, 1966, 185-215.
7. To be fair to those who were responsible for the formulation, it should be stressed that it was not easy to arrive at a universally-accepted formulation out of the wide heterogeneity which prevailed in the practices of different national Cooperative Movements. Besides, as is common knowledge, at that time the ICA was blasted on all sides by the chilly winds of the cold war and the discussion could not be entirely insulated from political considerations. The discussions in ICA’s various committees in the fifties and sixties bear testimony to this fact. Of interest is also a remark by Ivan Maisky in his *Memoirs of a Soviet Ambassador*, London, 1967, 40: “There was some importance also in the fact that the extreme right-wing Finnish Social-Democrat, Vaino Tanner, for a

number of years had been President of the International Cooperative Alliance.” Hutchinsons of London, 1967, 40.

8. Some of these questions are raised by Lambert in his *Studies in the Social Philosophy of Cooperation*, Manchester, 1963, 66.

9. To bridge this gap, the concept of Prosumer and its possible application to the Cooperative Movement should be examined. The concept has been propounded by Alvin Toffler in his: *The Third Wave*, Pan Books, 1982.

Introduction of the concept of Prosumer could have far reaching consequences on the organisation of a cooperative. For instance, it will raise, among others, the question, so far debated in rather arid terms in cooperative literature, if a multi-purpose organisation is preferable to a single-purpose organisation. Although the general pattern in industrialized countries is one of single-purpose societies, there is some evidence that the producer-consumer conflict can be resolved. Iceland and Japan exemplify this. In Iceland, the primary societies consist of producers and consumers which own the Samband at the national level; in Japan the agricultural primaries are multi-purpose societies but are affiliated to specialized organisations at the Prefectural level.

10. *Review of International Cooperation* Vol. 81, No. 2, June 1988; also in the same issue: Sven Ake Book: “*Cooperative Development and Cooperative Values*”; 61-70.

11. The discussion of democracy in organisations has a respectable lineage going back, in recent times, to Michel’s “*Iron Law of Oligarchy*” whose main thesis, to our knowledge, is yet to be successfully refuted. An alternative scenario is to be found in Lipset’s: *Union Democracy*. Unfortunately, empirical evidence on member participation in Cooperatives in South Asian countries hardly exists.

For an example of member participation in a British consumer society, see: Halsey & Ostergaard: *Power in Cooperatives: A Study of Democratic Control in British Retail Societies*, Blackwell, 1965.

12. For three notable examples of Cooperative Movements which provide international assistance, see: Saxena: *Cooperative Organization of Technical Assistance in Cooperative Movements in Canada, Sweden and the United States - Some Lessons for other Movements*, Markham, Canada, 1985.

13. Seers & Joy: (Eds.): *Development in a Divided World*, Pelican, 1972, 81-82; also see Arthur Lewis: *The Theory of Economic Growth*, esp. Chaps. II & III.

14. Gunnar Myrdal: *Asian Drama*, Pelican, 1971.

15. These are: UNRISD: *A Review of Rural Cooperation in Developing Areas: Estudios de la realidad campesina: cooperacion y cambio; Cooperatives and Rural*

Development in Latin America: An Analytic Report: Rural Cooperatives and Planned Change in Africa: Case Materials: Cooperatives and planned change in Asian rural communities: Case Studies and diaries: and Cooperatives and Development, Geneva, 1972.

16. p. ix.

17. UNRISD: *Cooperatives and Development in Asia*, 20.

18. *Behavior and Poverty in Bangladesh*, Dhaka, 1986, 59.

19. Percival Spear: *A History of India*, Pelican, 1965, 106-115.

20. Extreme sycophancy, in addition to degrading the petitioner, vitiates the leader's perception of his own fallibility and strength. Throughout the centuries in South Asia, but more particularly when court culture dominated North India, the practice of sycophancy reached new lows. It dominated many court chronicles (see, for instance, Abul-Fazl Allami who, in his *Ain-i- Akbari*, posits to Akbar knowledge of, and continuing interest in, an array of subjects ranging from the Treasury and the mint to fireworks to the Imperial kitchen to animals and their daily food intake requirements)!

Urdu poetry whose efflorescence is associated with the later Mughal courts is replete with "mubaligha", a figure of speech which indulges in extreme exaggeration of the qualities of a ruler or an elder who is customarily held in high esteem. As a recent study puts it: "It was the patronage of kings and nobles on which most poets depended for their livelihood. Their patrons expected in return not simply praise of their own qualities and status, but diversion and entertainment." Matthews, Shackle and Hussain: *Urdu Literature*, Urdu Merkaz, London, 1985, 16.

A most blatant example of excessive flattery was exhibited a few years ago when the President of Congress (I) in India said about the PM, Indira Gandhi: "Indira is India and India is Indira" much, we are told, to the embarrassment of the PM.

21. Ledesma, *op.cit.* For some perceptive remarks, see: S.S.Puri: *Ends and Means of Cooperative Development*, New Delhi, 1979, esp. 22-33.

22. Ledesma, *op. cit.* 8.

23. For some brief information on early caste cooperatives, see: Borkar & Ambewadikar: *Cooperative Movement and the Weaker Section*, Ajanta Publishers, Delhi, 1989, 39-41.

24. Mohd. Iliyas in *Dawn*, January 28 1989.

25. cf. *Manual of the Institute of Cooperative Directors*, Coop Union, Manchester; also Chapman *et.al.* *The Contemporary Director*, Saskatoon, 1986.

References: Chapter 2

1. In writing this part, we have consulted Centre for Administrative Research and Development Studies' document entitled *Agricultural Cooperative Movement in Pakistan - Perspective, Problems and Plan of Action*, Lahore, 1984, and Government of Pakistan: *Report of the National Commission on Agriculture: Report of the Committee - XVI on Cooperatives*, 1987. The latter Committee was presumably established by the Federal Bank for Cooperatives to prepare the submission on Cooperatives for the Commission.

2. *Report of the Cooperative Planning Committee appointed by the Government of India on the Recommendation of the Fourteenth Registrars Conference, Bombay*. 1946, Manager of Publications, Delhi, 1950. The Report deals with the subject of the role of Cooperatives in post-war relief on the Indian sub-continent.

Other publications dealing with the same subject but outside the Indian sub-continent are: ILO's: *Cooperative Organizations and Post War Relief*, Montreal, 1944; Herbert, Sharkes and Teneshenko: *The Task of the Cooperatives in Post-war Relief and Reconstruction*, Washington, DC, 1943; and Bergengren, Culton and Lincoln: *The Place of Cooperatives in Post-War Society*, New York, 1944.

3. In his *Friends not Masters*, President Ayub says: "Cooperatives can be useful in Pakistan, but in the field of common credit facilities. I should like to see finance cooperatives started in every Union Council, to take the place of the village moneylender who has, fortunately, disappeared; but the void left by him has not been filled. Rural credit facilities are a problem. The answer really is that the Union Councils should establish their own savings accounts and cooperative arrangements," London, 1967, 92.

4. Government of Pakistan: *Credit Enquiry Commission Report*, Karachi, 1959, 39-40.

5. See the *Sixth Five Year Plan (1983-88)* and the *Seventh Five Year Plan (1989-1994)*, pp. 126 and 606 respectively.

6. Centre for Administrative Studies, *op.cit.*

7. *ibid.*

8. Reasons for the change in the title will be found in: Government of Pakistan, *Report of the Committee on the Working of Cooperative Institutions*, Karachi, 1964, 25.

9. Centre for Administrative Studies, *op.cit.*, 31.
 10. For an argument about the relevance of the concept of the Cooperative Board, see: Ahmed: *Legal Framework for Cooperative Societies in Pakistan*, 1987, 29-34, (mimeo).
 11. For a description and the statistics relating to cooperatives in Punjab, we are indebted to the RCS Office's publication: *Cooperatives in Punjab (1979-85)*, Lahore, 1986. Some information is also included from statistics relating to 1989-90 issued by the same office.
 12. Some more recent information on the subject will be found in Siddique: "Cooperative Farming in Pakistan" in FBC's *Monthly Bulletin*, November 1988.
- For some earlier efforts, see, Sh. Mohd. Muslim: *Cooperative Farming in Pakistan*, West Pakistan Cooperative Union, Year not indicated.
- It is interesting to note that somewhat similar schemes were started in India to rehabilitate some of the refugees who had migrated from Pakistan. These were: the Mehrauli Cooperative Project near Delhi initiated by the Indian Cooperative Union and the Nilokheri Project in the present State of Haryana. The experiences of the latter were later applied to the country as a whole under the Programme of Community Development.
13. We have consulted the following documents in the discussion. *Report of the Board of Directors of the FBC on Measures for Improving the Cooperative Banks and Societies*, (typewritten, undated); the chapter entitled "Cooperatives" in the *Agricultural Commission Report* and *FBC's The Pakistan Agricultural Credit Review in Cooperative Sector*.
 14. Information supplied by the Cooperative Development and Training Department of the FBC, letter dated 23.12.1990.
 15. For the effects of IMB, see FBC's, *ibid.*, 13-14.
 16. *Federal Bank for Cooperatives Act, 1977 - as amended upto 15th June 1987*
 17. The concept is unclear and, in fact, it is sometimes contended that some existing financial organisations should not have been registered under the Multi-Unit Act of 1942. Recent happenings have rather confirmed the contention. For arguments supporting this thesis, see, R. Ahmed: *Legal Framework, op. cit.*, 39.
 18. *An Introduction: Youth Investment Promotion Society*, Islamabad, (undated).
 19. See: *Identified Agro Projects*, and *Region-wise Investment Opportunities in*

Agro-projects. The documents have been issued by the Identification Wing of the ADBP, Islamabad, 1989.

20. ADBP: *Annual Report*, 1988, 49.

21. *ibid.*, 10.

22. For some general material on the subject, see: (i) IRECUS: *Les Relations Etat-Cooperatives, Actes du Colloque International, Vols. I and II*, University of Sherbrooke; 1989 (ii) COPAC's symposium on *Government and Cooperatives*; and A.F.Laidlaw: *Cooperatives in the Year 2000*, ICA, 1980, 39-41 and 69.

23. For the situation of the Punjab Cooperative Union immediately before partition, see: M.S.Gill, *Agricultural Cooperatives*, Vikas Publishing House, New Delhi, 1983, 105-109.

24. Gill, *ibid.*, 105 ff.

25. Information supplied in a note dated November 1989 by Sh. Mohd. Muslim, General Secretary, National Cooperative Union, Lahore.

26. Even if a senior official of the Department is in charge of audit and he and his staff are clearly earmarked as such, the fact remains that the officials are accountable to the RCS. Besides, some independent firm of chartered accountants are also allowed to audit cooperative societies. Their criteria for enlistment are laid down in a Departmental paper which was supplied to the author by the RCS office in Lahore.

Moreover, the compliance with Audit Reports is perfunctory and poses serious problems as the lapses identified and infringements in accounting practices tend to perpetuate.

See the Circular of 1.9.85 by the Department concerning "Compliance of Audit Reports".

References: Chapter 3

1. For early years of development of LMBs and details about their operational modalities, see, J.C.Ryan: *The Madras Cooperative Manual*, Vol. I, Madras, 1952, 138 ff).

2. cf. *The Royal Commission on Agriculture in India*, quoted in *ibid.*, 140.

3. Quoted in Ryan, *op.cit.*, 145.

4. *Report of the Cooperative Planning Committee : op.cit.* 216.
5. RBI: *All-India Rural Credit Survey, Report of the Committee of Direction, Vol. II, the General Report*, Bombay, 1954. This is a document worth a study by all students of rural credit in India.
6. *ibid.*, 437.
7. Provided we leave out of account the National Federation in Bombay. The Federation is a purely representational body and is not concerned with the actual grant of credit to members.

For a brief account of the LMBs, see: National Cooperative Land Development Banks' Federation: *Cooperative Land Development Banks and Agricultural Developments*, Bombay, year not indicated. More detailed information on LDBs' organisation, functioning etc., will be found in: R.D.Bedi: *Cooperative Agricultural Development Banking in India*, NCCT, New Delhi, 1985; T.M.Rayini: *Cooperative Land Development Banking in India*, Allahabad, 1988. This is a study of the SLDB in the State of Uttar Pradesh.
8. Detailed data regarding the ARDC supported special debentures will be found in NABARD's Review, Statement 22, 246-51.
9. *Review of the Cooperative Movement in India (1978- 82)*, Bombay, 1987, 89-94.
10. NCUI: *9th Indian Cooperative Congress: Proceedings and Action Taken on the Recommendations*, New Delhi, 1982, 8.
11. Kahlon & Singh: *Managing Agricultural Finance - Theory and Practice*, Delhi, 1984, 99 ff; Rayini: *op.cit.*, 296-302; Bedi: *op.cit.*, 314 ff.
12. See the National Federation's paper: *A Study on the Scope for the Fixation of Graduated or Graded Instalment System for Repayment of Loans Advanced by LDBs*, Bombay, 1980.
13. *op.cit.*, 106.
14. For some additional remarks, see, *Land Development Banks - Retrospect and Prospects*, 1988, 15 ff.
15. *Report of the Committee on Integration of Cooperative Credit Institutions*, Bombay, 1976.
16. cf: Vishwanathan's Minute of Dissent in the *Report of the Committee on Integration*, *op.cit.*, 129-141.

17. The author is grateful to R.D.Bedi for supplying this information in a letter dated 12.1.1990.

References: Chapter 4

1. . All-India Rural Credit Survey: *Report of the Committee of Direction, Vol. II, General Report, op. cit.* 279.
2. *ibid.*, 345-47.
3. *The National Cooperative Development Corporation Act, 1962* (as modified upto 13th March 1974).
4. Ministry of Agriculture and Rural Development: *Report of the Informal Committee* set up to go into the question of amendments to the NCDC Act 1962 (mimeo) 1984.

Earlier the Working Group on Cooperation of the Administrative Reforms Commission (1968) had this to say on the subject of representation of “voluntary” cooperators on the NCDC Council: “While the Union Minister in-charge of Cooperation should be the Chairman of the Corporation, a non-official should be the Vice-Chairman” (mimeo), New Delhi, 582-83.

5. For understanding the status and functioning of Union Territories, see: Government of India, Ministry of Law, *The Constitution of India (as modified up to the 15th January 1980)*, New Delhi, Part VIII, 143 and art. 30, 251.

6. The term “non-official” is used somewhat loosely in India. It is meant to describe those who are connected with the voluntary side of the Movement. All government departmental officials, except those who are delegated to work with cooperative organisations, are referred to as “official” cooperators. One might well ask if the Minister incharge of Cooperatives, either at the Central or Provincial levels, elected by the people, is to be classified as belonging to the “official” or the “non-official” category. As head of a Government Ministry, he is, however, classified in the category of “official” cooperators.

The situation is similar in Pakistan.

7. Minutes of the 21st Meeting of the General Council of NCDC, October 14, 1985, 9.
8. Minutes of the 32nd Meeting of the Board of Management of NCDC.
9. Information for this part was obtained from the Agenda note entitled: “Note

on the Nature and Sources of Funds of the Corporation”, Board of Management Meeting, October 10 1985.

10. The Multi-State Cooperative Societies Act, 1984, applies to all cooperative societies with objectives not confined to one State. Its Second Schedule lists 20 such cooperative organisations.

11. The scheduled castes and scheduled tribes have been specified by 15 Presidential orders under articles 341 and 342 of the Indian Constitution. The Constitution also prescribes certain forms of protection and safeguards for them such as representation in the Lok Sabha (the Lower House of Parliament), reserved seats in educational institutions. Actual implementation of these safeguards has not been altogether easy and has created civil strife from time to time (e.g., more recently subsequent to the Mandal Commission Report).

About 21.5% of the country's total population consists of scheduled castes and tribes. The promotion of special care for the educational and economic interests of the weaker sections of the people and, in particular, of the scheduled castes and the scheduled tribes is laid down in the Directive Principles of State Policy in the Constitution. (clause 45)

12. For two examples of technical assessment of cooperative sugar factories and advice from NCDC, see: Report on *Rehabilitation Programme of Kisan (Farmers) Sahkari Chini (Cooperative Sugar) Mills Ltd., Rasra, Ballia* and a similar inquiry in the Sugar Mills in Sheikhpur, Budaun, both in UP (year not specified).

In addition to undertaking economic analysis, the Reports emphasized the need for capital structuring, proper debt servicing and the need for a better cash flow control. It is significant to point out that both reports strongly emphasized the need for a democratic management structure. In Uttar Pradesh, the entire Movement is dominated by delegated Government officers. Boards are nominated, not elected.

13. Two examples are Reports issued by the Council for Social Development: *Study of Socio-Economic Impact of Cooperative Sugar Factories: Part I - General Report and Part II - Factorywise Reports*, New Delhi, 1982 and *Study of Fishermen's Cooperatives*, 1984.

14. Based on an article by R.V.Gupta: “Promotion of Fruits and Vegetables Marketing Cooperatives by NCDC” in *NCDC Bulletin*, August 85, 8-11.

15. Gordon Booth: “Post-harvest Handling and Storage” in *Agribusiness Worldwide*, September/ October 1984, 18.

16. For a general description, see, S.K.Saxena : *Global Review of Cooperative*

Food Processing from the Perspective of Developing Countries, Markham, 1985. On dairy Cooperatives, see, two NDDDB reports: *A Note on Cooperative Development*, Anand, 1990 and *Cooperative Development Programme of the NDDDB* (undated).

On Sugar Cooperatives, see, Atwood & Baviskar: *Who Shares?*, 69-111, 1988.

17. The services provided by AIFCOSPIN, the Federation of Cooperative Spinning Mills, are summarized in an article by V.G.Puranik: "*Management and Consultancy Services by AIFCOSPIN*" in *NCDC Bulletin*, October 1985, 22-29. For the constitution and function of the Apex organisation, see, *A Profile - AIFCOSPIN*, 1986 and for some of its strengths and weaknesses, CSD: *Evaluation Study of the All-India Federation of Cooperative Spinning Mills Ltd.*, New Delhi, 1983. In 1987, there were 100 Cooperative Spinning Mills in the country.

18. CSD : *NCDC's Rural Consumer Scheme - a Study*, New Delhi, 1983.

19. Based on the *Minutes of the State Level Review and Implementation Committee for NCDC's Program in UP*, Lucknow, September 18, 1985.

20. For descriptions and statistics of State Cooperative Banks and LDBs, see, *RBI's Review of the Cooperative Movement in India 1976-79*, 1981, 48-61 and 111-141; also the earlier chapter in this volume dealing with Long-Term Credit in India.

21. The controversy over the ideal number of tiers in the structure has been discussed frequently in cooperative literature. There is, of course, no general, universally valid answer. The answer must be determined by the functional relevance of a particular slab in the structure.

22. For some information, see Federation's : *21st Annual Report*, Bombay, 1982, 13.

23. For details see, UP Cooperative Bank Ltd., *Annual Report 1984-85* (in Hindi); some diagrams have legends in English.

24. For NCDC's proposed project description, see : *Cooperative Storage Project*, New Delhi, (undated). The document gives, *inter alia*, the need for additional storage facilities in Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal. It also provides information on cooperative institutions in these states as well as details on several related aspects.

25. For an example, see, *World Bank Projects in Uttar Pradesh, Review Report period ending December 1985*, issued by the UP Cooperative Bank Ltd., Lucknow.

26. NCDC : *Evaluation of Cooperative Storage Project Series No.1 - Report of the Evaluation Study of World Bank Cooperative Storage Project in Haryana, 1983 and World Bank Cooperative Storage Project in Orissa, 1984.*

27. A general description of IFFCO's promotional work will be found in its two brochures: *Agricultural Services and Promotional Activities, 1983-84* and *Village Adoption Programme*, New Delhi (undated).

28. In a letter to the author from Dr K.K.S.Chauhan, Marketing Director, IFFCO, Sep.2 1986.

29. S.L.Tripathi : *Impact of Direct Sale of Fertilizers by IFFCO on the Cooperative Movement in Madhya Pradesh*, VAMNICOM, Pune, 1986.

30. The 20-point programme was launched by Mrs. Indira Gandhi in a broadcast on Jan 14, 1982. Its main focus was on rural areas. Activities emphasized were: improvements in irrigation potential, increased production, strengthening of IRDP, maximizing power generation, health care facilities, improvements in public distribution system etc. Thereafter, the NCUI identified the action for co-operatives within these fields. More recently, a 20-point programme was presented to Parliament to uplift the country's socio-economic life; its main thrust is an "all-out attack" on poverty and the creation of fuller employment. Areas emphasized, among others, are rural institutions such as "panchayats, cooperatives and local bodies." (ref: Indian High Commission, *India News*, Ottawa, August 29, 1986, 1-2).

31. These observations are based on a series of articles entitled "Villages Adopted" which appear in NCDC Bulletins from time to time. We have based our information on articles appearing in issues between October '84 and June '86. It needs to be pointed out that in the Village Adoption Schemes, there seems no specific focus on the improvement of women's condition although they benefit to the extent that they can take advantage of NCDC supported community schemes.

32. NCDC : *Evaluation Study of Adoption of Villages Scheme*, New Delhi, 1985.

33. Strictly, it is misleading to talk in terms of NCDC and NGOs since all cooperative organisations the Corporation is supporting at the multi-unit level, or through State Governments, at the State level would probably be classified as NGOs. This virtually means that in the cooperative context in India, there is no sharp dividing line, except in degrees, between NGOs and Government supported organisations since most cooperatives receive some or substantial Government help. Exceptions are few.

34. Khan and Bhasin: "Responding to the Challenge of Rural Poverty in Asia:

Role of Peoples' Organisations", 4-5 and 9-20 in *ifda Dossier - 53*, May/June and July/August 1986, Nyon, Switzerland.

35. NCDC: *Seminar on the Role of Voluntary Organisations in the Development of Cooperatives*, New Delhi, Proceedings, 1985.

36. See 11 above. More information will be found in *GOP's India 1984 - A Reference Annual*, 148-48.

37. A proper multi-disciplinary research into regional disparities in cooperative development will reveal interesting insights into aspects of economic history, land ownership patterns and their influence on the emergence of local leadership, role of voluntary organisations (such as the Servants of India Society) etc. It will also reveal the incidence of over-arching leadership between the "freedom movement" and the growth of socio-economic organisations such as cooperatives and trade unions. This subject has not received the attention it deserves in the extensive literature on Cooperatives which exists in India.

38. The situation is complicated by the fact that the roles of a member in a cooperative society can be conflicting in his capacity as an owner and a customer. For some remarks, see, Arne Melander: "*The difference between running a Cooperative and a non-Cooperative Enterprise*" in *ICA: Cooperative Management for the 1970s*, Madison, Wisconsin, 1972, 14.

39. NCDC, 48-57. More recent information is contained in its 1984-85 report, 66-80. Also see NCDC's 25 years, 27.

40. Cooperative Principles are not a set of tightly knit tenets but rather a general summation of the most common practices of cooperative organisations in many countries. The most quoted and authoritative publication is the Report of *ICA Commission on Cooperative Principles*, London, 1967. The ICA at its next Congress in Tokyo in 1992 will discuss Cooperative Values on which the Principles are based.

41. There is considerable material (books by independent researchers, university teachers, reports of official Commissions, Committees, etc.) on the Indian Cooperative Movement. Some general information will be found in: NCUI: *Indian Cooperatives*, New Delhi, (undated). A particularly interesting survey of members' perception of their cooperatives is contained in *Monthly Public Opinion Survey of the Indian Institute of Public Opinion*, 83, 84: *A Rural Survey of the Indian Cooperative Movement*, 1962. To our knowledge, this is the only extensive survey ever conducted of members' attitudes towards their cooperatives, although its results are bound to be dated.

42. Administrative Reforms Commission, *op.cit.*, New Delhi, 577.

43. NCUI : *Turnover of the Registrars of Cooperative Societies : A Fact-finding Study*, New Delhi, (undated). The study found that of 134 Cooperative Registrars between 1965 and 1975 in different States, a little over 40% remained in their posts for less than 1 year, 9% for 1 year and 23% for 2 years. Of those appointed to the post, 30% had no previous cooperative experience.

44. Government of India : *Expert Committee on the National Cooperative Development Corporation*, 1971, 52 - 67.

45. *ibid.*

References: Chapter 5

1. This part is based largely on Reserve Bank's publication: *Cooperative Training - Facilities Provided by the Central Committee*, Bombay, 1956, and the proceedings of the Committee's subsequent meetings.
2. Throughout this book we have used the terms "non-official" and "official" Cooperators. The usage, as we have noted earlier, is imprecise and hides many contradictions. While the terms appear confusing outside South-Asia, within the Region they are commonly used. The term "non-official" Cooperators refers to those who are connected with the voluntary side of the Movement.
3. Some topics discussed by the CCCT will be found in the proceedings of the Second and Fourth meetings of the Committee held in Bombay in 1954 and 1959.
4. For some frank comments on this subject, see the Inaugural Address of India's first Prime Minister, J.L.Nehru in *Report of the Third Indian Cooperative Congress*, issued by the AICU, April 12 & 13, 1958, 15- 17.
5. Citations from the One Man Committee Report (p.40) will help to illustrate this: "Being a 100% grantee organisation (of the Government), NCCT is required to credit all its receipts to Government and this has come in the way of building a fund of its own. Further, it has been said that "in the absence of such a fund, the Council has not been in a position to create proper cadres and have adequate faculty and staff at all levels without any dependence on Government." Even in the case of a small post in class IV, NCCT has to seek the approval of the Government. It has not been able to formulate its own service rules, with the result that needless rigidities have crept into the organisation. The employees have complained that there is considerable confusion regarding the forum where they can seek legal remedies for their grievances..."There is a general air of uncertainty, which is harmful for long-term planning and achievement of high standards."

6. On this aspect, see NCCT's: *Training of Foreign Scholars at Different Cooperative Training Units in India, Programme of Courses - 1989-90*, New Delhi.

7. NCCT: *Report of the All-India Survey of Training Facilities for Personnel of Credit Cooperatives and Agricultural Banks*, New Delhi, 1979.

8. ILO/Government of Norway: *Report on Series of National Workshops on Cooperative Training Policy and Standards in Selected Asian Countries*, Geneva, 1982.

9. OMC, 1989, 16-32.

10. Cited on p.37 in the OMC Report and quoted from the Swaminathan Group Report.

11. For details of the project, see the document in Swedish issued by the Swedish Cooperative Centre, Stockholm entitled: *Indore: ett exempel pa ett projekt inom Indisk lantbrukskooperation*, year not indicated.

12. NCUI: *Report of the Committee on Re-organisation of the NCCE*, (mimeo), para 13 ff, 1984 and OMC, op.cit, 95-96.

13. In writing this part, we have consulted Tushaar Shah's: "*Refocusing Training in Rural Development: Institute of Rural Management, Anand*" in *The Indian Journal of Public Administration*, July-September, New Delhi, 1988, 703-13.

IRMA's Report for 1990-91, received too late for inclusion in the text, refers to "emerging consensus" on two points: one, that as a management institute IRMA's primary, if not exclusive, concern should be with bringing about change through creating effective organizations and, two, that taking into account the member-controlled ethos of Cooperatives, IRMA "should seek the identity of the intellectual resource centre for a member-controlled rural Cooperative Movement."(p.7) The Report also indicates increased attention to research and consulting.

14. This is a slightly altered version of authors's "Initiation of TOPIC" in *Cooperatives in Developing Countries: A State-Movement Partnership Model*, Markham, 32 ff.

15. NCDC: *Project TOPIC: Outline of NCDC III*, 51.

16. See also *Cooperatives in Developing Countries*, 14 above, 30-31.

17. The AMSAC concept initiated by the FAO is based on three essential elements: (i) a system of integrated cooperatives with both vertical and

horizontal connections whereby a local society becomes part of an over-all, more powerful organisation and the surplus generated in different activities accrues to the benefit of farmers; (ii) development of an organizational pattern whose “culture” can be adjusted to the values of small farmers so that the latter can more easily accept and support the cooperative; and (iii) orientation of managers so that they could act as entrepreneurs and “change” agents.

V.K. Gupta: *Brief Guide to Management of Small Farmers’ Cooperatives*, FAO, Rome, 1983.

MATCOM, an ILO Project, designs and produces material for the training of managers and staff of cooperatives. It also assists in the adaptation of material to different national situations. It has designed several training programmes for agricultural cooperative managers and each programme is published in the form of a “Trainers’ Manual”. MATCOM materials are extensively used in NCDC’s TOPIC activities.

Some comments and a summary of the evaluation of MATCOM will be found in: Kubr and Wallace: *Successes and Failures in Meeting the Management Challenges*, World Bank Staff Working Papers, Washington, 1984, 74-75.

Finally, CEMAS, an ICA sponsored programme, is directed primarily at members of cooperative societies and seeks to contribute to the improvement of materials for the needs of members, committee members and staff. So far it has produced 27 documents, arranged for exchange of information and conducted occasional seminars, workshops etc., through its two Regional Offices in New Delhi and Moshi, Tanzania. A special field Education Development Programme (FED) focusses on the identification, analysis and solution of field problems, all from the perspective of members.

18. *Pedagogy of the Oppressed*, New York, Continuum, 58.

19. For a recent evaluation exercise, see Zaali, Fergins and Cooper entitled: *An Evaluation of the Impact of ACDI Cooperative Training in Uganda, 1982-89*, Washington, 1989; also: *Focus - 2000: Report of the Task Force on Education and Training - Executive Summary and Recommendations* issued by the Canadian Chamber of Commerce, August 1989.

References: Chapter 6

1. Unfortunately, very little published information exists on education and training in Pakistan. This part is based mainly on the field visits the author made to the National Centre for Cooperative Training in Islamabad and the two colleges in Faisalabad and Hyderabad and to some other educational institutions especially the Allama Iqbal (A.I.) Open University in Islamabad.

2. The A.I. University has issued a number of useful documents which, with adaptations, could be used by the Movement. Mention may be made by way of illustration of two such documents, such as *Murghbani* (Poultry), produced in 1988 and *Usul-e-Tijarat* (Principles of Commerce). Both the documents as well as several others are in urdu.

References: Chapter 7

1. *Cooperatives in the Year 2000*, ICA, London, 1980.
2. An extreme example of this pernicious practice was when, on a visit by Prime Minister Nehru on his 64th birthday to his home state of Uttar Pradesh in India, the State Government presented him with a "gift" of 64,000 cooperative societies which had been set up overnight!
3. Some years ago, MIDAS, a non-Governmental organization in Bangla Desh, was studying this subject. At the time the author visited MIDAS, the research was in its early stages. Unfortunately, no information is available on the findings.
4. Weeraman, Dwivedi and Sheshadri: *Indian Cooperative Laws vis-a-vis Cooperative Principles*, ICA, New Delhi, 1973.

There is considerable literature on Cooperative Laws. The most relevant for our purpose are the following publications:

- (i) ICA: *Cooperative Legislation in Asia - A Study*, 1991.
- (ii) V.P.Singh: *Facilitation of Effective Cooperative Legislation in Selected Countries of Asia: A Study Report*, ICA, New Delhi, 1990.
- (iii) Munkner & Ulrich: *Cooperative Law in Southeast Asia: A Comparative Approach*, Berlin, 1981.

The Cooperative Laws of Indonesia and the recently enacted Cooperative Code of the Philippines (Republic Act 6938) are well worth a study. Both are included in (ii) and (iii) referred above.

5. GOI: *Report of the Committee on Model Cooperatives Act*, Planning Commission, New Delhi 1991

6. The descriptions of the two projects which follow are very brief. Readers interested in more detailed information should consult the extensive material which is available. Some important titles are noted at appropriate places.

7. We have drawn upon the World Bank's two Reports: *The Aga Khan Rural Support Programme in Pakistan - An Interim Evaluation* and *The Aga Khan Rural Support Programme in Pakistan - A Second Interim Evaluation* issued in 1988 and 1990.

Some recent information about the Credit and Banking programme and suggestions to improve it will be found in: Bjorn Johansson: *Mission Report, Advisor on Credit and Banking, CIDA, Ottawa, November 1991.*

The author is also grateful to the Aga Khan Foundation, Canada for supplying additional material.

8. Afzal Neseem's: *Sherabad-Roshanabad Village Organizations in Pakistan, Appendix 1* (dates etc. not available).

9. Inayatullah: "*Decentralization for Rural Development in Pakistan: A Critical Review*" in the *Asian and Pacific Development Centre, Kuala Lumpur* (date not available).

10. The author is grateful to Dr S.N. Singh, Manager, Cooperative Development, NDDB, Anand, for supplying recent material.

For the early years of the Anand Dairy, see: *The Anand Pattern of Cooperative Development*, issued by the Kaira District Cooperative Milk Producers' Union (year not indicated).

Also see: *An Approach Paper: Cooperative Development Programmes (Dairy Project); A Note on Cooperative Development*, 1990 and the reports of the three Impact Studies relating to the cooperative development programmes being implemented in selected milk unions. All these are issued by the NDDB.

Index

- Account book-keeping 41, 66
ACSTI 86
ACSTIs 122,124
ADB 44
ADBP 39, 40, 43, 45, 46
ADBP-MCOs 31
Adult literacy 120
Agha Khan Foundation 141
Agri Business 45, 130
Agri coop 141
Agri Credit 66
Agri marketing 21, 24, 74, 106
Agri production 13, 58, 60, 123
Agricultural development 49
Agricultural machinery 25
Agricultural and rural development 49, 73
Agricultural and Rural Dev. Banks 51
Agricultural banking 112
Agricultural Coop 40, 86
Agricultural credit 32, 51
Agricultural Development 45, 91, 99
Agricultural Price 56
Agricultural produce 73, 81
Agricultural universities 49, 112, 134
Agriculture 19, 43, 51, 60, 93
Agriculture and Forest 73
Agriculturist 68
Agro-industries 88
AICU 106
Akashvani and Doordarshan 12
AKRSP 13, 43, 141, 142, 143
All-India Rural Credit Survey 108
AMSAC 125
AMSL 19, 36
Anand 143
Andhra Pradesh 69
APSHWF 80
ARDB 64
ARDC 62, 63, 68
Asian culture 8
Audio-visual aid 112, 131, 132
Audit 49, 50, 55
Azad Kashmir 27
A.H. Khan 141
- Baltistan 141
Bangladesh 10, 43, 47
Bangladesh Jatia Samabaya Union 47
Basic values 2, 4, 5
BDS 8
Bengal 99
- Bhopal 86
Bhutto 19
Birth control 6
Bombay 56
Book-keeping 106
Borrowers 30, 45, 53, 66
Borrowing 42, 55
BRDB 13
British Coop Movement 14
Business management 131
- Capital formation 137
Canada 10
Caste 6, 7, 8, 9, 13
CBF 74
CCB 16
CCCT 105, 106, 107, 108
CCS 84
CCTTMP 122
CEDS 118
CEI 118, 119
CEMAS 125
CENDHRRRA 8
Central coop bank 29
Central LDBs 56, 57
Central LMBs 55, 56
CEOs 123
Children illiteracy 12
Chitral 141
CICTAB 117
CIDA 141
Comila project 139, 143
Communication 12, 39, 66, 128
Computer feasibilities 131
CONA 96
Consumer coop 4
Coop Bank 17, 26, 31, 32, 41, 69, 92, 106, 112, 118, 124
Coop Board 18, 20
Coop Business Management 109
Coop college 129, 133
Coop credit 16, 19, 32, 65, 71, 96, 129
Coop department 43
Coop Development 4, 10, 14, 17, 47, 71, 72, 73, 75, 78, 79, 97, 99, 100, 101, 102
Coop development board 72
Coop development society 18
Coop education 105, 110, 108, 117, 119, 120, 134
Coop farming 15, 24
Coop farming Union 18

- Coop industrialization 37
- Coop Law 8, 16, 46, 47, 106, 109, 121, 140
- Coop legislation 136
- Coop loans 27
- Coop management 114
- Coop Marketing 38, 72, 79, 82
- Coop membership 118
- Coop movement 1, 2, 3, 5, 6, 14, 15, 17, 36, 39, 50, 58, 70, 74, 75, 93, 96, 102, 103, 105, 114, 115, 129, 131, 136
- Coop personnel 106
- Coop planning committee 15, 54
- Coop policy 14, 15
- Coop principals 1, 2, 3, 6, 8, 14, 73, 97, 101, 115
- Coop processing 37
- Coop project 33, 37
- Coop Regulation 41
- Coop society 1, 3, 4, 5, 6, 7, 8, 9, 10, 13, 16, 31, 33, 41, 49, 66, 67, 73, 94, 95, 97, 108, 110, 118, 129, 136
- Coop Spinning Mills 84
- Coop spirit 4
- Coop Sugar Factory 66
- Coop training 89, 107, 108, 109, 112, 114, 115
- Coop training institution 114
- Coop Union 4, 49, 50, 107, 116, 117
- Coop value 4
- Cooperative 4, 5, 7, 8, 13, 15, 17, 19, 20, 25, 30, 32, 36, 41, 49, 64, 65, 66, 69, 72, 74, 75, 82, 85, 87, 88, 89
- Cooperators 31, 48
- COPAC 6
- Cottage Industries 45
- Cotton Marketing Federation 83
- CRAFICARD 69
- Creativity 4
- Credit 2, 7, 15, 16, 17, 22, 23, 35, 45, 56, 67, 68, 88, 90
- Credit and Marketing 66
- Credit ceiling 4
- Credit coop 25, 26, 30, 46, 70, 92, 118
- Credit disbursed 44, 90, 91
- Credit education of farmers 66
- Credit institution 56, 66, 67
- Credit Organisation 94
- Credit price 31
- Credit Programme 44, 46
- Credit scheme 45
- Credit system 33
- Credit Target 40
- Crop financing 28
- CSFF 74
- CTC Faisalabad 131
- CTC Rawalpindi 131, 133
- CTC Peshawar 131
- Cultivation of crop 27
- Cultural Dominates 30
- Cultural factor 1
- Culture 128
- Curricula 107, 125
- CUSA 48
- Customer service 87
- Customers 31
- Culture 2, 14
- Dairaghazikhan 25
- Dairy 36, 100
- Dairy farming 80
- Dairy industry 120
- Dairying 60
- Dairying milk Production 45
- Democracy 1, 5, 6, 8
- Democratic leanings 12
- Democratic nature 13
- Democratic organisation 3, 9
- Democratic values 4
- Development 7, 17, 33, 38, 39, 47
- Development policies 30
- Dhaka 47
- Dispensaries 37
- Distilleries 83
- Diversification 68
- Documentation 40
- Dudly Seers 6
- Dynamic Leadership 48
- East Pakistan 47, 139, 141
- Economic change 145
- Economic Development 2, 7
- Economic Intelligence 47
- Economic position 39
- Education 2, 3, 30, 43, 48, 49, 70, 97, 100, 105, 107
- Education and Training 46, 112
- Education of members 63
- Education policy 13
- Education programme 146
- Education technology 134
- Education value 4
- Employment 40, 45, 89, 90, 91, 117, 121, 145
- Employment among youth 36
- Employment generation 142
- England 2
- Environment 13, 124, 128
- European Economic Community 88
- Evaluation 18, 23
- Extension Worker 66, 67
- Faisalabad 134
- Family welfare 94, 95
- FAO 6, 117
- Farm credit 46
- Farm guidance 119
- Farming 63
- Farming community 23, 41

- Farming society 23
- FCBs 19, 21, 26, 27, 28, 31, 32, 33, 35, 36, 37, 39, 40, 41, 42, 43, 46, 48, 49, 129, 130, 131, 134
- FCC 24
- FCF 22
- Federal Bank 129
- Fertility rates 6
- Fertilizer 73
- Fertilizer Consumption 91
- Field training 125
- Financial assistance 73, 78, 129
- Financial institutions 33, 35, 56, 74
- Financial Position of Banks 42
- Financing and coordinating 72
- Financial aid 137, 138
- First Five Year Plan 16
- Fisheries 44, 60, 80, 100
- Fruits and Vegetable 46, 73, 80, 82, 83
- FSCs 92, 93
- Fundamental values 2
- Funds 16

- General values 5
- Generic 1
- Germination 1, 2
- Gilgit 141
- Gill 49
- GOI 63, 70, 105, 107
- Govt.-Movement 63
- Gujranwala 25
- Gujrat 65
- Gunnar Myrdal 6

- Handloom 73, 120
- Haryana 65, 88, 90, 91, 94
- High Margin 54
- Himachal Pradesh 99
- Hindu community 15, 49
- History 48
- Honesty 5
- Horticulture Products 36
- Horticulture 68, 82, 119
- HRD 109, 114
- Hyderabad 41

- ICA 2, 4, 6, 47, 109, 118
- ICA committee 2
- ICA ROAP 138
- IDA/EEC 100
- Ideology 123
- IFAD 44
- IFFCO 92, 93, 94, 96, 116
- ILDBI 58
- ILO 6, 112
- Independence 4
- India 9, 12, 13, 15, 23, 46, 51, 65, 67, 69, 71, 76, 77, 81, 82, 87, 94, 96, 110, 119, 129, 136, 138, 140, 141
- Indian Coop Congress 65, 69
- Indian coop movement 105, 125
- Indian Coop network 128
- Indonesia 8, 113
- Industrial coop 106, 110
- Industrial enterprise 114
- Inflation Pressure in the Economy 55
- Information for farmers 66
- Infrastructural improvement 25
- Inhouse computer 80
- Inservice Training 133
- Institutional Investment in the market 58
- Institutions for short-term credit 58
- Integrated Fisheries project 75
- International Agencies 130
- International debate 2
- Investigation 139
- Iran 133
- IRDP 10, 13, 21, 60, 95
- IRMA 120, 121
- Irrigation 45, 46, 57, 63, 91
- Islamabad 37, 47, 48
- Islamabad Training Institute 37
- Islamic Mode of Banking 31
- Italian assistance 37
- Italian govt. 130
- Italy 37

- Jammu & Kashmir 99
- Jute Baling 83

- Kahlon & Singh 66
- Karachi 41
- KCRMF 80
- Kenya 133
- Korea 141
- KRIBHCO 92

- Lack-Lustre Performance 48
- Lahore 25, 47
- LAMPS 100
- Landless labourers 90
- Lay management 97
- LDBs 51, 58, 60, 62, 63, 64, 65, 66, 68, 69, 70, 80, 89, 122
- Leadership 18, 48, 100, 101, 125
- Lending activities 16
- Linkage between Credit and marketing 65
- Literacy 29
- LMBs 53, 57
- Loan delinquencies 9
- Loan recovery 8
- Loaning Procedure 45
- Loans 8, 42, 43, 65, 66
- Long-term credit organisation 55
- Long-term strategy 142

- Long-distant teaching 12
 Long-term credit 25, 51, 53, 54, 56, 58, 60, 63, 64, 67, 68, 69, 70, 80, 87
 Long-term finance 53, 57, 67, 68
 Long-term investment 78
 Lower rate of interest 60
 Lower strata 10
- Madhya Pradesh 86, 93
 Madras Central LMB 54
 Maharashtra 66
 Malaysia 133
 Maloney 7
 Management 43, 70, 84, 85
 Manpower development 78
 Marcus 5
 Market borrowings 79
 Marketability of debentures 54
 Marketing 2, 72, 75, 81, 82
 Marketing Societies 69, 82, 86, 99, 122
 MATCOM 109, 113, 125
 MCL 28
 MCO 44, 45, 46
 Mechanised farming 21
 Medium and long-term loans 25, 44
 Medium term development loan 31
 Medium term loans 28
 Member coop societies 27
 Member Education 47, 67, 108, 119
 Member participation 24, 122, 129
 Member society 25, 29, 42
 Members Liability 55
 Membership 3, 8, 19, 21, 55, 91
 Method of Cultivation 55
 Methodologies 121
 Ministry of Food and Agriculture 72
 Minor Irrigation 44, 58, 60, 63
 Mirpur Khas & Larkana 41
 MNP 13
 Mobile veterinary dispensaries 145
 Mondragon 4
 Money-lender 9
 Movement 2, 8, 10, 15, 18, 19, 30, 46, 48, 49, 65, 67, 87, 97, 125, 127, 136, 137, 139, 145
 MUCS 33
 Multan 25
 Multipurpose coop organisations 88, 92, 93, 94
 Multi-State Coop. Societies 70, 116
 Multi-unit coop 40, 101
 Muslims 49
 Mysore 56
- NABARD 60, 62, 63, 64, 65, 66, 68, 69, 70, 109
 NACMF 82
 NAFED 74, 82, 83, 97
 National credit consultative council 33, 35
 National Assemblies 24
- National Credit Plan 35
 National Housing bank 70
 National organization 4, 47
 National Policy 68
 National Union 47
 Natural resources 142
 NCARDBF 55
 NCCF 97
 NCCT 110, 129, 130, 131
 NCDC 13, 46, 71, 72, 73, 74, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 88, 89, 90, 101, 102, 103, 104, 116, 120, 122, 123, 124
 NCDWB 72, 75
 NCLDBF 69
 NCMDARDB 70
 NCTC 92, 93, 94, 95, 96, 97, 99
 NCU 39, 50
 NCU Islamabad 46
 NCU 74, 97, 106, 107, 108, 115, 118, 119, 124, 139
 NCUP 19, 47
 NDC 108
 NDDB 116, 120, 145, 146
 NDFC 36
 New Delhi, 119, 122
 NGOs 96, 98, 99, 104, 124
 NHB 82
 NHEC Ltd. 83
 Nigeria 133
 Non-agricultural 42
 Non-coop organisation 4, 91
 Non-credit business 92
 Non-profit interest values 4
 Non-recovery 42
 NREP 13
 NTCMF 82, 83
 Nutrition education 82
 NWFP 129
- Oil mill 75
 Oil seeds 73, 80, 83, 143
 OMC 114, 115, 116, 117, 119, 120
 On farm management programme 25
 Open Market 38, 103
 Open Universities 49, 130
 Operation Flood 143
 Orissa 88, 91, 99
 OSLMF 91
 Outstanding Loans 42
- PACs 67, 68, 69, 74, 80, 81, 84, 86, 89, 91, 92, 93, 122, 123
 Pakistan 10, 12, 13, 15, 19, 20, 43, 46, 47, 135, 136, 138, 140, 141, 143
 Participation 5, 9, 13, 98, 141
 PBS 31
 PCBs 20, 28, 29, 30, 31, 32, 33, 35, 39, 129, 130
 PCU 46, 47, 48, 49

Pesticides 91
 Pioneers 2, 92, 136
 Planning Commission 70, 108
 Planning of Project 37
 PLDBs 56
 PLMBs 54, 55
 Policy 29, 30, 42, 53, 57, 63
 Policy guidelines 33
 Political change 14
 Political culture 8
 Political reasons 65
 Political tension 94
 Poor 6, 10
 Population 13
 Poultry 44, 46, 60, 100
 Poverty 13, 115
 PPI 142, 143
 Prevalent attitudes 1
 Primary Bank 55
 Primary coop 18, 27, 28, 68, 84, 123, 129, 131
 Primary credit societies 32
 Primary LDBs 54
 Principal motivation 93
 Principal of Audit 49
 PRM 121, 122
 Project Management 37
 Project planning 28
 Project Planning Units 37
 Provincial bank 26
 Provincial coop development 35
 PTC 131
 Public Corporation 71
 Punjab 27, 47, 48
 Punjab and Sind 28
 Punjab Coop Union 46, 47
 Punjab & NWFP 28
 P-GICAM 131

RABOBANK of Netherlands 70
 Rachdale system 3
 Racial 3, 6
 Rajasthan 85, 99, 100
 RBI 54, 62, 63, 64, 65, 68, 70, 94, 105, 106, 107, 108
 RCS 29, 30, 41
 RCTI 132
 RCTI in Bahawalpur 131, 134
 Recovery 42, 43
 Recruitment Policy 38, 39
 Reference Library 70
 Refugees 23
 Registrar of Coop societies 53
 Rural Credit Survey Committee 56
 Reserve Bank 58
 Reserve Funds 41
 RLEGP 13
 Rural artisan 91
 Rural consumer 75, 79, 86, 94

Rural coop 7, 25, 94, 105
 Rural Credit 43, 70
 Rural credit committee 62
 Rural Debentures 62, 63
 Rural Housing 64, 70
 Rural Industries 102
 Rural poor 45, 95

SAARC 117
 Saraswat coop bank Maharashtra 9
 SBP 32, 33, 38, 40, 44
 SCB 122
 SCB 63, 69, 87, 88
 SCC 118
 Scheduled Caste 13, 78, 99, 100
 SEARC 47
 Seasonal development & loaning programmes 33
 Selection and recruitment 123
 Sericulture 60, 100
 Share capital 3, 41
 Short and medium-term credit 87
 Short-term course 118
 Short-term credit 28, 29, 60, 68, 122
 Short-term loans 35
 Sikhs 49
 Sind Govt. CTC in Hyderabad 131
 Sind Provincial Coop Bank 40, 43
 SLDBs 57, 60, 64, 65, 66, 67, 69, 87
 Socio-economic justification 36
 South asian countries 1, 6, 7, 8, 10, 12, 136
 South east 8
 South India 143
 Sri Lanka 113
 Srinivas 13
 State and Central Govts. 62
 State Coop Bank 60
 State Coop Union 107
 State participation 71
 Statistical information 112
 Stratification 13
 Sugar coop 80
 Surgodha 25

Taiwan 141
 Tamil Nadu 81, 85
 Transport 81
 TDCC 100
 Teacher training 128
 Teaching 135
 Teaching aids 112, 113, 119, 124, 125, 134
 Teaching equipment 48
 Teaching techniques 112, 117, 132, 135
 Techniques 3, 125, 127
 Tenure and Tenancy laws 57
 Textiles 80
 Thailand 113
 Third Five Year Plan 20

Third World 5, 14
 TOPIC 120, 122
 Trade 3, 15, 36
 Tradition and custom 7, 12
 Traditional and economic relations 7
 Traditional coop 10
 Training Methodology & Programmes 20, 37, 43,
 47, 48, 67, 70, 73, 75, 80, 89, 105, 107, 117, 132,
 136, 143
 Training to rural cadres 142
 Transformation 30, 71
 Transition 30
 Transmission 32
 Transport 85
 Tribal areas 9, 78, 99, 100
 Tripura 85
 TRYSEM 85
 Turkey 133

 Under capitalized 57
 Unemployment 36
 Unequal distribution 9
 Unfavourable environment 1
 Union 25
 Universal value 4
 UNRISD 6, 7
 Urban slums 37
 Urbanization 12
 USA 23, 96
 USAID 44
 Uttar Pradesh 81, 85, 86, 88, 122

 Value system 6

 VAMNICOM 108, 109, 116, 117, 119
 VAS 94, 95
 Vateriaary centres 37
 Vigilance 19
 Village backwardness 96
 Village-Based Banking System 46
 Village community 9, 29
 Village coop 22
 Village improvement 92, 102
 Village societies 27, 31, 94, 103, 142, 145
 Voluntary coop 30
 Voluntary body 50
 Voluntary cooperator 17
 Voluntary organisation 98, 99
 V. Kurian 143

 Wazir Ali Committee 18
 Weaker section 60, 64, 78, 79, 85, 90, 98, 100
 Weeraman 140
 Welfare 6
 West Pakistan Coop Union 47
 WOCCU 4
 Women 5, 10, 119
 Women organisation 143
 Women's education 141
 World Bank 10, 44, 60, 80, 82, 88, 90, 92, 122, 141
 World Bank report 142
 World War II 15
 WPCU 47

 YIPS 19, 36, 37
 Youth 36



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