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on
“Cooperatives & Small Farmer Development”

FEBRUARY 16-22, 1982, SRI LANKA

Background Paper—India Document

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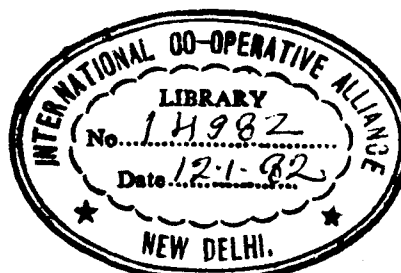
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TECHNICAL MEETING
ON
"COOPERATIVES & SMALL FARMER DEVELOPMENT"

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P R E F A C E

Of late there has been serious criticism regarding the traditional type of rural development research particularly with reference to its relevance to the situation of the rural poor. The Swedish Agency for Research Cooperation with Developing Countries (SAREC) document on "Rural Development Research - the Role of Power Relations" (by Bo Bengtsson - Ed.), submitted to the World Conference on Agrarian Reform and Rural Development, Rome (12-20 July, 1979), have pointed out two major defects in the classical type of rural development research". First, much of the research has been irrelevant and self-serving. Second, the dissemination of such research as exists has been extremely limited. On methodology the report states:

"Too seldom is local knowledge incorporated in any research process. Instead, it is totally ignored in most research on agricultural technology. Technical solutions are worked out for the people and almost never with them. This means that the creativity of the people is denied".[§]

The present research study on "Cooperatives and Small Farmer Development" was initiated by the ICA in collaboration with the Royal Tropical Institute (RTI), Amsterdam and the Royal Netherlands Government with its main focus on identifying a suitable methodology of intervention through cooperative action to the advantage of the small farmers. It adopted an strategy which could be termed as 'Action Oriented Participative Research'. This was sought to be achieved through bot. - 'micro level research', and 'desk research'. The desk research was confined to India and that too in respect of the two States namely, the State of Maharashtra and the State of Bihar. Even in respect of the desk research the methodology was so formulated that the evaluation of the situation and the technical solutions could be worked out with the people and not for the people.

India is a country where a number of experiments have been made to help the weaker section of the rural population through special programmes and projects. A number of voluntary agencies have also been operating in different States to help the small men in their own way. So here we get a situation in which there is considerable amount of experience and expertise which could be fruitfully utilised for the benefit of others.

[§] Quoting - ICA/RTI Research Project on Cooperatives and Small Farmer Development - Working Document No. 3, by Drs. K. Verhagen, Page 1.

The approach adopted in this report is to first, get an overall view of the problems of small farmers in the context of rural poverty. Secondly, since all special programmes for the small farmers and other weaker sections have been sponsored by the Central Government, we have made a brief analysis of such programmes bringing out the salient features. This is followed by a review of the structure of the existing financial institutions which are directly or indirectly involved in the programmes. In Chapters IV & V, a review of the situation in respect of Maharashtra and Bihar, with regard to the role of co-operatives and other institutions in helping the small farmer is presented. This is followed by several case studies conducted in the two states.

In the final stage we conducted two state level workshops of three days duration at Pune and Patna where we succeeded in bringing together people from different levels and disciplines. The workshop participants included senior officials from concerned Government Departments and Projects, representatives from the Reserve Bank of India, representatives from various cooperative and commercial banks, academicians, representatives from the voluntary agency working in the area and also representatives of the small farmers themselves. In both the workshops small farmer members (6 in respect of each State) participated in the group work and discussions. Whatever is contained in this document, therefore, is not the result of any one researcher but is the joint effort of all concerned who were involved in the whole process of participatory research.

However, this work would not have seen the light but for the sponsorship and financial support of ICA, RTI and Royal Netherland Government. I express my sincere gratitude to the sponsors of this research project.

Though technically, the organisation of the 'desk research' was an one man affair, in practice it was not so. At all stages of the research I have had the privilege to receive invaluable guidance from Mr. R.B. Rajaguru, Regional Director, International Cooperative Alliance, Regional Office & Education Centre (ICA RC & EC), New Delhi. In spite of his busy time schedule, he could spare time to help me at all stages of the research. I received considerable benefits from his criticism and suggestions on the draft report. Not only this, he fully associated himself with the two State Level external workshops and directed the whole proceedings in a way to make it really successful. The present work is really the result of his generous help, guidance and capacity to infuse devotion among his co-workers towards work. However, in spite of all his valuable criticisms, guidance and suggestions, I fear, some imperfections and errors might have crept in, which I consider to be the result of my own imperceptions alone.

I also express my sincere thanks to Dr. Van Doren, Director, Department of Social Research for offering valuable suggestions on the first draft of this report during the internal workshop held at the ICA, New Delhi. In this connection special mention may be made of the contribution made by Drs Koenraad Verhagen with whom I have had several occasions to meet and discuss the research report. I humbly express my thanks to him for his valuable suggestions and guidance at various stages in the conduct of this study. Similarly, the contributions made by Dr. J.M. Gunadasa, Consultant, Sri Lanka Project and Dr. Fred Preperchob, (Consultant, Thai Project), on the first draft of this report during the internal workshop at New Delhi.

Special compliments and thanks are due to Prof. M.V. Namjoshi, V.M. National Institute of Cooperative Management, Pune, and Mr. C.V. Rai, Secretary (Finance), Bihar State Cooperative Bank, Patna, who extended to me all support during the State Level enquiries in the capacity of honorary liaison officers of the Project. Mr. B.R. Patil and Mr. S.D. Mench, Senior Officers from the Maharashtra State Cooperative Bank really did commendable job to feed me with the up-to-date informations pertaining to the study and deserve special thanks. All these officers actually formed part of research team.

The present study could not have possibly been completed without the support I received from the Government departments both at the Central and State levels. Special mention may be made of Mr. G.L. Bailur, Joint Secretary, Ministry of Rural Reconstruction, Govt. of India, Mr. K. Ramnujam, Secretary and Mr. A.K. Thakur, Dy. Development Commissioner, both from the Ministry of Rural Development, Govt. of Bihar, Mr. M.K. Singh, Registrar, Cooperative Societies, Bihar, Mr. P. Subramanian, Commissioner of Cooperation, Govt. of Maharashtra, and Mr. S.N. Jatar, Dy. Secretary, Department of Planning, Govt. of Maharashtra. I express my sincere thanks to all these officials for the help and cooperation extended.

I take this opportunity to express my sincere thanks to the President of the National Cooperative Union of India, Mr. Tapeswar Singh, N.C.U., who took a keen interest in this project and provided all the physical facilities to conduct the State Level Workshop at the BISCO UNION, Bihar. I also thank Mr. G.R. Patil and Mr. Mathura Pd. Singh, Chairmen of Maharashtra State Cooperative Bank and Bihar State Cooperative Bank respectively and Prof. D. Jha, Director of the V.M. National Institute of Cooperative Management, Pune, for the support extended to me in the conduct of this study.

I shall be failing in my duty if I fail to recall the facilities and assistance provided to me by a large number of persons belonging to the local cooperative organisations, government agency and voluntary agencies. It is difficult to thank every one by name, nevertheless I take this opportunity to thank them all collectively.

Last but not the least I would like to thank the workers of village level cooperative organisations, the small farmers, the local leaders and the participants of the two State Level Workshops, all of whom made contributions in their own way during the course of this study. The hospitality, cooperation and courtesy received from them is a treasure to be preserved.

I am really thankful to all my colleagues at the ICA, RO & EC who encouraged me and helped me in various ways. Special mention may be made of Mr. R.D. Pandey, Librarian and Documentation Officer, who continuously provided me with the up-to-date flow of research informations and Mr. R.K. Toteja, who carried the burden of looking after the financial aspect of the Project. Lastly, Mrs. Anjali Adhikari deserves special compliments and thanks for the excellent job in bringing out the document in its present form and in time.

ICA, RO & EC
New Delhi, India
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G. JHA

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ABBREVIATIONS

ACD	-	Agricultural Credit Department.
AIHA	-	All India Handloom Board.
ARDC	-	Agricultural Refinance and Development Corporation.
BDA	-	Block Development Agency.
BDO	-	Block Development Officer.
BSCB	-	Bihar State Cooperative Bank.
CADA	-	Command Area Development Agency.
DBO	-	Department of Banking Operations.
DCCB	-	District Central Cooperative Bank.
DPAP	-	Draught Prone Area Project.
DRDA	-	District Rural Development Agency.
FSS/FSCS	-	Farmers Service Society/Farmers Service Cooperative Society.
GASFA	-	Gangoi Area Small Farmers Association.
HADP	-	Hilly Area Development Programme.
IAAP	-	Intensive Agricultural Area Programme.
IADP	-	Intensive Agricultural Development Programme.
IBRD	-	International Bank for Reconstruction Development.
IDA	-	International Development Association.
IRDP	-	Integrated Rural Development Programme.
ICA	-	International Cooperative Alliance.
Km.	-	Kelometres.
LAMPS	-	Large Size Agricultural Multipurpose Society.
LDB	-	Land Development Bank.
LT	-	Long-term.
MFAL	-	Marginal Farmer and Agricultural Labourer.
MP	-	Member of Parliament.
MPCS	-	Multipurpose Cooperative Society.
MSCB	-	Maharashtra State Cooperative Bank.
MT	-	Medium-term.

Abbreviations (contd.)

NCAR	- National Council of Agricultural Research.
NCCT	- National Council for Cooperative Training.
NCUI	- National Cooperative Union of India.
NSS	- National Sample Survey.
PACS	- Primary Agricultural Credit Society.
PAD	- Peoples Action for Development.
PADI	- Peoples Action for Development, India.
PEO	- Programme Evaluation Organisation.
PLDB	- Primary Land Development Bank.
PQL Index	- Physical Quality of Life Index.
RBI	- Reserve Bank of India.
RRB	- Regional Rural Bank.
Rs.	- Rupees (Indian).
RTI	- Royal Tropical Institute.
SCB	- State Cooperative Bank.
SFDA	- Small Farmers Development Agency.
ST	- Short-term.
TADP	- Tribal Area Development Programme.
VKSS	- Vividh Varyakari Sahakari Society. (Multipurpose Cooperative Society)
VLW	- Village Level Worker (lowest level development worker of the Government).
WVDP	- Whole Village Development Programme.

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Chapter - I

Research objectives - methodology of Research and organisation of research

1.1 Background

The present research study has been sponsored by International Cooperative Alliance and carried out in collaboration with the Royal Tropical Institute and Royal Government of Netherland. The basic idea behind the research is to investigate the problems of small farmer development through cooperatives and its implication for government guidance and supervision. The study started with the presumption that cooperatives and similar types of associations could offer a formula which could help small farmers to counter the weakness inherent in smallness by joint action and pooling of resources.

The basic assumptions behind the present research study is (a) that effective control of their environment by the small farmers and their active involvement in the developmental efforts would help in improving the level of their living; (b) that a participatory type of action oriented research can develop suitable methodology of intervention which would ensure vertical and horizontal linkages, between various parties concerned to bring in changes in the structure and functioning of various service organisation to the advantage of the small farmers; and (c) that the cooperative type of organisation will continue to exist and function as more effective instrument of change for small farmers development.

1.2 Research Objectives

The purpose of the study is to pinpoint the elements of strategy, planning and implementation which will make cooperative more effective in satisfying small farmers needs and aspirations. In this process the research is expected to provide a suitable strategy of intervention which could motivate the small farmer to initiate cooperative action on the one hand and on the other will increase the efficiency of service organisations

(including the cooperatives) in the larger interest of the small farmers. The main research questions to be answered at the macro level or desk level research are as follow:

1.2.1 Macro level research objectives/
the desk research

- a) To review the problem of small farmers with reference to poverty situation.
- b) To make an assessment of the national policy and programmes relating to small farmers development.
- c) To identify structural and functional problems relating to the implementation of present programmes for small and marginal farmers.
- d) To identify the strength and weakness of cooperatives at various levels in implementing on-going programmes.
- e) To identify ways and means of involving the small farmers in the formulation and implementation of micro level projects and to find out ways and means of integrating such activities with the day-to-day operation of cooperatives and formulating an strategy for cooperative intervention.
- f) To identify effective methods for the orientation and motivation of field level functionaries to ensure effective intervention/approach at the small farmer level.

1.3 Selection of research area

The final research document provided for micro level research and formulation of action programmes in Sri Lanka and Thailand. For the macro level research India was selected because of the vast number of experiments made in this country to help the weaker section. Probably India is the only country where such a massive programme like the IRDP which covers the whole country, has been introduced to eradicate poverty and unemployment.

Again, for the purpose of intensive desk research, two states of the Indian union namely Maharashtra and Bihar were selected. The selection of these states was to some extent purposive and at the same time arbitrary. Maharashtra was selected because it represented an advanced situation so far as the cooperative movement was concerned. In spite of physical constraints, the state has succeeded in marching ahead in improving the level of living of its farming population. This has been possible, besides other factors, through cooperative action.

On the contrary, Bihar represented a situation which could be termed as 'Poverty amidst Plenty'. It has abundant resources but retarded growth. Cooperative movement is extremely weak. The village situation, even after the Zamindari abolition, remains under the traditional feudal structure of the society.

Thus our intention has been to study the two situations in contrast and bring out the basic elements which could help in formulating suitable strategy of intervention which tackle some of the development problems of small farmers.

1.4. Methodology adopted for the desk research

The present study was conceived as an "Action Oriented Participative Research", and therefore, we evolved ^a strategy which could bring in the elements of participative research. The procedure followed for the desk research was as follow:

- a) Review of existing situation relating to small farmer in the overall context of the problem of poverty.
- b) Review of the National policy and programmes relating to small farmer.
- c) Review of the institutional arrangements for helping the small farmers within the overall banking and credit structure of the country.
- d) In-depth study of some of the selected cooperative organisations and voluntary agencies efforts in order to evaluate the ways and means followed by them to ensure small farmers involvement in the development process.
- e) Organisation of External Research Workshops at the state levels in collaboration with state level cooperative agency to discuss:
 - (i) Functional and procedural problems in implementing development projects for small farmers;
 - (ii) Problems relating to the delivery of services, (credit in particular) to small farmers;
 - (iii) Suitable strategy for cooperative intervention which could ensure effective participation by small farmers on the one hand and on the other ensure the serviceability of cooperatives for small farmers; and
 - (iv) Policy issues relating to action programmes for the development of small farmers.

- f) Intensive discussions with officials of Govt. at various levels, Project staff, small farmers, local leaders, cooperative leaders and with the officials of cooperative organisations. Mini workshop of field level officers was also conducted to get first hand knowledge.

1.5 Identification of the target group

For the purpose of this research, we adopted the criterion used for identifying the small farmers by the State Government and the cooperative organisation at the local level.

CHAPTER - II

SMALL FARMERS PROBLEM - POVERTY SITUATION AND NATIONAL POLICY TOWARDS RURAL DEVELOPMENT2.1 Is Small Beautiful?

"Small is beautiful" - true, but does this apply to the small farmers? A vast set of research literature and expert committee reports identify the small farmers as a group of destitutes who are suffering from hunger, illiteracy and disease, about whom people talk and show concern both at national and international platforms. He is a person who is surviving under a situation of abject poverty resulting from poor resources base unemployment and exploitation through the existing power structure of the society. He belongs to the unorganised labour camp, the members of whom are unable to resist the diversion of the development programmes specially designed to serve their cause by the vested people, who subvert their operations to their own advantages. The bureaucratic or top-bottom approach of implementation of the programmes and the apparent unawareness and indifference of these people to capitalise the opportunity allows considerable amount of leakages from various rural development programmes to the advantage of the rural rich, money-lenders and others. Could we consider the fellow and his environment beautiful in which he is managing to survive? Probably not.

The technological break-through in agriculture which was so lustily cheered as "size neutral" proved only to be laboratory affair. Several studies have proved it beyond doubts that the green revolution has been confined to limited areas and exploited more by better off people than by the poor farmers. Whatever resources have been ploughed on this account have largely been cornered by the vested interest. This has happened partly because of the power structure in the countryside. Those who have the resources and thus commanded power and those with poor or no resource base became a pray of the power game.

Further, the shortage of capital, accentuated by lack of skill, extension services, and business ability and an inefficient overlapping delivery system of services have prevented them from taking full advantage of the technological break-through and various development programmes.

2.2 Who are the rural poor?

Broadly speaking, the problems of small farmer is part of the overall national problem of poverty, the hard core of which is confined in the rural areas. In India the poorest sections belong to the families of landless labour, small and marginal farmers, rural artisans, scheduled castes and scheduled tribes and socially and economically backward classes.

2.3 The dimension of rural poverty in India vice versa the small farmer

According to a recent World Bank Estimate (1981), India is the 10th poorest country in the world. While India is poor compared to some of the developing countries in the region, some Indians are poorer than other Indians. Inequality of incomes and assets within the country which is the internal aspect of relative poverty have pushed the standard of living of the vast majority of relatively more poor below the basic minimum - a norm determined by the concept of absolute poverty.

The relative poverty in India can be judged from the inequality in the distribution of assets of income and expenditure. The all India Debt and Investment Survey carried out by the Reserve Bank of India revealed that 50% of the households commanded only 8% of the total assets valued below Rs.5000/-. On the other hand 8% of the top rich families possessed nearly 48 per cent of the assets valued Rs.20,000/- and above. Another RBI study (1976) has revealed that the top 25% of rural households possessed 74.8% of the total assets while the bottom 25% hold 1.3% only. Less than 1% of the households own assets worth Rs.1 lakh and more and the value of their assets was 14% of the total.

Some of the recent studies conducted by the National Council of Agricultural Research (1980) have brought out the fact that with regard to distribution of wealth in rural areas, the bottom 30% of population have only 2% share of wealth while the top 1% population accounted for 13% share.

Looking the problem from consumption angle the National Sample Survey (16th round) shows that 66% of the rural population was having a per capita consumption expenditure below the national annual per capita expenditure of Rs.261/-.

2.4 Land distribution pattern

The average holding size in India is 2.30 hectares. About 70% of the farming households cultivate less than 2 hectares, 26% farms cultivate between 2 to 10 hectares and 4% farms cultivate more than 10 hectares of land. The average size of the large holdings is roughly 18 hectares. Nearly 30 per cent of the rural population is landless. Land reforms particularly the ceiling act has failed to achieve its basic objective. The same is largely true in respect of tenancy and other reforms.

The actual ceiling of family holding differs from 4.0 hectares of irrigated land capable of producing two crops, to 21.8 hectares of non-irrigated land in different states. By the end of 1978 some 1.74 million hectares of surplus land was acquired in different states of which 1.45 million hectare was distributed among over 2 million landless families. It is expected that on complete implementation of the ceiling process in all the states, a total of about 5.3 million hectares of land could possibly become available for redistribution among the less privileged landless agricultural labour families.

Though the land ceiling aimed at achieving greater social justice for the less privileged class it has aggravated the problem of ensuring the availability of resources to millions of small and

marginal holders and development of suitable institutional arrangement to support them. Distribution of small holdings among landless families have resulted in considerable expansion of non-viable farm units. This could be seen from the fact that between 1972 to 1978 some 0.64 million hectares of land was distributed among 1 million landless agricultural worker families. On an average, each landless family received 0.65 hectares of land which by no standard could be considered as viable unit. Again it is not the number of hectares distributed to the landless but the manner of distributing the same and the subsequent management of these land by the landless poor that really matters. At the Block level, which is the real unit for managing land resources no proper assessment has been done of the complementary inputs **needed** for managing the lands granted.

For more proper appreciation of the problem of the size of holding and that of the people surviving on such holdings, it would be worthwhile to look into the land holding pattern as reflected by the 1970-71 Agricultural Census conducted in the country. The size distribution of operational land holding is presented in Appendix table - 2.1 which is indicative of the problem of resource disparity at various levels of farm size and the importance of the small and marginal farmers in the total agricultural set-up. Quantitatively the small and marginal farmers formed 69.6 per cent of the total operating household with only 21% of the operational area under their command. Again among the small and marginal farmers, the condition of tenants is worst as compared to owner operators. Most of the tenants operate land on oral lease and could be evicted at will. These tenants could not mortgage their land to be eligible for a development loan. The situation is worst in the Permanent Settlement or Zamindari areas of Bihar where no Up-to-date record of right is available.

With regard to the size of production unit in agriculture, the national objective is to achieve objective of equality in land holding on the one hand and achieving economic efficiency on the

other. How far this has been achieved is a matter of academic exercise with which we are not concerned at the moment. Our limited objective in this section is to have a look into the various aspect of quantitative expansion of production units in various size groups and its socio-economic implications. The basic problems is not only that of bringing about large redistribution of land surface but that of combining land surface operated by vast number of small holders into units suitable for efficient cultivation which could improve the level of livings of the small and marginal farmers. The problem is further aggravated by the continuous diminution in the size of existing holdings in all size groups. The various rounds of National Sample Surveys revealed that the marginal and small holdings are increasing at an alarming pace in many of the States. (see Appendix table 2.1 & 2.2) The phenomenon increase in the number of small holdings not only have aggravated the problem of their viable operation more and more difficult but it is also posing serious problem for the supporting service structure to render necessary services to the small holders spread over a large area. According to one projection, (Dr. Vyas), the marginal holdings (upto 1 hectare) alone would increase by over 20 per cent between 1971-72 to 1980-81 while the operational area would increase only marginally by over 2 per cent for the group as a whole.

2.5 The P.Q.L. Index

Inequality and relative poverty are common in both rich and poor countries, but the relatively poor in poor countries are absolutely poor because they live below the minimum standard of consumption required for existence which reduces the physical quality of life. The P.Q.L. index for India during 1974 was estimated at 41 only as against the P.Q.L. index of 90 in some of the developed countries.

2.6 Poverty line and the rural poor

In India attempts have been made to define the poverty

line and to measure the extent of absolute poverty in terms of percentage of population living below the poverty line. The poverty line is defined in terms of expenditure necessary to provide 2,250 calories per day per person. Over last few years, various scholars and economists have tried to estimate the proportion of population living below the line of poverty.

Dr. Minhas found 55 per cent of the population living below poverty line during 56-57 which came down to 50 per cent in 1967-68. Prof. Dandekar and Rath estimated that between 1960-61 to 1967-68 percentage of population living below poverty line increased from 33 per cent to 40 per cent in case of rural India and 49 per cent to 50 per cent in case of urban areas. They considered Rs.15 per capita per month for rural population and Rs.22.50 for urban population a necessary minimum expenditure at 1960-61 prices. Another eminent Indian economist Prof. Pranab Bardhan have put the percentage of population below poverty line to 38 per cent in 1960-61 which increased to 54 per cent in 1968-69. In respect of rural population he estimated that about 246 million people were absolutely poor.

India's Fifth Plan approach paper stated that "the absolute number of people below the poverty line today is just as large as it was two decades ago". According to Fifth Five Year Plan over 46 per cent of India's population falls below the poverty line. The Sixth Five Year Plan has estimated that the absolute number of persons living below the poverty line was 290 million (or 41 per cent) which showed an increase of over 24 per cent over the estimated number of people living below poverty line at the beginning of the 5th Five Year Plan.

In the national effort to eradicate the poverty the Sixth plan projections indicate that in 1982-83 the proportion of population below poverty line would be about 38 per cent and by 1987-88 it will further come down to 27 per cent. The absolute number below poverty line will also come down to around 265 million

in 19 2- 3 and 200 million in 19 7-80. However, the latest estimates for 1981 is that about 300 million people are below poverty line. It is further estimated that in India the bottom 20 per cent of population secured only 4 per cent of the national income (against 1/5 of their due) and the top 5 per cent secured 31 per cent of the national income. In the rural sector poverty is more serious among small and marginal farmers and agricultural workers.

2.7 Poverty and unemployment

Poverty and unemployment are very often related and the people in the two sets may overlap; but they are not identical. Not all, not even, perhaps, the majority of those below the poverty line, however, defined, are unemployed, and conversely not all the unemployed necessarily come from households in the poverty category.

It is the common experience that poorer the resource base, larger is the dependence on employment, and hence greater the incidence of unemployment larger is the sufferings of the unemployed.

In 1971 the labour force employed in agriculture stood at 73.8 per cent of the total, compared to 73.1 per cent in 1921 and 72.6 per cent in 1951. Between 1971 and 1978, when the labour force increased by 35 million, non-agricultural activities absorbed only 9 million (about half in the organised sector and half in the informal sector). The general manpower deployment in the country is that only 10 to 11 per cent increase in labour force finds employment in organised sector while the rest drifts into part-time employment in the rural areas or the informal sector of the urban industry and trade, or become chronically unemployed. The labour force in agricultural sector is rising annually by 4 million of which 1.4 million swell the ranks of agricultural labourers.

2.8 The task and its dimension

It is now amply clear that in quantitative terms the task of assisting the small farmers is stupendous. The basic task firstly is to raise all the farm households living below the line of poverty. According to one of the latest projection (Prof. Ranade) "per capita farm income of the operators of marginal holdings was estimated at Rs.23.0 in 1971. It was further estimated that if, in value terms, agricultural productivity rises at the rate of 3.9 per cent per annum, and the marginal farmers share in this rise is in the same manner as other categories of farmers, their per capita farm income is likely to rise to Rs.34.95 by the year 2000". But could this make a real dent on the poverty? Further it will be unrealistic to think in terms of a productivity rise more than 3.9 per cent per annum for a long period.

The obvious task, therefore, is (i) how to ensure a rise in agricultural production at least @4% per annum for quite some time? (ii) what supporting measures are required to fill in the likely gap between the expected income with stipulated productivity rise - and the minimum requirement of such farms? (iii) what action programmes are required to remove the constraint on income resulting from the low resource base i.e. identifying additional income generating supplementary measures. Action under the task (ii) and (iii) will be supplementary to each other.

The organisational and administrative frame work through which various measures could be achieved is yet another aspect which will require careful consideration.

In the subsequent sections we would make an attempt to evaluate the policy approach and action programme initiated so far in the state to help the small farmers. Our attempt will be to evaluate in more detail the results obtained through the working of SFDA and the role played by the institutional agency in particular the role played by the cooperative agencies.

2.9 National policy and plan approach to rural development.

In the light of the dimension of the poverty problems in general and the problems of small and marginal farmers in particular as visible from the analysis presented in the preceding sections, we could now review the National Policy and Planned approach to rural development with special reference to small farmers. However, before we do this it may be worthwhile to briefly discuss the various concepts of rural development without entering into any controversy about various approaches. This will help us in proper formulation of methodology of intervention for rural development.

2.9.1 The concept of rural development

Anker has defined rural development as "Strategies, Policies and Programmes for the development of rural areas and the promotion of activities carried out in such areas (agriculture, forestry, fishery, rural crafts and industries, the development of social and economic infrastructure) with the ultimate aim of achieving fuller utilisation of available physical and human resources, and thus higher incomes and better living conditions for the rural population as a whole, particularly the rural poor, and effective participation of the latter in the development process". However, rural development is not something which could be achieved in isolation from the overall planned development of the economy. It is all the question of striking a balance between the short-term and long-term objectives of planned development to achieve the overall objective of 'removal of poverty, hunger, illiteracy and disease'. Experience has shown that short-term problems of unemployment and poverty are more pressing than the long-term problems of structural transformation and institutional reforms.

The critical elements in rural development are (i) fulfilment of basic needs of the poor, (ii) full employment; (iii) local

participation; and (iv) micro level planning. The concept of rural development provides for the organisation of the society in units in which the individual has the fullest opportunities for active participation, and the function of the state is only to provide the conditions for flowering of personality of the individual in self governing communities. Rural development to be self sustaining requires not only the mobilisation of capital for the benefit of the poor but their active involvement in building of institutions as well as in the functioning of these institutions.

2.9.2 Policy & the planned strategy for small farmers development

The emphasis on the need for rural development is not new to Indian situation. As a matter of fact the Gandhian thought has laid greater stress on rural development. Mahatma Gandhi was of the view that "Political emancipation had no meaning unless it lifted the people from poverty and ignorance". He advocated for 13 point programme of rural development involving basic education, village industries, Khadi and other efforts to improve the quality of life. His main approach was to make the villages self reliant.

During the post independence period, a number of experiments were made and are continuing with an aim to bring in improvement in the quality of life, in the villages particularly among the rural poor.

The community development programmes launched on 2nd October 1952 was conceived as a peoples movement. All the rural development problems were to be tackled by the programme. The National Extension Service introduced in 1953 largely aimed at strengthening the working of the community development programme. By the mid sixties the food situation forced the planners to adopt a strategy which could help increase food production in the short

rur through the process of accelerating development efforts in selected potential areas of inputs as required under the new technology. In the wake of this thinking Intensive Agricultural District Programmes (1966) and Intensive Agricultural Area Programme were started to achieve a balanced and rapid growth in agriculture sector. During 1971-76 the rural development approach in Indian Planning basically gave major emphasis on the Area Development Programmes. These Programmes could be identified as Drought Prone Area Programme, Hill Area Development Programme (73-74), Tribal Area Development Programme (71-72), Command Area Development Programme (1974-75) and Whole Village Development Programme (75-76). The only exception to Area Development approach was the introduction of the Small Farmers and Marginal Farmers and Agricultural Labourers Agencies (1973-74) which are basically target or beneficiaries oriented schemes. The introduction of these agencies was due to the realisation of the fact that the benefits from the Area Development scheme mainly percolated to the privileged few and created further disparity between the rich and poor. Besides this, considerable amount of regional and sub-regional imbalances were created in economic development. It was realised by the planners that unless a direct attack on poverty is launched by identification of the members in the target group and providing assistance to them in terms of credit, subsidy and facilities for marketing, etc. the development efforts are likely to bypass the poor.

The SFDA/MFAL Programme was included in the central sector in IVth Five Year Plan (1974-78) though some pilot projects were launched as far back as 1969. The programme basically adopted the target group approach, with the main objective to identify the eligible small, marginal and agricultural labour families, investigate and identify their problems, formulate programmes incorporating suitable measures to deal with them and devise ways and means of implementing the programme.

Till 30th June 1980, 16.2 million participants were identified under the programme by 168 SFDA Agencies in the country of which 7.3 million were enrolled as members of the cooperatives. The major emphasis under the programme has been on the following schemes : i.e. (i) improved agriculture, (ii) minor irrigation, (iii) animal husbandry, (iv) village industries, (v) forestry and pastur , (vi) other (tertiary section). Besides these, each agency is supposed to ensure the flow of funds for short-term, medium-term and long-term credit requirements.

Till June 1980, since the inception of the programme, the cooperatives advanced a sum of Rs.1,145 million as medium-term loan and Rs.1,429.8 million as long-term loan to the identified families under the programme. Besides this, the primary agricultural credit societies provided the annual short-term credit needs of small and marginal farmers. During the year 1979-80 the primary agricultural societies advanced Rs.117.7 million as short-term loan.

The scheme was entirely centrally financed upto 1978-79. The present rate of allocation is Rs. 2.5 lakhs per block per annum which works out to Rs.420 lakhs (Rs.42 million) for all the 166 blocks covered under the programme. The State Governments have also to make matching amount for the schemes under the Programme.

However, some of the evaluation studies, including one conducted by the PEO, Planning Commission, brought out the following major deficiencies in the SFDA Programme:

- i. No scientific surveys to identify the rural poor in general and small farmer in particular were made.
- ii. The block plans were prepared on ad-hoc basis having little relevance to local realities.
- iii. Within the target groups the most potentially viable farmers were selected leaving the poorest among the poor. It gave highest priority to potentially viable small farmer.
- iv. The programmes were implemented without consideration for the available infrastructure and active involvement of the beneficiaries.
- v. No evaluation and monitoring of benefits and follow-up action were provided for, nor conducted by any agency at its own initiative.
- vi. The whole emphasis was on physical and financial achievement of targets as a result of which it gave more stress on disbursement of funds without any thought being given to the optimum investment necessary to make any substantial dent in the poverty conditions of the poor beneficiaries.

2.9.3 Drought Prone Area Programme (DPAP)

Drought Prone Area Programme was initially started as a Rural Works Programme with a view to obviating emergent scarcity relief and providing employment on a sustained basis in selected watershed areas or areas susceptible to frequent drought.

The main objectives of the programme are (i) restoration of ecological balance; (ii) raising the productivity status of the land water and livestock resources; and (iii) raising the economic status of the poorer sections of the rural society.

As against the strategy of creation of durable assets to provide employment and relief from recurring scarcity conditions, the Draught Prone Areas Programme laid stress on the optimum conservation, development and exploitation of the resources of these areas. As these areas have an adverse water balance, low and erratic distribution of rainfall, degraded landscape and eroded soil structure, integrated area development approach is adopted taking watershed or sub-watershed as a unit of planning and implementation of schemes to increase productivity. Major stress is also given on extension services to restructure the cropping pattern and agronomic practices. However, development of irrigation resources constitutes an important component of the programme. For equitable distribution of the water resources emphasis is laid on protective rather than intensive agriculture. Considerable amount of stress is given on the development of secondary source of income through the development of dairy and poultry schemes. Along with area development, covering all the people inhabiting the selected pockets, the programme provides for drawing up of special schemes for the benefit of small and marginal farmers, agricultural labourers and fishermen etc. During the year 1979-80 a total number of 0.81 million families were assisted of which nearly 55 per cent belonged to weaker section group including the small and marginal farmers.

2.9.4 Sixth Five Year Plan approach

In view of the deficiencies noticed in the SFDA Programmes, suitable policy changes were incorporated in the Sixth Five Year Plan.

The Sixth Five Year Plan's anti-poverty objectives are "a progressive reduction in the incidence of poverty and unemployment and strengthening the redistributive bias of public policies and services in favour of the poor contributing to a reduction in inequalities of income and wealth". Further, "the household will remain the basic unit of poverty eradication in target group oriented programmes. Families differ in such vital respects as dependency ratio, asset holdings, skills and even the ability to perform manual labour on public works. Hence, each household below the poverty line will have to be assisted through an appropriate package of technologies, services and asset transfer programmes".

To achieve the plan objective, the IRDP Programme which was launched during 1978-79 covering 2300 blocks was extended to all the 5004 blocks in the country from 2nd October 1980. Probably, India is the only country in the world where a national programme on such a massive scale has been launched in order to help the weaker section of the society under the overall objective of eradication of poverty.

2.9.5 Integrated Rural Development Programme (IRDP)

IRDP is a synthesis of the strategies tested and found suitable from the experience gained in the implementation of Small Farmers and Marginal Farmers Development Agencies, Command Area Development Agencies (CADA) and Drought Prone Area Programme (DPAP). It recognised that a mere project approach or a sectoral approach is not enough for the overall development of the economy of the target group. It is essential to determine the necessary and sufficient amount of financial investments in a scheme for a beneficiary so that he may not just record some income gain but

he must be able to generate sufficient income to cross the poverty line fixed at Rs.3500/- per annum. Thus its main objectives are to raise families in the identified target groups above the poverty line and to create substantial additional opportunities of employment in the rural sector. The programme which was launched during 1978-79 in 2300 blocks has been expanded since 2nd October 1980 to cover all the 5004 blocks in the country. The target group consists of the poorest among the poor in rural areas - small and marginal farmers, agricultural and non-agricultural labourers, rural artisans and craftsmen, scheduled castes and scheduled tribes. The new approach aims at integrating field programmes reflecting the economic activity of the rural family whose employment and development is the basic objective. The programme visualises to achieve this through the development of primary, secondary and tertiary sectors.

The following developmental programmes will, as a first approximation, be integrated:

- (1) Programmes of agricultural development including efficient utilisation of land and water resources with scientific technology available;
- (2) Programmes of animal husbandry as a subsidiary occupation mainly directed to small peasant households so as to maximise utilisation of by-products in the farm and at the same time, aiming at commercial production of animal husbandry products. Necessary infrastructure for commercialisation would be in-built in the programme;
- (3) Programmes of inland water and brackish water fisheries to maximise output of fish per unit of water and develop as an important occupation for the fishermen classes and such other backward classes in the economy;
- (4) Programmes of marine fishery including harvesting of natural resources through trawlers, mechanised boats and country boats, keeping in view the need to maximise employment of the poorer section of the fishermen population and preventing unhealthy competition between the three sectors to the detriment of the poorer classes;

- (5) Programmes of social forestry to provide a base for fuel and fodder in the economy and with special earmarking of usufruct for the poorer sections of the community for exploitation as an occupation or as fodder for an animal husbandry programme. Tasar (silk), eri and muga and lac rearing by the poorer sections should be in-built into the programmes;
- (6) Programmes of farm forestry through the small peasant households as a subsidiary income and also for minimising use of land;
- (7) Village and cottage industries including handlooms, sericulture, bee-keeping etc. as a full or part-time occupation to the artisan classes of the rural population;
- (8) Service sectors of the rural economy as self-employment sectors for the poorer families both as a means of providing for a felt-want in the economy and as a means of better livelihood to the poorer sections; and
- (9) Labour programmes of skill formation and labour mobility to meet the needs of organised labour for development works and of the nature of employment guarantee programmes where necessary.

Under the present on-going programmes, the schemes taken up fall into three broad categories:-

- i. Individual beneficiary schemes;
- ii. Schemes for infrastructure development; and
- iii. Support to institutions.

In its implementation the schemes will adopt the cluster approach. A five year development plan will be prepared for each district, disaggregating into blocks based on practical possibilities of development in agriculture and other sectors. The target is to assist on an average 600 families per year in a block, thereby covering some 3000 families per block during 6th plan - i.e. total 300 million families.

Till 30th June 1980, 6.38 million families have been identified. The central share of allocation of funds since inception upto 30th June 1980 was Rs.2784 million of which only 51% could be released to provide assistance to 1.4 million families.

The main guidelines relating to the IRDP are provided in Appendix - 2.3

2.9.6 Administrative Arrangement

The policy implication of the programme at district level is to have one Rural Development Agency, a society registered for this purpose on the SFDA pattern, in case of those blocks where IRDP is not under implementation. The SFDA Programme has now been merged with the IRD Programme and the IRD Programmes will be implemented by the District Rural Development Agency. Though DPAP and other rural development programmes will retain their separate identity, the implementation of the programmes is to be entrusted to the newly formed Agency implementing the IRD Programme.

The District Rural Development Agency will be headed by the District Collector or Deputy Commissioner as its Chairman and it will have a full-time executive, preferably a senior IAS Officer or a senior officer of the State Civil Service. In order to ensure proper progress of the programmes the State Governments are expected to ensure the continuity of tenure of such officers for at least 2 to 3 years.

At present, in some of the States, the SFDA programme is being dealt with by the Agricultural Department and IRDP by the Rural Development Department. The field level machinery for implementing the IRDP is, however, with the Development Department. Under the new policy decision it is decided that the whole programme be handled by a single department particularly the department which exercises control over the Block Administration. Accordingly, the Development Commissioner of the State is supposed to administer the whole programme. At the district level District Rural Development Agency/Society will be incharge of implementing all special programmes. The district agency which, at present, consisted of a Project Officer, 2-3 APOs and some ministerial staff is expected to be strengthened with the addition of a Credit Planning Officer, an Industries Officer and an Economist/Statistician. Some of the States have already brought in the administrative changes as contained in the Programme and in other States it is under implementation.

By and large, the programmes already included in the on-going IRD Programme would continue to be implemented under the new programme.

It is apparent that in all the programmes the institutional agencies are expected to play a major role in the fulfilment of programme objectives and each institutional agency has been assigned role expected to be played by them.

A Statement showing the pattern of assistance under different programmes is given in Appendix - 2.4 which provides an idea about the type and direction of assistance being provided to small and marginal farmers. Many States have increased the percentage of subsidy for poorest among the poor.

2.9.7 Issues that needs attention

The critical element in rural development is improvement in the living standards of the poor through the better utilisation of physical and human resources. It should provide fulfilment of basic needs of the poor, full employment, local participation and micro level planning.

Looking to the overall experience in rural development experiments over last 25 years one finds that problems of poverty and unemployment has increased. Prior to IRDP Programme the programmes were of ad-hoc character.

Conceding the fact that we have been experimenting in trying to find out a proper solution to the vex problems of development and removal of poverty, not much attention has been given to some of the basic issues relating to the implementation of a given programme. The missing links in theories/concepts of rural development pertain to those elements which are required for translation of concepts into practice, the identification of the methodology which could help achieve objectives, identification of the type of intervention needed which could ensure peoples participation. The last mentioned issue has probably received the lowest priority in the schemes of development.

Whether it is the community development programme or the IADP programme or the CADA or SFDA or IRDF the instrument proposed for implementation of the programmes has been basically administrative which has so far failed to fulfil the expectations.

The problems of development are not solved by formulating plans alone which are too general and traditional, or with the aggregation of isolated local projects. Even the so-called micro level planning concept is still an elusive goal in practice. One fact which is often being ignored is that the long-term and medium-term solution of rural development could be the result of the multiplying effect of innovative actions, projects and experiments which, at certain point, must be connected up into a regional and national plan. The IFD Programme is not clear on this issue.

Except to some extent in Antodaya Programme there is little evidence of peoples participation in the identification of their own needs and the ways and means of fulfilling it.

The role to be played by voluntary agencies is also not clear. The gap between the people and programme implementation authority at local level has been one of the major factors for not very encouraging performance under different programmes.

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Size Distribution of Operational Holdings 1970-71

Category	Size group	No. ' 000	%	Area ' 000	%
Marginal	Less than 1 hectare	35,682	50.6	14,545	9.0
Small	1 to 2 hectares	13,432	19.0	19,282	11.9
Semi-medium	2 to 4 hectares	10,681	15.2	29,999	18.5
.Sub-total of small and semi-medium 1.0 to 4.0 hectares		24,113	34.2	49,281	30.4
Medium	4.0 - 10.0 Hectares	7,932	11.3	48,234	29.7
Large	10 hectares & above	2,766	3.9	50,064	30.9
All categories		70,493	100.0	162,124	100.0

Source - Computed from Agricultural Census Report - 1971.

Quantitatively, the small and marginal farmers formed 69.6 per cent of the total operating household with only 21% of the operational area under their command.

Appendix Table - 2.2

Percentage increase in operational holdings and area operated over the period from 1960-61 to 1971-72 (percentage)

States	Marginal holdings below 1 hectare		Small holdings - 1 to 2 hectares		Semi-medium holdings 2 to 4 hectares		Medium holdings 4 to 10 hectares		Large holdings above 10 hectares		All groups	
	No. of holdings	Area Operated	No. of holdings	Area Operated	No. of holdings	Area operated	No. of holdings	Area operated	No. of holdings	Area operated	No. of holdings	Area operated
1	2	3	4	5	6	7	8	9	10	11	12	13
Andhra Pradesh	188	36	16	9	35	32	6	4	-13	17	93	5
Assam	166	47	11	15	-15	-14	-45	-47	-68	-79	66	-9
Bihar	62	7	18	12	-8	-11	-36	-39	-65	-64	33	-19
Gujarat	565	127	90	95	32	28	3	2	-5	-11	121	8
Jammu & Kashmir	73	57	16	-26	-27	-44	-49	-56	-	-	29	-8
Karnataka	303	101	16	16	42	46	10	10	21	-27	82	5
Kerala	35	13	8	11	-13	-13	-47	-51	-85	-91	27	-28
Madhya Pradesh	108	46	34	35	20	18	4	2	-17	-31	38	-4
Maharashtra	402	65	84	80	66	62	27	20	-9	-22	118	8
Orissa	147	63	32	28	-4	-10	-23	-25	-58	-62	72	-6
Punjab	381	-43	-7	-5	0	-1	-23	-25	-62	-63	65	-35
Rajasthan	118	21	12	9	19	14	23	22	-11	-12	29	3
Tamil Nadu	161	16	-9	112	-8	-10	-7	-15	-46	-52	80	-12
Uttar Pradesh	87	17	11	12	-7	-8	-22	-23	-51	-67	38	-13
West Bengal	186	57	-8	-11	-18	-20	-48	-47	-67	-75	73	-15
ALL INDIA	137	32	16	17	10	8	-3	-6	-24	-29	60	-4

Main Guidelines for IRDP1. General

The two programmes, one Small Farmers Development Agency, Programme & another Integrated Rural Development Programme which were under implementation before 2nd October 1980, have now been merged from 2nd October 1980 and will now operate as one programme known as Integrated Rural Development Programme. The Integrated Rural Development Programme is extended to all the development blocks in the country.

2. Financial allocation

Accordingly, the different patterns of funding viz. 2.50 lakhs per block per annum for the normal SFDA Programme, 5 lakhs or 10 lakhs per block per annum for I.R.D. block etc. is discontinued. Now, the allocation will be made on equal basis for all the blocks in the district. During the current year, i.e. 1981-82, Rs.6 lakhs is the sanctioned financial allocation for each block. Out of this, 50% of the amount will be provided by the State Govt. as per its commitment.

3. Programme contents

The programme already included in the on-going Integrated Rural Development Programme would continue to be implemented under the new programme, by and large. The contribution to "Risk Fund" would also be admissible on the same lines as provided in the Small Farmers Development Agency Programme.

4. Objectives of the programme

The Programme would contain comprehensive development on family basis instead of conferring benefits in an isolated and sporadic manner. Thus the programme would involve identification and provide assistance to the targeted families living below the poverty line (i.e. having annual family income not exceeding Rs.3500/-).

5. Coverage and target

Under the Integrated Rural Development Programme (IRDP)

the target is to assist on an average 600 families in a block in a year so as to cover at least 3000 families under this Programme during Sixth Plan period (i.e. in five years). In Parbhani district 4,800 families in a year and 24,000 families in five years period would be covered. A complete household survey of the families is to be made.

6. Plan of action for 1980-85

A 5-year development profile is to be worked out for each district disaggregating into blocks based on practical possibilities of development in agriculture and other sectors. Detailed guidelines on the formulation of 5-year plan will be issued by Govt. shortly. Pending this, the block plans approved for 1981-82 by the State Level Coordination Committee (SLCC) will be implemented.

7. Important modifications of guidelines

(i) Under the on-going programme, it has been noticed that a very large amount of subsidy is being utilised for stray demonstration which do not contribute directly to increase the incomes of the beneficiaries. It has, therefore, been decided that gradually, the assistance for crop or other demonstrations should be phased out and eventually, discontinued altogether, under the Integrated Rural Development Programme. Similarly, assistance on other small individual items like Agriculture Implements, Storage bins, input subsidy etc. should also be phased out. Such individual items should be given only in the form of comprehensive package and expenditure on such items should be gradually reduced. Ordinarily, expenditure on these items may not exceed Rs.25,000/- per block per annum.

(ii) According to the existing guidelines, members of the target group, with an off-farm income of more than Rs.200/- per month are not eligible for assistance. Since the identification of beneficiary is now based on his total income, there does not appear to be any justification for continuing any ceiling on off-farm income. It has, therefore, been decided that the criterion of off-farm income may be dropped and the beneficiary may be identified entirely on the basis of his total annual family income should not exceed Rs.3,500/- per annum.

(iii) The present guidelines envisage that assistance may be given for purchase of small vehicles like three wheelers for the specific purpose of strengthening the marketing arrangements and for transportation of milk and such other commodities. The subsidy @ 50% of the cost of such vehicles can be provided to cooperatives for this purpose. In some cases, it has been pointed out that the term 'three wheelers' has been interpreted very rigidly. It is clarified that three-wheeler was only given as an illustration of small vehicle. There should not be any objection to the purchase of 4-wheelers also, provided the vehicle is small.

(iv) Subsidy @ 50% to tribal beneficiaries is permissible only to those who are within the target group. Similarly, assistance on the approved rates could be provided to only those members of the scheduled caste who are within the target group.

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PATTERN OF ASSISTANCE UNDER DIFFERENT PROGRAMMES

Appendix Table-2 4

Schemes (1)	Unit (2)	DPAP (3)	SFDA (4)	CADA (5)	IRDP (6)
i) Medium Irrigation	%	100	Not included	Not included	-
ii) MI (State works)	%	100	"	"	-
iii) Individual Irrigation works	%	25 & 33-1/3	25 & 33-1/3	25 & 33-1/3	25 & 33-1/3
iv) C. Irrigation	%	50	50	50	50
v) Inputs	%	25 & 33-1/3	25 & 33-1/3	-	25 & 33-1/3
vi) Agrl. Demonstrations	Rs.	500 - per hectare	200 - per Demonstration	-	200 - per Demonstration
vii) Implements	%	25 to 33-1/3	25 to 33-1/3	-	25 to 33-1/3
viii) Storage Business	%	25	25 to 33-1/3	25 to 33-1/3	25 to 33-1/3
ix) Land Development Soil con.etc.	%	25 to 33-1/3	25 to 33-1/3	25 to 33-1/3	25 to 33-1/3
x) Milch Animals	%	"	"	Not included	"
xi) Shcep, Goat etc.	%	"	"	"	"
xii) Horticulture	%	"	"	"	"
xiii) BP/BC	%	"	"	"	"
xiv) Fisheries	%	25	"	"	33-1/3 and 50
xv) Sericulture	%	25	25 to 33-1/3	Not included	25 to 33-1/3
xvi) Farm Forestry	-	Cost of Planting be borne by Government	"	"	DPAP Pattern
xvii) Bee keeping	%	25 to 33-1/3	"	"	25 to 33-1/3
<u>Infrastructure</u>					
i) Seed farms	%	100	Not included	Not included	Not allowed
ii) Training	-	Full cost by Government	"	"	100
iii) Godowns	%	100	"	"	Not allowed
iv) Mandies	Rs.1000/-	100%(30 per mandies on adhoc basis	40 for regulated markets	"	"

(1)	(2)	(3)	(4)	(5)	(6)
v) S.C.	%	100	25 to 33-1/3	Not included	100 in case on Govt. kind
vi) Fisheries	%	100	Recently included	"	Mechanisation of boats etc.
vii) Veterinary dispensary	%	100	Not included	"	Not included
viii) A.I. Centres	%	100	"	"	100
ix) Breeding farms	%	100	"	"	Not included
x) Chilling centres	%	100	50 limited to Rs.21 lakhs per unit	"	50
xi) Feed mixing plan	%	100	Not included	-	Not allowed
xii) Pasture Dev.	%	100	"	Not included	Dev. of Kurans
xiii) Fodder Banks	%	100	"	"	Not allowed
xiv) Afforestation	%	100	"	"	"
xv) Fish Farms	%	100	"	"	"
xvi) Cold Storage	%	100	"	"	"
xvii) Equipments	%	100	"	100	"
xviii) Transport vehicles	%	100	50	Not included	Assistance to small vehicles
xix) Link Roads	-	Not included	Not included	"	Not allowed
xx) Agro & Forest based industries	-	"	"	"	"
xxi) Extension staff	%	100	"	Full cost born	"
xxii) Administration	%	100	100	50 by State 50 by Centre	"

(1)	(2)	(3)	(4)	(5)	(6)
<u>Support to Institutions</u>					
i) R.F.	%	6 ST. MT. Primary coop. societies/ Centres/Coop. 2- MLT to LDB	6 - ST.MT. 25- LDB	Not included	Allowed in new Programme,
ii) NODC	Rs.000	1000	1000	"	"
iii) Equity capital & debenture	%	Share capital Loan	State Capital loan to SF/MF up to 4 shares	50 by State 50 by Centre	Loans up to 4 shares
iv) Managerial Subsidy	-	Allowed to FSS	Allowed for FSS	Not included	1st year 100% 2nd year 75% 3rd year 50%

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N.B: (1) DPAP = Drought Prone Areas Project
(2) SFDA = Small Farmer Development Agency
(3) CADA = Command Area Development Agency
(4) IRDP = Integrated Rural Development Programme

CHAPTER - IIIInstitutional Frame-work for Financing
Agriculture & Rural Development Programmes3.1 Background

For better appreciation of the rural development programmes and special efforts that are being attempted to help the small and marginal farmers, it is essential to have a broad idea about the rural banking system in India. Any methodology of intervention to deliver the goods to the agricultural sector in general and small & marginal farmers in particular will have to take stock of the institutional frame-work already under operation. We, therefore, in this chapter present a brief account of the frame-work for financing agricultural and rural development programmes in its historical perspective.

Rural financial market in India consists of both the formal and informal agencies. The functioning of the informal agencies is also termed as unorganised financial market because it operates outside the provisions of the Indian Banking Companies Act. Neither the Reserve Bank of India (RBI) nor the Government of India has a direct control over it. The enactment and implementation of the regulative provisions of money lending activities of the informal agencies are within the purview of the concerned State Governments.

The objective of the rural credit policy in India since 1951, has been to enlarge the role of institutional credit agencies and to reduce, correspondingly, the role of informal credit agencies, especially the role of private money-lenders. According to the All India Rural Credit Survey Report, the share of institutional agencies, comprised of the government, the cooperatives and the commercial banks in financing the borrowings of rural households was 7.1 per cent in 1951-52, whereas the corresponding share held by private money-lenders (excluding relatives, traders and commission

agents, landlords and others was as high as 68.6 per cent. Without denying the positive role played by the money-lenders in the village economy and the strength possessed by them in operating their business, this Report ably pointed out the real problems resulting from their virtual monopoly in supplying rural credit. The money-lenders can and often do resort to several questionable practices due to the "helplessness, ignorance and the necessity of the borrower". These practices include : "(a) demand for advance rent, (b) demand for a 'present' for doing business, known as 'Girah Kholai' (purse opening), (c) demand for a thumb impression on a blank paper so that any arbitrary amount can be inserted at a later date if the debtor becomes irregular in payment of interest, (d) the general manipulation of the account to the disadvantage of the debtor, (e) the insertion in written documents of sums considerably in excess of the actual money lent, and (f) the insistence on conditional sale deeds in order to provide against possible evasion of payment by the debtor". Besides these, the rate of interest charged on loans can be very high - often much above the legal provisions provided by the State Government. Further, often the poor borrower is exploited through advance contracts which forced him to sell his output only through the money-lender resulting in a sale price which is lower than the one the borrower could have gotten had he been able to sell his output directly in the market. All these practices has been in operation because of the socio economic control exercised by money-lenders over the borrowers in the village. It is in this context that the All India Rural Credit Survey Committee recommended the formation of multipurpose cooperatives which would provide integrated credit facilities linking production with the marketing of inputs and outputs and provisions for the processing and ware-housing facilities as the only viable alternative to the credit problems of the Indian village.

3.2 The three tier cooperative structure

The Government of India accepted the recommendation of

this committee and provided its active support through the RBI and State Governments in creating a three tier credit structure consisting of an apex body at the state level (State Cooperative Bank), an intermediary body at the district level (District Central Cooperative Bank) and at the primary or base level Agricultural Credit Societies. The new cooperative credit structure has its far-reaching effect on the rural credit market.

Under the new structure, the RBI which is the Central Bank of the country, provided refinancing facilities to the State Cooperative Banks both for short-term and medium-term credit for agricultural and allied purposes through its Agricultural Credit Department (ACD). In order to implement the recommendations of the All India Rural Credit Survey Committee Report, the Reserve Bank of India Act was amended in 1955 to provide for the establishment of two funds namely the National Agricultural Credit (long-term operations) Fund and the National Agricultural Credit (stabilisation) Fund. Hereafter the role of RBI changed from that of lender of last resort to that of an active agency not only for the promotion of strong cooperative credit structure in different states of the country but also for enabling the cooperative agencies to take a larger share in the financing of agricultural credit through appropriate measures of reform and reorganisation.

3.3 Emergence of new agricultural banking structure

Following the implementation of the All India Rural Credit Survey Report, the Govt. of India and the RBI reviewed the rural credit system from time to time. Several expert committees were appointed by the Government of India as well as the RBI, from time to time between 1967 to 1976, i.e. All India Debt and Investment Survey, All India Rural Credit Review Committee Report (both by RBI), National Commission on Agriculture Banking Commission and Expert Committee on Rural Banks (Govt. of India).

Their major findings revealed that cooperative societies have had a mixed record of success. 'Cooperative credit societies

have been successful in some areas, not so successful in some other areas and have miserably failed in some other areas' (Committee on Rural Banks). Most of these expert committee's report revealed that the benefits of the cooperative credit bodies have not been adequately passed on to the weaker sections of the society. The report of the All India Rural Review Committee revealed similar situation in more emphatic way. "It does appear from these figures that the proportion of small cultivators who had access to cooperative credit was relatively low in all the states and that the bigger cultivators received a much larger share of cooperative credit than would appear to be justified if allowance were made for the extent to which their own resources could have helped to finance their outlays on the farm". It **further added that "in the** existing frame-work of arrangements in respect of rural credit facilities, there is a distinct gap so far as the non-cultivator sections of the village community are concerned". Hence it recommended for the multi-agency approach for the development of agriculture. All these reports coupled with the findings of several research studies by eminent scholars resulted in a series of measures taken by the Govt. of India and RBI to strengthen the rural banking structure. A schematic description of short-term, medium-term and long-term credit structure which emerges today is given in charts I, II, & III at the end of this section. While Chart I presents the overall set-up including all types of credit, Chart II and Chart III bifurcate this into short-term and medium-term and long-term credit system for easy reading.

3.4 Nationalisation of major commercial banks

Though the implementation of the recommendations of All India Rural Credit Survey Committee report brought in considerable improvement in the supply situation of credit to the agricultural sector it could not cope with growing needs of the modern agriculture. The gap between the demand and supply of credit increased with the expansion and modernisation of agriculture. It was found that the share of other institutional agencies like the

commercial banks in lending to agriculture, which was classified as priority sector, was negligible in proportion of their funds. The Govt. of India nationalised the fourteen major commercial banks in 1969 as a result of this the commercial banks also became major institutional agency in agricultural finance lending both directly and indirectly to the agriculturists through their branches.

3.5 Lead bank scheme for agricultural finance

In 1969, the Reserve Bank of India initiated the Lead Bank Scheme wherein a commercial bank is designated as a Lead Bank in district. The Major task of the Lead Bank is to (i) survey the resources and potential for banking development in the district particularly in the rural areas, (ii) survey the number of farms which do not have banking accounts or which depend primarily on money-lenders, (iii) examine the facilities for marketing storage and linking of credit with marketing in the district, (iv) survey facilities for stocking of fertilisers and other agricultural supplies and for the repair and servicing of equipment, and (v) **recruit** and train staff for giving extension services to farmers. In the second phase the lead bank is **supposed to prepare District Credit Plan**. The Lead Bank Scheme is being operated in 376 districts in the country by 25 commercial banks.

3.6 Village adoption scheme

As part of the area approach of development, the commercial banks formulated "village adoption scheme" in 1973-74. Under this scheme, which aims at intensive efforts for improvement of the village economy, contiguous villages are grouped together and the entire credit requirements of the farmers in the villages for agricultural and allied operations are expected to be provided by the designated branch of a commercial bank. The scheme aims at the integrated development of the agricultural economy of adopted villages and at the same time seeks to avoid the possibility of overlapping of efforts and resources in the same area by two or more commercial banks.

3.7 Regional rural banks

Despite the significant improvement in the flow of credit from the cooperatives and the commercial banks following the nationalisation of commercial banks, it is estimated that even now, the share of non-institutional credit is as high as two thirds of the total agricultural credit in the country. The commercial banks opened their branches only in viable areas often duplicating the efforts, while many areas remained without a branch or any bank. Cooperatives though covered nearly 95 per cent of the total villages, it was unable to meet the growing needs of the expanding agriculture under new technological needs. The small and marginal farmers were the worst sufferers in the absence of resources to adopt the new technology though they constituted 70 per cent of the cultivators in the country. The Government of India appointed a committee on Rural Banks in 1975 to suggest a framework to cater to the needs of small and marginal farmers, in view of the increased requirement for both short-term and medium-term capital under the new technology. The committee recommended for the establishment of Regional Rural Banks. In the meantime the National Commission on Agriculture, appointed by the Government of India for examining the demand and supply of rural credit, also observed that "the Cooperatives and Commercial Banks are not able to meet all the planned credit requirements of the rural areas and there is still a large unfilled gap". The Commission also came to similar conclusion. Accordingly, a new agency in the form of Regional Rural Banks (RRB) came into existence in 1976 following the recommendation of a working group

constituted by the government of India in 1975. The main objective of setting up these banks is to provide credit and other facilities especially to the small and marginal farmers and agricultural labourer besides aiming at the development of the rural area. Each Regional Rural Bank is sponsored by a nationalised commercial bank in the region where cooperative banking structure is generally weak. The sponsor bank will provide assistance to RRB in several ways such as subscription to its share capital, provision of managerial and other staff assistance to be mutually agreed upon within the period of the first five years of its operation and financial assistance (refinancing facilities) on mutually negotiable terms.

The Regional Rural Banks lend through the primary agricultural credit societies (PACS), the Farmers Service Societies (FSS) or even directly to the farmers. The central and concerned state governments and the sponsoring bank participate in the share capital of the RRB in the proportion of 50:15:35. The RRBs are entitled to RBI's refinance facilities to the extent of 50 per cent of its lending while the balance being met out of deposits mobilised by the RRB. To encourage deposits to RRBs, they are allowed to pay interest on deposits at rates $\frac{1}{2}$ per cent higher than commercial banks. RRB's importance to the rural credit system in India could be judged from the fact that 62% of its total advances were made to small and marginal farmers and agricultural labourers during 1979. Though the membership is open the eligibility to receive benefits from these organisations is confined to small and marginal farmers only.

3.8 Farmer's Service Society

The National Commission on Agriculture appointed by the Central Government suggested making 'clear break' with the present system of financing of agriculture by cooperatives and recommended that Farmer's Service Societies (FSS) be set up for providing integrated credit service to rural areas.

An important lacuna in the existing cooperative credit structure was identified as the lack of emphasis on technical and extension aspects in its lending programme. This was found to be all the more glaring in the context of the high yielding varieties (H.Y.V.) programmes when credit requirements for the high fertiliser inputs and improved cultivation practices called for an evaluation of credit needs on an individual farm lending basis. This aspect formed part of the integrated credit service in the National Commission's Report.

In this context the new scheme proposed to devote about half to one percent of the loan business, income of the society towards the cost of maintaining the technical expertise by the farmers service society.

One of the objective behind the creation of Farmer's Service Society is to provide all sort of credit needs to the small and marginal farmers. Though the membership is open to all the services are confirmed to the small farmers. In terms of business viability it was decided to establish two types of Farmers Service Society, (a) block size FSS covering roughly all the 100 villages in a block, (b) small size FSS covering a cluster of 10 villages or more having preponderance of small and marginal land holders within a block.

The details of the economic feature and business potential of the Farmer's Service Society is given in table -3.1.

Table-3.1

Economic Feature and Business Potential of the
Farmer's Service Societies

Item	Block size F.S.S.	Small size F.S.S.
Area of operation	100 villages or block	10 villages
Population	1,00,000	10,000
No. of cultivating households (50%)	10,000	1,000
No. of small farmers holds agricultural labour households (50%)	5,000	600
Average holding size	3 acres	3 acres
Assume 50% coverage of agricul- tural holding in 5 years representing small farmers.	15,000 acres	1,500 acres
Cropping pattern	2 crops	2 crops
Major crop	Paddy	Paddy
Average area to be covered per year	3,000 acres	1,500 acres in the first year itself.
Scale of finance for HYV*	Rs.350/- kind	Component Rs.100/- cash component

*The credit requirement is calculated taking only short-term financing into consideration. However, M.T. and S.T. mix depending on the need of the individual farm will be required if which case this would roughly equal to Rs.1,350/- per holding participating in the programme. Calculations are made on this conservative assessment.

It will appear that 50% of the cultivating households are assumed to belong to the small farmers category that would be brought into the Farmer's Service Society in phased manner in the first 5 years of the working of society.

In view of the extent of promotional activities required in the early stages, the organisational pattern envisaged some sort of assistance both by way of providing for technical personnel and the management.

The FSSs at the first instance are supposed to be organised by the District Central Bank with the help from the State Government. But where the District Central Cooperative Banks are financially weak the Commercial Bank has to act as a Lead Bank and keeping with the cooperative clause they are required to provide for share capital contribution to enable the members to utilise the production credit to the extent required. Generally, a commercial bank acting as a Lead Bank has to contribute a minimum share capital contribution of Rs. 1 lakh which is a sort of indirect subsidy.

As has been pointed out earlier the FSS is required to maintain the technical personnel of its own after 5 years but until then the State governments are required to provide these technical personnel at their cost.

In such cases where a FSS is established in an area under Small Farmer's Development Agency (SFDA) or Marginal Farmers and Agricultural Labour Agency (MFAL), the project officer is intimately associated with the FSS. All the subsidies etc. flowing to the small and marginal farmers under the above two types of projects (SFDA & MFAL) are made available to FSS and are utilised as core money to evolve viable projects for financing small farmers and other beneficiaries of the schemes.

3.9 Flow of short-term finance for seasonal agricultural operations and marketing of crops

On application made to the RBI by the State Cooperative Banks on behalf of the Central Cooperative Banks, credit limits for seasonal agricultural operations and marketing of crops are sanctioned.

Such demands are prepared on the basis of individual farm plans prepared by the Primary Agricultural Credit Societies and submitted to the District Central Cooperative Banks. The loans for seasonal agricultural operations are for a period of 12 to 15 months and are charged a concessional rate of interest of 2 per cent below the bank rate. Loans for the marketing of crops are generally for a period of 90 days from the date of withdrawal and are charged a rate of interest of 3 per cent above the bank rate.

The scope of advances against marketing of crops covers (i) advances against pledge of agricultural produce belonging to members and (ii) outright purchase of agricultural produce of members by marketing societies. This type of accommodation is intended to serve the twin objectives of orderly marketing to secure a reasonable price to the cultivator and linking of credit with marketing.

The operational policies of the RBI seeks to make the short-term advances production oriented rather than asset based. Under this system, cooperatives have to advance loans to their members on the basis of the production activities undertaken by them with reference to the crops they propose to raise and the acreage under cultivation. The appropriate scales of finance per acre per crop consists of cash and kind components. The lending and recovery of such loan is timed with reference to the seasonality of agricultural and marketing operations.

The RBI also ensures that the central cooperative banks maintain adequate non-overdue cover for their borrowing from it.

Further, in order to ensure that the small farmers get their due share of loans from cooperative societies, a stipulation has been made by the RBI that at least 20 per cent of advances made by the central cooperative banks are for small farmers.

3.10. Flow of medium-term finance

One of the important purposes for which the RBI established the National Agricultural Credit Fund (long-term operations) is for advancing medium-term loans to state or apex cooperative banks for periods not less than 15 months and not exceeding 5 years for agricultural and other allied purposes. The second Fund viz. the National Agricultural Credit (stabilisation) Fund, about which a reference has been made earlier is to be used for making medium-term loans to state or apex cooperative banks to enable them to convert short-term agricultural loans into medium term loans to state cooperative banks to enable them to convert the short-term agricultural loans into medium-term loans whenever such conversion becomes necessary on account of wide-spread crop failure as a result of drought, flood or other natural calamities.

Some of the medium-term agricultural purposes as approved by the RBI, for which refinance is provided are minor irrigation works, purchase of pump sets, reclamation and levelling of land, poultry, piggery, goat rearing etc. Such loans are sanctioned for a minimum period of 15 months and for the maximum period of 5 years. Such loans upto Rs.1000 are granted against personal securities, loans between Rs.1001 to Rs.1500 against the charge created on land in favour of the concerned primary agricultural credit society and loans over Rs.1500 are secured against the mortgage of land.

In areas where special schemes for small farmers are in operation, the limit of surety loans has been raised to Rs.2000 for which cattle and poultry-keeping activities. In regard to loans for sinking of wells, purchase of pumpsets, tractors, power tillers etc. where the loan amount exceeds Rs.1000, the individual borrower will have to hypothecate the assets created out of the loan and also provide 15 per cent margin money and 10 per cent share money from his own resources.

3.11 Flow of long-term finance for the development investment

In India two separate channels for agricultural finance have developed - one dealing with the advancement of short-term and medium-term credit; and the other, dealing with the investment credit having longer repayment period of 10 to 15 years.

Primary rural credit societies have not been considered suitable for meeting the development requirements of agriculture because, apart from other factors, it requires specialised method of raising resources, mostly through the issue of debentures.

On the recommendation of the Royal Commission on Agriculture and the Central Banking enquiry committee, Land Mortgage Banks were established in this country with the sole objective of advancing loans for redemption of secured and unsecured debts, effecting improvements on land and purchase of land etc. The two tier structure i.e. at the state level apex land mortgage banks and at the field level primary land development banks was suggested.

Till the beginning of the First Five Year Plan, only five states had central land mortgage banks. By the end of Third Five Year Plan all the states and even most of the Union Territories had organised such banks. In the meantime, in view of the changing needs of agriculture, the name of the land mortgage banks was changed to Cooperative Land Development Banks. At present both federal and unitary structure exists in different states.

3.11.1 Objectives of the cooperative land development banks & its resources

The objectives of the cooperative land development banking structure is to raise long-term resources and to advance investment credit to the farmer members. Resources are raised

primarily from the share capital, issue of debentures and securing temporary advances from the cooperative and commercial banks. Debentures issued by the cooperative land development banks have got the status of trustee securities.

The ordinary debentures are purchased by Life Insurance Corporation of India, Commercial Banks, Cooperative Banks and State Governments. The special debentures are purchased by the Agricultural Refinance and Development Corporation (RBI) and State Governments.

3.11.2 Methodology of advancing loans

Loans advanced by the LDB is advanced on the hypothecation of the land against its valuation. Methods adopted for valuation differ in case of different states. The main element in such advancement is the security part of the loan. Loans are given mainly on the simple mortgage of land and on the hypothecation of machinery. With the growing anxiety to meet the needs of the small and marginal farmers special schemes have been introduced by the LDBs to serve this section of the society. In case of small and marginal farmers, where individual security is not sufficient to meet the development cost as also not economical in operation, group financing schemes have been introduced. Here, it may be pointed out that though the cooperative land development banks are advancing credit for long-term investment in agriculture it cannot strictly be called a banking institution. The cooperative land development banks do not have to maintain cash reserve ratio and liquidity ratio, nor are they required to mobilize deposits.

3.12 Special schemes to assist the weaker section

In order to ensure the availability of credit to the weakest section of the 'society, the government has instituted a scheme whereby one per cent of aggregate advances of banks must at least be routed to this group. Participation in the scheme is mandatory to all public sector banks, non-nationalised banks having the lead responsibilities and sponsoring bank of Regional Rural Banks on an agency basis. The following categories of borrowers are eligible to benefit :

- (a) Those whose income from all sources is less than Rs.3000/- per annum in urban/semi-urban areas or Rs.2000/- per annum in the rural areas,
- (b) Those whose land holding do not exceed 1 acre irrigated or 2.5 acres non-irrigated land,
- (c) Those who belong to schedule castes and scheduled tribes irrespective of the size of their land holding,
- (d) Those who do not incur liability to two sources of finance at the same time,
- (e) Those who could be helped to through productive activities in improving their economy within 3 years.

Activities that could be financed by credit under the scheme include agriculture and/or allied agricultural activities, elementary processing of forest produce, indigent students of merit and gainful occupation of physically handicapped persons.

Normally, maximum amount of loan may not exceed Rs.1500/- for working capital and Rs.5000/- for a term loan. Requirements of margin money may not be insisted upon due to the special category of the borrowers. A uniform rate of interest is fixed at 4% per annum. For term loan the repayment period is 5 years.

3.13 Assistance to small and marginal farmers - a review

The role of institutional agency in rendering assistance to small and marginal farmers could be examined in the overall context of their performance in the total cash credit made available to the cultivators.

It has already been pointed out earlier that the credit needs of the small and marginal farmers are of diverse character depending on the varying needs of agriculture. Long term credit is required for strengthening the resource base of the farm. Medium-term credit is needed for farm equipments, and supporting income generating activities and short term credit for the farmers need for current inputs and for consumption purposes etc. Under these circumstances, for institutional agencies the major constraint is 'security of the loan. Credit cannot be treated as charity and hence the general tendency observed among the lending agencies is to tie their lending to resource base or at best to likely potentiality expected to be generated. The implications of such an operational policy could be visualised in respect of the small and marginal farmers, a large number among whom are share croppers (tenants) having no right in land.

The Report of the Regional Rural Banks Review Committee (197) appointed by the RBI of India had drawn the attention to the fact that the cultivators were still to a very large extent dependent on non-institutional agencies. The findings of the Committee in respect of selected Indian States are presented in table 3.2.

It appears from the table that slightly over 68 per cent of the cash debt by farmers were contracted to the non-institutional agencies. It was as large as 90 per cent in Rayasthan and as low as 30 per cent in Maharashtra. In the overall given conditions the small and marginal farmers cash debts with the non-institutional agencies is likely to be proportionately higher.

Table-3.2

Share of Institutional/Non-institutional agencies in the total cash debt of cultivator households in respect of selected states

State	Percentage Share		Per hectare credit available from Institutional Agencies (1975-76)
	Institutional Agencies	Non-Institutional Agencies	
Andhra Pradesh	15.3	84.7	125
Assam	35.7	64.3	-
Bihar	11.5	88.5	45
Karnataka	30.6	69.4	137
Kerala	45.2	54.8	268
Madhya Pradesh	33.4	66.6	50
Maharashtra	70.7	29.3	127
Orissa	32.4	67.6	41
Rajasthan	9.8	90.2	47
Tamilnadu	24.3	75.7	224
Uttar Pradesh	26.5	73.5	67
West Bengal	33.1	66.9	45
All India	31.7	68.3	96

Source: Regional Rural Banks, Report of the Review Committee, RBI, 1979

3.14 The Role of Primary Societies

In India, cooperatives particularly the Primary Agricultural Credit Societies (PACS) have been assigned special role in helping the weaker section members. Some interesting informations have been collected by the RBI during the Survey referred to above. Data relating to the percentage share of different size group in the loan advanced during 1975-76 are presented in table-3.3. It could be seen that except Kerala, Bihar and West Bengal the percentage share of loan of farmers in the size group was below 20 per cent and varied between 4.6 per cent in case of Madhya Pradesh to 19.5 per cent in case of Orissa. This was well below this percentage share in the ownership holdings. Somewhat similar situation prevailed among the farmers in the size group up to 2 hectares. The general picture that emerged was that except Kerala, Bihar, West Bengal and Orissa farmers in the size group above 2 hectares accounted for over 60 per cent of the total loan where as their percentage share in ownership holdings was well below 24 per cent.

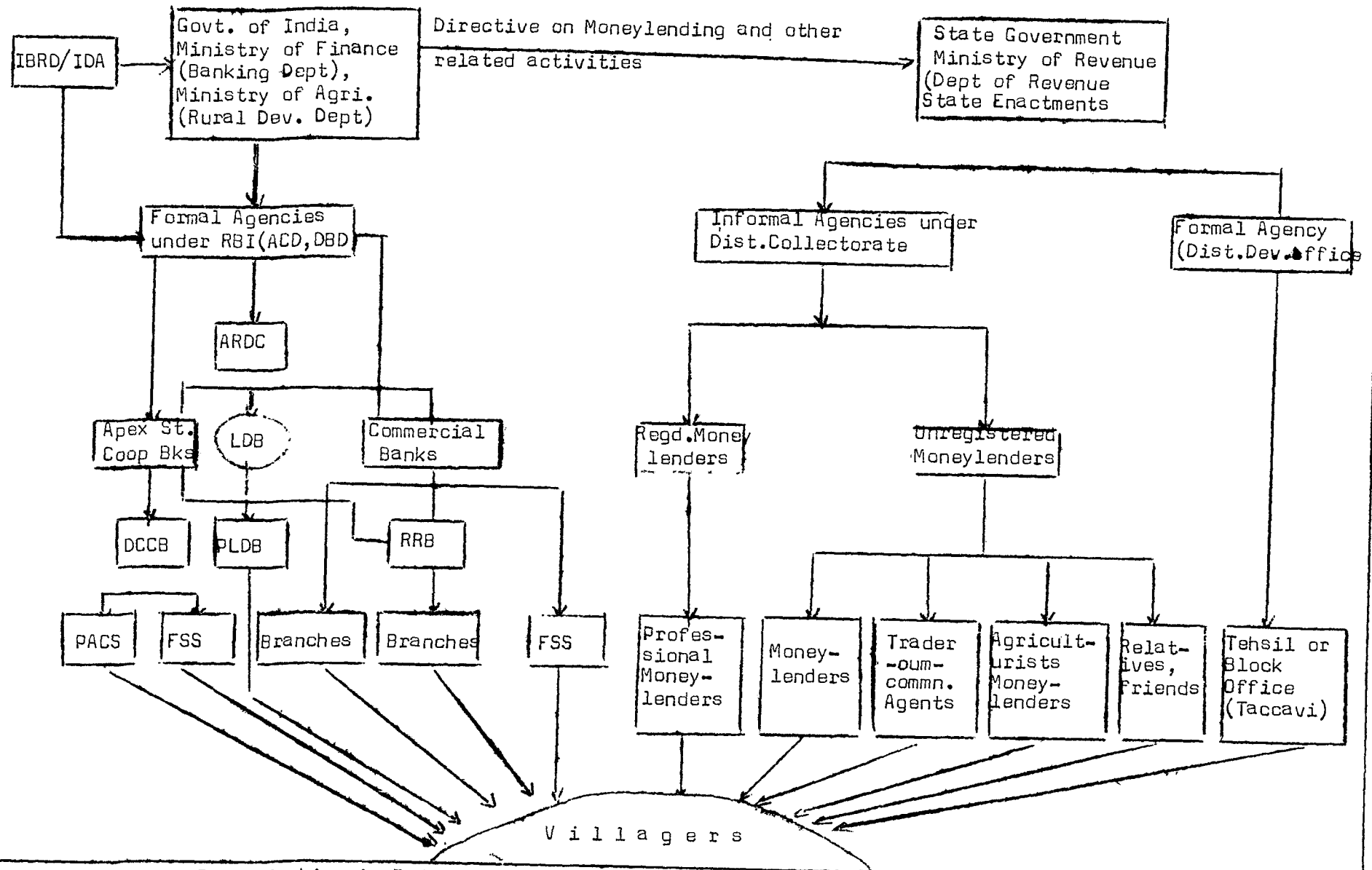
Table-3.3

Percentage Share of different size group in the total loan advanced by the Primary Agricultural Credit Society during 1975-76

State	Percentage share of ownership			Percentage share of loan		
	below 1 hec.	1 to 2 hec.	above 2 hec.	below 1 hec.	1 to 2 hec.	above 2 hec.
Andhra Pradesh	62.7	14.7	22.6	15.2	22.0	62.8
Assam	62.1	25.4	12.5	-	-	-
Bihar	70.4	15.8	13.8	40.4	24.9	34.7
Karnataka	44.0	18.6	37.4	11.1	16.9	72.0
Kerala	86.6	8.7	4.7	40.2	32.2	27.6
Madhya Pradesh	33.9	18.8	42.3	4.6	11.5	83.9
Maharashtra	38.6	17.7	43.7	7.0	13.8	79.2
Orissa	65.2	20.2	14.6	19.5	32.9	47.6
Rajasthan	24.8	20.5	54.7	8.5	23.9	67.6
Tamilnadu	74.0	13.7	12.3	16.4	22.6	61.0
Uttar Pradesh	63.9	19.5	16.6	15.1	19.7	65.2
West Bengal	75.2	14.0	10.8	30.5	30.0	39.5
All India	58.6	17.1	24.3	12.4	18.5	69.1

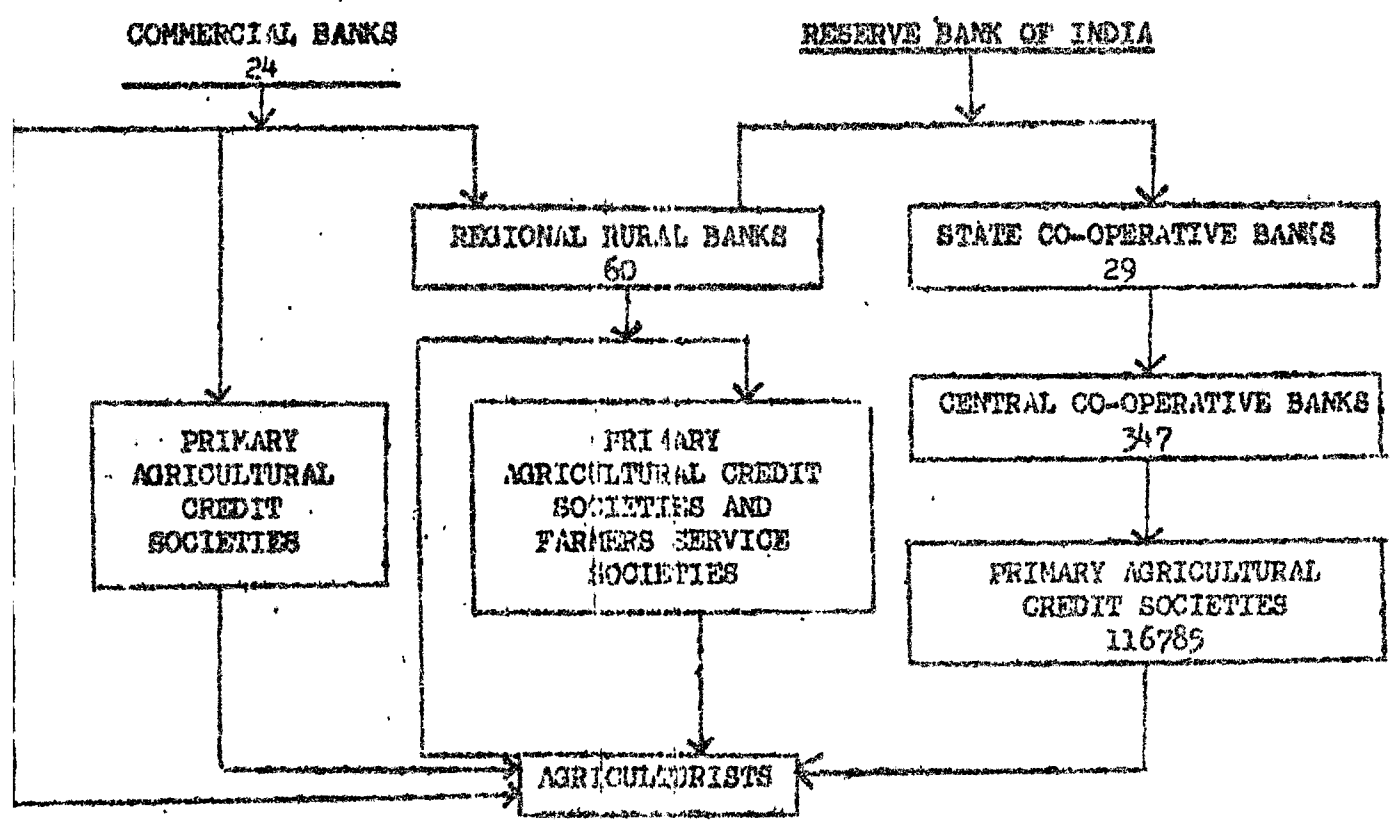
Source: Report of the Review Committee, Regional Rural Banks, Reserve Bank of India, 1979.

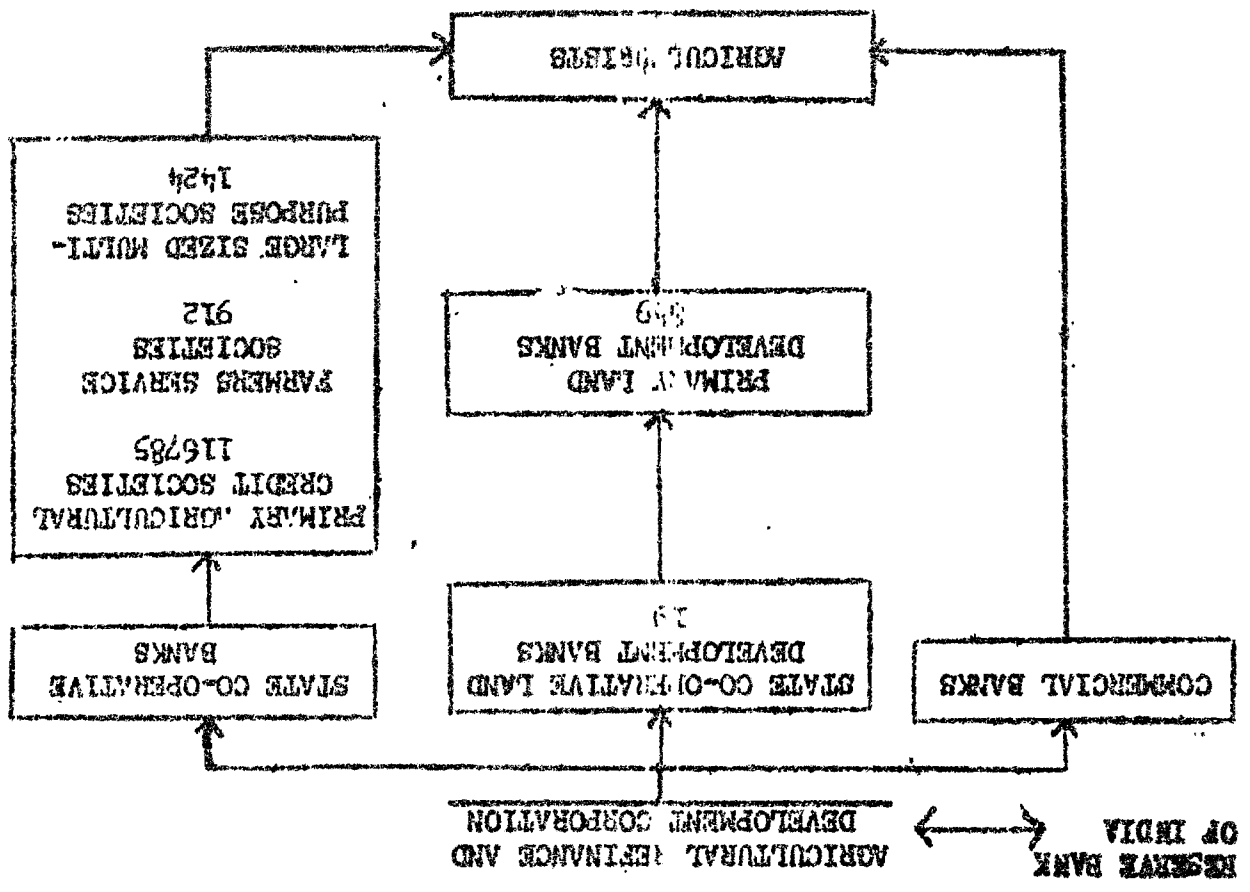
Schematic Outline of Rural Credit Sources in India (both long-term & short-term)



Source : Rural Banking in India - Its Performance & Problems - B.M. Desai

SHORT TERM AND MEDIUM TERM CREDIT SYSTEM





LONG TERM AGRICULTURAL CREDIT SYSTEM

Chart - II

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C H A P T E R - IV4.1 THE STATE OF MAHARASHTRA - STATE SITUATION

The State of Maharashtra is one of the developed states of Indian Union and is located in the South-West, bordering the State of Gujarat in the North, Madhya Pradesh in the North-East, Andhra Pradesh in the East, the State of Karnataka in the South and Arabian Sea in the West.

4.1.1 Area and Population

It has a total geographical area of 308,000 sq. km. According to the 1971 census the total population of the State was 50.4 million of which 34.7 million or 68.85 per cent were living in the rural areas. It is estimated that by the end of 1980 the population of State will increase to 60.5 million with little variation in the proportion of people living in the rural areas.

4.1.2 Literacy

The level of literacy which was 29.8% during 1961 increased to 39.2% by 1971 and it is estimated that about 50% of the population may be classified as literate by March 1981.

4.1.3 Agriculture

A major part of the State is dry and agriculture is largely dependent on rains. The gross area sown during 1977-78 was 19.83 million hectares and the net sown area was 18.43 million hectares. Thus, the intensity of cropping was only 107.59%.

The poor intensity of cropping could be explained in terms of low percentage of area under irrigation. Net irrigated area during 1977-78 was only 1.95 million hectares or 10.62% of the net area sown.

Irrigation intensity on small farms was about 110.7 and the intensity of cropping 124.2. About 65% of the gross cropped area is under foodgrains. Among the cash crops, sugarcane, cotton and groundnut account for the remaining gross area under crop.

Against this background the total fertilizer consumption in the State during 1977-78 was only 360,000 tonnes which works out to average application of 18.3 kg. of fertilizer per hectare. Again the rate of application of fertilizer was quite high for crops like sugarcane, cotton and groundnut which together accounted for 3.32 million hectares.

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Area under high yielding variety seeds during 1978-79 was estimated to be 1.35 million hectares and it constituted about 3% of the total area under foodgrains.

The major crops of the State is Jowar, Paddy, Wheat, Bajra, Tur, Ragi, Small millets, Maize and Barley.

4.1.4 Land Distribution Pattern

In order to have a real idea about the dimension of the problem of small farmers it is essential to analyse the operational and ownership distribution pattern of Agricultural Land holdings among the rural families. A very comprehensive information is available through the Agricultural Census of India (1971) which is presented in table-4.1.

Table - 4.1
Operational Pattern of Land Holding by size group

Size Groups in hectares	Holdings		Area	
	No.	%	Hectares	%
Upto 1 hectare	1,241,925	25.09	577,581	2.73
1 to 2 hectares	873,267	17.74	1,284,164	6.06
2 to 3 hectares	626,569	12.66	1,538,618	7.26
3 to 4 hectares	460,580	9.30	1,592,029	7.52
4 hectares & above	1,743,277	35.21	16,187,033	76.43
Total	4,950,618	100.00	21,179,425	100.00

Source: Agricultural Census of India (1971)

It appears from table-4.1 that the total operational holdings in Maharashtra as per the Agricultural Census was 4.95 million. Small holding farmers upto the size group 2 hectares constituted 42.8% of the total farming household. However, they accounted for only 8.79% of the total operational area. Taking into consideration that in some of the dry districts of Maharashtra the small farmers are identified upto the size group 3 hectares (7.50 acres), we find that small holding household upto 3 hectares formed more than 55 per cent of the total. However, together they accounted for only 16.05% of the total operated area. As a result of this imbalance in the distribution of pattern of operational holding the average production resource base of these small farmers are extremely poor. Most of these farms are economically non-viable simply because of the size constraints and poor investment level.

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4.2 STATE POLICY TOWARDS SMALL FARMERS DEVELOPMENT IN MAHARASHTRA - AN EVALUATION

The state policy relating to small farmers has had an interesting history in Maharashtra. There have been pioneering developments in this State which have been adopted or are suitable for adoption in other States. Similarly, the content of policy has undergone a process of gradual enrichment. To explain the present position (1980) we have to briefly discuss the period between 1970 and 1980. We preface this by a brief study of the situation as it developed upto 1970. The basic concept and the nature of information on which policy is based are made clear.

Basically, Maharashtra was a Riwari area in which farmers were in direct touch with the State. As a result of the system we find the State dominated by small farmers. In a sense, after the land reform, there are no really large farmers. The ceiling on land holding is fairly low and to some extent, the resource disparity is not that visible as we find in case of previous Zamindari areas, like the State of Bihar and West Bengal. However, there is still a vast majority of the farming households who are below the poverty line and need special attention and approach. Here it is necessary to draw attention to one very important sociological factor which makes the purely economic approach an unsound proposition. This is the fact that in many Maharashtrian villages most of the best land with irrigation facilities is owned by a handful of large joint families generally belonging to a regional or locally dominant caste. Thus, the concentration of holdings and size of holdings as reflected in the available statistics are partly misleading. This is because a group of farmers who may appear to be a distinct set of families in the statistics are really members of a single extended family or sub-caste. One perhaps, need not make too much of this factor. It is the holdings of land and local rights therein that is decisive for agricultural finance and development. The fact that farmers families are grouped together into larger joint families and that there is likely to be more inter-lending etc., as well as sale of land as between them is a secondary factor, this perhaps of more importance from the political point of view. It tends to underline the fact that the division between the small farmers and the rest of the farmers is not very sharp in Maharashtra. The small farmer would often be a relative of the large farmers and the classification of the small farmers into component sub-castes is, therefore, a matter of importance. There are however, no exact statistics available on

this matter and one has to go on general considerations such as the known fact that the scheduled castes are by and large small farmers or landless labourers and the same holds for the scheduled tribes.

In the tribal areas proper, of course we have the scheduled tribes among all sizes of farmers. A lower level of technology, inadequate access of infrastructure facilities and a weak bargaining position, are some of the reasons which are significantly related with the size of holding and income earned. The poor development of the secondary and tertiary sector has further depressed the income of these families.

The State of Maharashtra may be broadly divided into five political divisions and four agro-climatic zones and we have to note that the concentration of land and the position of small farmers varies as between these different zones. Here it may not be out of place if we commence our discussion with an account of the general policies adopted and only later consider special problem areas.

It has to be noted that the integrated area development scheme formulated by V.S. Page, Ex-Chairman, Maharashtra Legislative Council was launched by the Government of Maharashtra in ^{May} 1965. This was based on the experience in Tasgaon Taluka of Sangli District where planning for individual small farmers facilities had been attempted on a significant scale for a considerable period. The adoption of this programme by Government represented a major effort to tackle the problem of small holders and agricultural labourers. The basic objective of this scheme was to bring an integrated approach to make the small holders household an economically viable unit, i.e. a surplus unit. This was to be achieved through various Government schemes as well as cooperative and other schemes aimed at increasing productivity of land and increasing employment opportunities. The land improvement schemes, adoption of improved agricultural practices and inputs, mixed farming including dairy, poultry keeping etc., the introduction of goats and kahdi village industries schemes were all to be adjusted to the needs of the defined area. The problems of the different departments were to be made complementary and their personnel in effect to work as a single team. Thus, the strengthening of block level planning and its effective integration down to the village level was to be achieved. Farmers resources were normally the basis of certain schemes as well as cooperative funds besides certain amount of dependence on outside funds. In the light of the

identified needs and resources available a credit plan and a production plan was to be formulated and put to implementation. It could be seen that the major effort to help the weaker sections was built in into the scheme and a number of special schemes which would help the small man through proper irrigation, credit, cattle and goats, and employment were thought of.

The 11 villages of Tasgaon taluka of Sangli District provided a model of what should be adopted or attempted even without fundamental land reforms. Thus an experiment in social change had been fully conceived and it is not surprising that the new schemes was first tried out here and extended in 1969-70 to cover six more districts. In the 4th five year plan, the government then made a provision of Rs.25 crores for 100 IAD blocks implying a financial ceiling of Rs.5 lakhs per year. In 1969 the IAD scheme was transferred to Zilla Parishad (District Boards) on Agency basis. Though the district coordination committee exercised all the powers even after this transfer much of the burden was passed on to the Zilla Parishad authorities and the Panchayat Samitis (village level institution). On 24th July 1969 a pilot employment guarantee scheme was introduced in IAD blocks. Under this scheme the village panchayat was expected to raise 25 paise per Rupee on land revenue by imposing a cess and the government would then give a matching grant to the village panchayat.

While these developments were taking place in Maharashtra the Government of India was also seized with the question. The Venkatappiah Committee recommended pilot experiments which would provide guidelines for formulating a comprehensive policy for country-wide implementation. After few years the Small Farmers Development Agency and the Marginal Farmer and Landless Labour Development Agency were to be brought out. An appropriate action on a country-wide basis were to be made. The conception was of the creation of registered societies which would act on behalf of government and make available subsidies that would act as a catalyst in bringing the different credit sources within the reach of the small farmer and encourage integrated rural development of the selected areas.

Later the emphasis shifted to locating individual non-viable farmers and providing schemes for their benefit, rather than concentrating on selected areas where small farmers were important. This happened only after considerable experience had been gained in the working of the SFDA's and MFAL's. There is now a fresh emphasis on the need for an integrated approach by governmental departments, democratic institutions, and financial agencies to

problems of planning for weaker sections. As a result of all these a new central scheme was introduced known as Integrated Rural Development Programme from the year 1978-79.

4.2.1 Defining the Small Farmer in Maharashtra

Definitions of the weaker sections are of a broad and adhoc nature. In fact, this is inevitable; since we have to combine certain general concepts applicable to all fields with concepts suitable to particular fields. We have to indicate, how the general measures can be translated, at least approximately, into the other.

The Maharashtra Government in October 1974 estimated the weaker sections at 20 per cent of the rural population. The total rural population was 36 million. The weaker sections included 7.20 million landless labourers (i.e. those earning above 50 per cent of their income from labour) as well as 1.84 million small cultivator households. The 20 per cent could be broken up into 15.06 per cent agricultural labour, 2.46 per cent small farmers and 3.48 per cent marginal farmers. Thus, more than half of the small cultivator households were non-viable because of the very size of their holding.¹

In its land ceiling act, the Government of Maharashtra had thought in terms of putting the ceiling at three times the minimum viable family holding.

The Pagar scheme referred to a small holder as having land upto 5 acres, a revenue assessment not exceeding Rs.10 and a total farming and non-farming income which did not exceed Rs.1800 per annum per family at 1971 prices.

The Agricultural Refinance and Development Corporation (ARDC) of RBI, under its long-term credit Projects which defines small farmers families with reference to the price level prevailing in 1972 and have made the following classes according to family income from all sources per annum:

- a) farmers with pre-development income of Rs.2000/-
- b) farmers with pre-development income from Rs.2000/- to Rs.3500/-
- c) farmers with pre-development income of Rs.3500/- and above.

¹ Another calculation for the same date made by the Maharashtra Government put the weaker cultivators at 10% of cultivator households i.e. 9,20,000 households plus all landless labour households. A definition by size of operational holding avoids the difficulties of comparing prices and is useful as a benchmark, while rough judgements as to viable size determine the percentage line chosen.

The figures were to be appropriately revised as prices changed. The project agreement prescribed the use of all India consumers price index for agricultural labourers for this purpose.

It is to be noted that in tribal areas, the entire population is treated as weak and there is only insignificant proportion of landless agricultural worker. An area is regarded as being tribal when more than half of the population belong to scheduled tribes according to 1971 census.

The drought prone areas can also be treated as areas where the entire population can be thought of as belonging to the weaker sections which includes small farmer, as the size of land discussed above has little relevance because of the physical constraints on farm productivity.

There are also purely social concepts of the weaker sections. In Maharashtra, the Marathas, who are included in upper caste Hindus, play a key role in the cooperative movement. The Marathas are both Buddhist and Hindu and are separately shown under backward castes. The tribals again are identified as belonging to weaker section.

An income limit of Rs.2400 net based on the ARDC method adjusted to Maharashtra was used by some studies of the Reserve Bank of India in determining the small holder in 1972-73. This could be considered as a convenient figure for our broad comparative purposes.

An annual income of Rs. 400 per family means a monthly family income of Rs.200 and a per capita income of Rs.40 per month. This figure of Rs.40 per month per capita (after assuming a saving of 15%) leaves a balance of Rs.34 per month per capita. In 1969-70 we find that 71.03% of the rural population spent less per month than Rs.34 per month per capita. (NSS data tabulated by Bureau of Statistics and Economics). In any case, in both years a high proportion of the population fell below the limit, and the government felt it convenient to use estimates of the lowest 10% or 20% of cultivating households plus all landless labour for defining the weaker sections.

Broad acreage limits such as 5 acres (2 hectares) or below for small farmers and below $2\frac{1}{2}$ acres (one hectare) for marginal farmers, as well as acreages specific to particular crops have been defined by various authorities. Thus, under the Pagar Scheme those having bagayat or irrigated rice land below $2\frac{1}{2}$ acres, rainfed paddy land below 3 acres, jirayat other crop irrigated land below $2\frac{1}{2}$ acres and warkas(dryland) below 10 acres were treated as small holders.....

These acreages were chosen with reference to the income level of Rs.1800 per family per month at 1971 prices, and those having above Rs.1200 were treated as potentially viable. These are the basis on which the target group of small and marginal farmers are identified in the state under different programmes.

4.2.2 Special Efforts of Maharashtra State Cooperative Bank to identify SF/MF

In view of the growing importance of helping the weaker section in agriculture, the State Cooperative Bank, Maharashtra has been doing excellent work in respect of collecting up-to-date information in respect of small holders who are required to be assisted under different schemes by the cooperatives. The Bank, through its regional offices and with very active support from District Central Cooperative Banks (DCC Bank), completed the survey of all the farming house-holds in 1975-76.

The DCC banks have identified the small farmers according to the local conditions prevailing in their area of operation. According to this 1 out of twenty five District Central Cooperative Banks has fixed 3 acres norm for identifying a small farmer to be eligible for assistance, 12 banks have adopted 5 acre (2 hectares) and $7\frac{1}{2}$ acres (2.5 hectares) norm and the rest have adopted $2\frac{1}{2}$ acres norm.

Based on these norms, the survey findings of the bank have revealed that there were about 5.50 million Khatedars (operators of farm) or farm households operating land. Taking the 1970-71 agricultural census as the base year, the total increase in the number of farming households was thus of the order of about 55 thousand or an increase of 11.11 per cent in *xi* five years.

According to the same survey, the number of small farmers identified on the basis of criteria stated above, was of the order of about 2.50 million.

4.3 Institutional efforts for the development of small farmers in Maharashtra.

4.3.1 Small farmers/marginal farmers development agency & their role in Maharashtra

The scheme of Small Farmers Development Agencies (SFDA) and the Marginal Farmers and Agricultural Labourers (MFAL) Agencies were included in the Central Sector in the Fourth Five Year Plan (1974-78) with the specific objective of ameliorating the economic conditions of small/marginal farmers and agricultural labourers in the country and to bring them in to the main stream of economic development. The schemes itself, however, were introduced gradually on a pilot basis from 1969-70 onwards in certain selected areas of the country. In Maharashtra the project was started in September 1970 on a pilot basis in the districts of Thana and Ratnagiri. Subsequently, the Parbhani district was also covered in 1971. As a planned programme in the central sector the project actually got going from the year 1974. The situation as on 30th June 1980 was that out of the 25 districts in the State Agencies were established and operating in 13 districts. The small farmers and marginal farmers in other districts were covered under different programmes. Basically, the Agencies aimed at providing the benefits of agricultural development to the numerically large but economically weaker section of the rural community and bringing them above the poverty line.

During the fifth five year plan the two schemes of SFDA and MFAL were merged because of operational convenience and removing artificial distinction. Each agency is registered under the Registration of Societies Act and is expected to cover approximately 50,000 families of identified beneficiaries during the project period. The programmes undertaken in the SFDA-MFAL projects include both land based and animal husbandry programmes. The agencies provides subsidy to the extent of 25 per cent to small farmers and 33.33 per cent to marginal farmers and agricultural labourers on identified capital investments and inputs.

4.3.1.1 Coverage of the programme

The State of Maharashtra has 296 development blocks. Because of manpower and resource constraints the SFDA-MFAL scheme was started only in 116 blocks in 13 districts. Though the blocks comprised in itself 13,932 villages, the two projects covered only 5 to 10 per cent of the villages which were pre-dominant by small farmer and were not covered by another project known as Draught Prone Area Project. Under the project schemes, the first task was to identify the target population.

A statement showing the position of beneficiaries as identified under the SFDA-MFAL programme in Maharashtra as on 31st March 1980 is presented in Table 4.2

Till March 1980, of the 3,976 thousand persons (1971 census) who were eligible as the group to be assisted under the scheme, 1431 thousand or 36 per cent were identified by the agency. Of the identified target groups 42 per cent were agricultural labourers 35 per cent were marginal farmers and 23 per cent were small farmers.

4.3.1.2 Beneficiaries

In all 216.6 thousand persons from among the identified target population were benefited since inception of the programme till 31st March 1980. Of the total benefited target population 42.06 per cent were small farmers 35.73 per cent marginal farmers and 22.21 per cent agricultural labourers.

Looking to the overall achievement of the two programmes one finds that the performance has not been impressive in the sense that on the whole only 15.14 per cent of the target population identified could actually be benefited during the last 5 years. The percentage distribution of the various target groups of small farmers, marginal farmers and agricultural labourers was 27.31 per cent, 12.88 per cent and 9.68 per cent respectively. The district-wise distribution of beneficiaries among the identified families is presented in Appendix table 4.1 which shows considerable amount of regional variation in the implementation of the programme.

Table- 4.2

Statement showing the position of beneficiaries under the SFDA and MFAL Programme in Maharashtra as on 31st March 1980

	(in millions)	%
A. Number of persons as per 1971 census in the target group	3.92	
B.1 No. of persons identified:		
(i) Small farmers	0.33	23.31
(ii) Marginal farmers	0.60	41.98
(iii) Agricultural labourers	0.50	34.71
Total	1.43	100.00

		Number (in millions)	%
B.2	No. of families benefited:		
	(i) Small Farmers	0.09	42.06
	(ii) Marginal Farmers	0.17	35.73
	(iii) Agricultural labourers	0.05	22.21
	Total	0.21	100.00
B.3	Percentage of families benefited to identified		
	(i) Small farmers		27.31
	(ii) Marginal farmers		12.88
	(iii) Agricultural labourers		9.68
			49.87

In this connection it may be interesting to know the actual amount of benefits received by the target groups. Figures for receipt and expenditure under the SFDA scheme for the period 1.4.79 to 31.3.80 as presented in table 4.3, reveals some interesting situation.

It appears that about Rs.33,618.2 thousands were spent on the schemes during 1979-80. Out of the total receipts a sum of Rs.35,873.5 thousands, which formed 94 per cent of the total receipt set for the scheme were utilised. However, one could notice the regional imbalance in the distribution of expenditures in different districts in different regions. About 35 per cent of the total expenditure was accounted for by two districts alone namely Kolhapur and Dhulia. This may be partly due to predominance of the target groups in these districts and partly due to other socio-economic and political factors.

Average expenditure incurred per beneficiaries covered under the projects in the 13 districts was Rs.155/-. It was lowest for the district of Satara (Rs.51/-) and highest for the district of Chandrapur (Rs.346/-). These benefits were mostly in the form of subsidy and share capital contributions.

Table 4.3

Statement showing receipts and expenditure under the SFDA scheme (1.4.79 to 31.3.80)

Name of the Project	No. of beneficiaries	Total Receipts (Rs. in millions)	Expenditure (Rs. in millions)	Expenditure as percentage of receipts	Percentage distribution of expenditure	Average expenditure incurred per beneficiary (in Rupees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Thane	11.2	2.90	2.37	81.82	7.06	212
Kolaba	8.1	1.66	1.52	90.32	4.52	188

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Ratnagiri	16.2	2.60	1.70	66.48	5.30	110
Dhule	12.8	4.33	4.23	97.52	12.59	331
Satara	20.8	1.07	1.07	99.83	3.18	51
Parbhani	17.8	1.05	1.65	100.00	5.52	104
Kolhapur	30.4	7.34	7.16	97.59	21.31	236
Nanded	22.4	1.53	1.54	99.72	4.59	69
Osmanabad	15.4	2.11	2.11	99.57	6.26	137
Chandrapur	7.7	2.04	2.67	93.78	7.93	346
Buldhana	11.1	2.92	2.84	97.20	8.45	256
Akola	23.8	2.36	2.32	98.14	6.91	98
Amravati	18.9	2.27	2.14	97.10	6.38	113
	216.6	35.69	33.61	93.71	100.00	155

4.3.1.3 Institutional finance under the SFDA/MFAL

Institutional finance was provided to the beneficiaries mainly in the form of short-term, medium-term and long-term loans. A statement showing availability of institutional finance made available under the SFDA-MFAL scheme from 1975 to March 1980 is presented in table 4.4

A total of Rs.383,211 were provided to the target group by way of short-term, medium-term, long-term loan over a period of 5 years. The percentage distribution of the total amount of short-term, medium-term and long-term loan was 34 per cent, 21 per cent and 45 per cent respectively. Similarly per capita availability of finance to the recipients of the three types of loans stated above was Rs.795, Rs.1,800 and Rs.3,360 respectively. The district-wise statement of the institutional finance is presented in Appendix table 4.2.

From table 4.4 it is further revealed that most of the beneficiaries were recipients of the working capital finance or short-term loans. Medium-term loan and long-term loan which are mostly for generating additional income and building of infrastructure

was limited to relatively smaller segment of the identified target population. Thus, the thrust under these programmes appears to be on providing such assistance to the small and marginal farmers which could help them in continuing with the subsistence agriculture. This fact is amply clear when one further analyses the quantum of loan made available to each identified beneficiaries during the last five years. (Rs. figures divided by no. of year-5 will give the average per annum).

In case of short-term loan, on an average each beneficiary received a sum of Rs.159/- only as working capital. If we assume that the average farm size among small farmers is 1.50 acres, the availability of per acre short-term loan works out to Rs.106 only which could hardly be sufficient for meeting even the cost of cultivation under traditional method of food crops what to speak of meeting the cost under modern techniques and under the requirements of H.Y.V. crops.

Table 4.4

Statement showing Institutional Finance made available under the SFDA/MFAL scheme from 1975 to March 1980 in the State of Maharashtra

Type of loan	No. of beneficiaries	Amount advanced as loan (Rs. in millions)	Average loan received per beneficiary (Rs.)
* Short term	164,111	130.59 (34.08)	795
Medium term	43,001	80.73 (21.07)	1,800
Long term	51,220	171.69 (44.85)	3,360
Total		383.21	

* The figures of beneficiaries and amount advanced for short term loan does not include the figures for Dhule and Chandrapur district as these were not available. Figures in () are percentage.

Source: Information is based on the data supplied by the Department of Agriculture and Cooperation, Government of Maharashtra.

4.3.1.4 Institutional finance under SFDA/MFAL
by type of institutions & type of loans

At this stage it may also be of interest to look into the role of various types of financial assistance to the target groups of SFDA and MFAL Projects. The figures are presented in table- 4.5. Broadly speaking, there were three types of organisation which provided financial assistance by way of ST, MT and LT. loans to SFDA and MFAL target groups i.e. the District Central Cooperative Bank, the State Cooperative Land Development Bank and the Commercial Banks.

As regards the short-term loans for the working capital was concerned, of the total loan of Rs.21 million extended by all types of agencies the cooperatives accounted for 98 per cent. The share in the medium-term loan of Rs.34.10 million extended by District Cooperative Bank, Land Development Bank and Commercial Bank was 20.91 per cent, 31.04 per cent and 48.05 per cent respectively.

Table - 4.5

Statement showing financial support under SF/MF
Projects to small and marginal farmers by Financial
Institutions Agencies (as on 30.6.1980) in Maharashtra

Name of the Institutional Agency.	Type of loans (Rs.in millions)						Total Loan disbur- sed	%
	S.T.	%	M.T.	%	L.T.	%		
1. District Central Coop. Bank.	20.56	97.88	7.13	20.91	1.51	3.34	29.20	29.15
2. Maharashtra State Coop. Land Dev. Bank	0.32	1.55	10.58	31.04	22.51	49.96	33.42	33.37
3. Commercial Banks	0.12	0.57	16.39	48.05	21.04	46.70	37.55	37.48
Total	21.00	100.00	34.10	100.00	45.06	100.00	100.17	100.00

* Loans disbursed by District Central Cooperative Banks covered Small/Marginal and agricultural labourers covered by the agency. Total advancement by D.C.C. Banks to small and marginal farmers only during 1979-80 was Rs.25.90 million.

Source: Department of Cooperation, Government of Maharashtra.

Of the total amount of Rs. 45.06 millions disbursed as long-term loan, the relative contribution of the three agencies was 3.34 per cent, 49.96 per cent and 46.70 per cent respectively.

Examining the role of cooperatives in providing assistance to small and marginal farmers under the two programmes one could find that they have contributed in a most significant way in rendering assistance to them. So far short-term loan was concerned the contribution of the commercial bank was almost negligible (0.57 per cent). In case of medium-term loan contribution of cooperatives (District Central Cooperative Bank and Land Development Bank) was 51.95 per cent and in case of long-term loan it was 53.30 per cent. From all these facts it is quite apparent that in case of Maharashtra the cooperatives have done commandable job as compared with the performance of other financial institutions. The coverage of 99.5 per cent of short-term loans for small and marginal farmers under the special programmes itself explains that the cooperatives have its grass root contacts and are doing their best to help the weaker section among the farming households.

4.3.2 Drought Prone Area Project in Maharashtra

Besides the two key projects discussed earlier (i.e. SFDA - MFAL) there are a number of other special projects to meet the specific needs of a given area or region. Drought Prone Area Project (DPAP) and Command Area Development Authority (CADA) are such Projects which, **to some extent aim at meeting the specific** needs of the small farmers and other weaker sections in the area. The objective of CADA is not confined alone to render benefits to small and marginal farmers. However, in providing irrigation facilities the needs of small and marginal farmers are given priority.

4.3.2.1 Objective & coverage

The DPAP Project in Maharashtra was started in the year 1976-77 in the different watershed areas of the State which are prone to drought. The agriculture is extremely poor - topography hilly and irrigation completely absent. The problem of agriculture is not so much related to the small size of the farm but is related to poor infrastructure and extremely poor level of return mostly because of physical constraints.

While the Command Area Development Projects aim at maximum utilisation of the irrigation potential created and to look to the interest of the small and marginal farmers, the Drought Prone Area Project's main emphasis is to help the weaker section (small and marginal farmers and landless labour) in the area of its coverage. For uplifting the socio-economic status of the small and marginal farmers the programme aims at implementing various schemes related to the land development, Pasture Fodder Development, Conservation of water by tapping various sources, agricultural and Animal Husbandry schemes by providing requisite inputs and utilisation of the infrastructure already in hand. Dairy development is one of the major areas of action under the programmes which not only aimed at giving finance for the purchase of milch animals but also aimed at helping in the establishment of the primary milk cooperative societies for collection of milk and transporting it to the Taluka (Block) level milk union for its disposal to the actual market. The programme also aimed at establishing milk chilling plant - creation of artificial insemination centres etc.

In short the main thrust is on employment generation and thereby improving the income of the small farmers rather than giving emphasis on improving the physical conditions on the individual farm.

4.3.2.2 Progress

The latest figures showing the achievement in respect of the DPAP in the State of Maharashtra for the year 1979-80 are presented in table-4.6.

So far 72,050 small and marginal farmers families have received assistance in the five watershed areas of the State where the project is under implementation. As has been pointed out earlier the main emphasis under the Programme is on generating extra income through creation of more employment. A total of 3628 thousand man days of employment were created under various schemes of building up infrastructure. Besides this a sum of Rs.15.46 million was disbursed as loan to help them carry out the agricultural operation, 2527 milch animals distributed to help the families in augmenting their income.

However, the achievement of the Programme has to be analysed in the overall context of physical constraints and the poor credit absorption capacity of the families in these area. As a result of these factors the progress is bound to be slow and halting.

Table-4.6

Some indicators of achievement in respect
of DPAP in the State of Maharashtra during
the year 1979-80

A. <u>Beneficiaries:</u>		
(i) No. of families assisted		No. 72,050
(ii) Employment generated (in thousand man days)		3,628
(iii) Distribution of milch animals		No. 2,527
(iv) Credit disbursed (Rs. in million)		Rs. 15.46
B. <u>Creation of Infrastructure:</u>		
(i) Area covered under the soil and moisture conservation schemes		14,300 hectares
(ii) Minor irrigation potential created		2,400 "
(iii) Area covered under Afforestation and pasture		7,800 "
(iv) Establishment of cooperative dairy society at the primary level		91 "

4.3.3 The new policy approach - Integrated Rural Development Programme (IRDP) & the small farmers in Maharashtra

The main objective of Integrated Rural Development Programme in selected blocks is to provide full employment and a better standard of living in the identified target group through productive programmes within a definite time frame. The target group consist of poorest among the poor in the rural areas - small and marginal farmers, agricultural labourers, rural artisans and craftsmen, scheduled castes and scheduled tribes.

4.3.3.1 Coverage of the programme

The implementation of the IRDP scheme was commenced in Maharashtra in the year 1978-79. By the year 1979-80 the programme was under operation in 133 blocks. Out of the 133 blocks, the special programmes such as SFDA-MFAL, DPAP and CADA was under operation in 116 blocks. Thus there was considerable amount of overlapping of the programmes. In some block both the IRDP and some other schemes referred to above were in operation serving the same target group thereby resulting in a lot wastage of resources and time.

During the year 1979-80, it was decided to adopt cluster approach for the implementation of the programme. The rational behind this approach was that, instead of spreading the limited IRDP resources thinly over the entire block emphasis should be on concentrating the efforts in a cluster of contiguous villages (about 10) which have relatively well-developed infrastructural facilities and higher concentration of the target group. Thus, villages with concentration of small and marginal farmers, agricultural labourers, scheduled castes and scheduled tribes population and availability on infrastructural facilities such as road, post office, fertilizer depot etc. within a radius of about 10 kms. were mapped out and two clusters in each block were formed. However, subsequently even this cluster approach had to be relaxed for certain compelling reasons, such as the non-

availability of the banking facilities, and certain types of infrastructure. Besides this, even after adopting the cluster approach in many cases, the overlapping of the different programmes for the small and marginal farmers in a given block could not be avoided.

4.3.3.2 Progress

A statement showing the progress of physical achievements during the year 1979-80 in respect of the Integrated Rural Development Programme in the State of Maharashtra is presented in table - 4.7.

Table - 4.7

Integrated Rural Development Programme - Statement showing the progress of physical achievement during the year 1979-80 in the State of Maharashtra

A.	<u>Particulars</u>		
	Target group identified:		
	i. Number of families identified.	No. 258,692	
	ii. Number of families actually benefited under different schemes of assistance.	No. 69,313	
	iii. Percentage of families benefited to total number identified.	% 26.87	
B.	Break-up of the families assisted under various schemes of assistance:	<u>No.</u>	<u>%</u>
	i. Agriculture	19,603	28.20
	ii. Irrigation	6,903	9.93
	iii. Forestry & Pasture	294	0.42
	iv. Animal husbandry	21,751	31.29
	v. Fishery	637	0.92
	vi. Sericulture	484	0.70
	vii. Bee-keeping	6	0.01
	viii. Village Industries	1,711	2.46
	ix. Tertiary sector	3,778	5.43
	x. Others	14,346	20.64
	Total	69,513	100.00
		=====	=====

During the two years of its operation the programme could identify a total number of 258,692 families in the target group to be assisted under the programme. However, a total number of 69,513 families (26.87 per cent) could only receive assistance under different schemes.

An analysis of the break-up of the families under various schemes of assistance shows that there was more emphasis on self employment generating schemes which could help the target group in increasing their income. Coverage of families who received assistance for improving agricultural production was limited.

In terms of financial progress, a sum of rupees 105.9 million was incurred under the scheme during the period 1979-80. The commercial banks and the nationalised banks extending the financial assistance at concessional rate (roughly at the rate of 9%) to the programme. Besides this, the subsidy component during 1979-80 was Rs.65.4 million as compared to Rs.39.3 million during 1978-79.

A statement showing the financial achievement for the scheme in the State of Maharashtra is given in table - 4.8

Table - 4.8

Subsidy component under IRDP in Maharashtra (1979-80)

S.No.	Sector	(Rs. in million)				
		Outlay for the year 1979-80		Expenditure during 1979-80		Expenditure during 1978-79
		Rs.	%	Rs.	%	
1.	Irrigation	21.5	23.58	11.2	17.21	5.0
2.	Agriculture	17.6	19.23	12.4	19.05	10.9
3.	Animal-Husbandry	32.9	35.95	28.9	44.17	15.3
4.	Dairy	4.0	4.34	3.8	5.74	3.4
5.	Forestry	4.2	4.55	3.9	5.92	3.2
6.	Fishery	2.4	2.67	0.6	1.00	0.2
7.	Cooperation	0.8	0.93	1.3	1.97	1.1
8.	Industry	8.0	8.75	3.3	4.97	0.2
Total		91.5	100.00	65.4	100.00	39.3

Source : Monthly Review of the Progress of IRDP, SFDA and other programmes, Ministry of Rural Reconstruction, Govt. of India.

The total expenditure on subsidy component during the year (exclusive of three agencies IRDP/SFDA/MFAL) was Rs.65.4 million and the bank finance was Rs.105.9 million. Thus, the total expenditure on IRDP schemes during the year 1979-80 (exclusive of three agencies) was Rs.171.3 million and the total number of the beneficiaries was 68.074. This performance could have been much better but for the following reasons:

i) Block Plans: The implementation of the programme itself could not start earlier during the year, as the process of preparation of the block plans for the year 1979-80, could be initiated only after the receipt of guidelines from Govt. of India, regarding additional allocation of Rs.5 lakhs per block to 50% of the blocks, in the month of June 1979. It did take some time for the preparation of block plans and the State Level, Coordination Committee could meet only in the month of September 1979 for finalisation of the block plans. With the introduction of the programme in all the blocks and modification in the definition and eligibility criterion on income norms required a fresh preparation of identified list. This had also slowed down the process.

ii) Lack of banking facilities in certain blocks as well as reluctance on the part of the Nationalised Banks to go beyond their area of operation of 16 kms. radius beyond their adopted villages. This happened in case of Blocks in Jalgaon, Akola, Thana, and Dhule District.

iii) Low absorption capacity in certain blocks particularly in Thana, Kolaba and Ratnagiri Districts because of large number of defaulters in the selected clusters.

iv) Inadequate machinery especially at the block level for implementation of the programme. No adequate staff was sanctioned for implementation of the programme at district or block level and the programme was being implemented through the existing machinery of State Government created for other programmes. The State Government's proposal for additional staff at district level was considered by the State Level Coordination Committee in its meeting but the same was not finally approved as it was considered necessary to obtain approval of the Govt. of India.

v) Late release of funds was one of the major reasons for slow progress of the programme.

As per the guidelines laid down by Govt. of India, all the schemes under the Integrated Rural Development Programme have been classified into four categories viz:

- i) Individual beneficiary schemes;
- ii) Infrastructural development schemes;
- iii) Support to credit institutions; and
- iv) Rural industries.

Category-wise allocation and expenditure for the year 1979-80 is given in table 4.9.

Table - 4.9

Category-wise allocation & expenditure for the year 1979-80

S.No.	Category	(Rs. in million)			
		Outlay for the year 1979-80		Expenditure during the year 1979-80	
		Rs.	%	Rs.	%
1.	Individual beneficiary schemes	68.6	74.94	54.3	83.02
2.	Infrastructure development schemes	15.5	16.94	7.6	11.60
3.	Support to credit institutions	0.7	0.73	1.3	1.94
4.	Rural industries	6.7	7.39	2.2	3.44
Total		91.5	100.00	65.4	100.00

It is apparent from the trend of financial expenditure that there was major emphasis on assisting individual beneficiary schemes than either on the development of infrastructure support to credit institutions and development of rural industries.

4.4 Cooperative credit in Maharashtra

In the light of the overall agricultural situation vis-a-vis the small farmers and the special programmes of assistance launched for them, we could now examine the degree of their involvement in the cooperatives. In other words in this section

we will try to make an assessment of the part played by the cooperative credit institutions in the State of Maharashtra for the betterment of the economic situation of SF/MF. For certain practical reasons we are concentrating our analysis with regard to the part played by the cooperative credit sector and have excluded the role played by cooperative sugar factories and other types of cooperatives.

4.4.1 Small farmers & cooperative credit

Statement showing the position of small and large farmers and their involvement is presented in table 4.10. There were 2.49 million small farmers (up to 2 hectares) who formed 45.30 per cent of the total operating households. Out of this 1.83 million or 73.49 per cent have been identified to be eligible for assistance by cooperatives at primary level. According to the latest informations available, the total membership of the Primary Agricultural Credit Society (PACS) was 5.13 million of which 4.37 or 85 per cent were from the farming households. The proportion of small farmers in total membership of the PACS was of the order of 1.71 million or 39.13 per cent of the total membership.

Table -4.10

Statement showing the position of small & large farmers and their involvement in cooperatives in Maharashtra (30.6.1979)

<u>Particulars</u>	<u>1978-79</u>
1. Total number of operating households	5.49 millions
2. Of which large farmers	3.00 "
3. Of which small farmers (as per bank's criteria) (up to 2 hectares)	2.49 "
4. % of small farmers to operative households	45.30%
5. No. of small farmers identified for assistance	1.83 millions
6. % of small farmers identified to total no. of small farmers	73.49%
7. Total membership of Primary Agricultural Credit Society	5.13 millions
8. Of which members belonging to farm operating households	4.37 "
9. Of which large farmers	2.65 "
10. Of which members belonging to small farmers group	1.72 "
11. % of small farmer members to total membership of farm operating households	39.35%
12. % of small farmers members to total small farmers identified	94.00%

Source: Maharashtra State Coop. Bank.

It is to the credit of the cooperative organisations that 93.44 per cent of the identified eligible small farmers have been brought under institutional framework for necessary help.

However, an estimated number of 0.66 million small farmers were still not identified by 78-79 and hence were not eligible for special assistance made available to others in the same target group.

As a matter of fact the absolute number of small farmers increased approximately by 11% by now and therefore, more people needed to be identified and made members besides the back log of 0.66 million.

4.4.2 Concessions to small and marginal farmers under crop loan system

As on 30.6.1979 there were 18,189 primary agricultural credit societies (PACS) catering to the short-term credit requirements of small and marginal farmers in the State of Maharashtra through 25 District Central Cooperative Banks.

The Reserve Bank of India, under its circular dated 8th April 1971 instructed that from 1970-71 onwards, at least 10 per cent of borrowings by the District Banks from the State Cooperative Bank, should form loans receivable from the small and marginal farmers. This norm was subsequently changed from time to time. From 1971-72 the RBI directed the District Central Cooperative Banks to ensure that 20% of their total lending **should be in favour of small farmers.** In 1972-73, Free Credit Limits were fixed and further drawings from the State Cooperative Bank were linked up with the outstandings with the small and marginal farmers. From 1974-75 instead of linking the drawings over and above the Free Limits with the outstandings with the small and marginal farmers, they were linked up with the fresh loans disbursed to the small and marginal farmers. In 1975-76 this norm was further revised. Instead of linking with the drawings from the State Cooperative Bank, they were linked

to the advances made available by the District Central Cooperative Banks to small and marginal farmers. In 1976-77 it was made compulsory that minimum 20 per cent of the advances given by the District Bank should have been given to small and marginal farmers.

A study group appointed by the Reserve Bank of India (Madhavdas Committee) in 1977 ultimately took the following decision, which is in force till date:

"Even if the District Bank has failed to advance loans to small and marginal farmers to the given extent, drawings over and above the free limit (i.e. 70 per cent) can be allowed to the District Bank to the extent of the amount of Fresh Loans disbursed by the District Bank to the small and marginal farmers, from 1st April onwards i.e. on matching basis against fresh advances to small farmers".

As per the Reserve Bank circular dated 8th April 1971, the land holder up to three acres was to be treated as a small farmer. This condition was further relaxable up to five acres, so far as under-developed area was concerned. Subsequently, in general, the Reserve Bank raised the maximum land holding condition up to five acres.

All the District Banks in Maharashtra, undertook a campaign to enlist the small and marginal farmers and enrol them as members of primary credit societies in their respective area of operations. In spite of this, some district banks found it difficult to achieve the minimum involvement level mainly due to low percentage of area of operational holdings of small farmers. An approach was made to the Reserve Bank, based on the facts about the concerned district, with a request either to revise the definition of small farmers or to reduce the percentage of minimum involvement i.e. 20%. The Reserve Bank, after due consideration of the facts and figures, has given the following relaxation:

General Involvement	20% of the total loans disbursed to be made available to small and marginal farmers.
Small Farmers	The holder of 2 hectares i.e. 5 acres land.
Marginal Farmers	The holder of 1 hectare i.e. 2.5 acres land.

Relaxation Given by the Reserve Bank

A. Land holdings by a small farmer i.e. definition of a small farmer based on land holdings	No. of District Banks under the group
3 acres	1 Bank
5 acres i.e. 2 hectares	12 Banks
7½ acres i.e. 3 hectares	12 Banks
	<u>25 Banks</u>
B. Minimum Involvement	No. of Dist. Banks under the Group
20%	13 Banks
15%	8 Banks
11%	1 Bank
10%	3 Banks
	<u>25 Banks</u>

4.4.3 Crop loan to small & marginal farmers

The position of total Crop Loan disbursed and crop loan disbursed to small and marginal farmers in Maharashtra State for the last five years is as under: Table - 4.11.

Table - 4.11

Year	(Rs. in millions)		
	Total Crop Loan Disbursed Rs.	Crop Loan disbursed to small and marginal farmers Rs.	% of Crop Loan disbursed to small and marginal farmers to total crop loan disbursed
1975-76	122.9	24.64	20.0%
1976-77	150.79	30.14	20.0%
1977-78	140.20	27.19	19.4%
1978-79	120.09	24.45	20.4%
1979-80	127.27	25.85	20.3%

Considering the district wise definition of small farmers fixed by the Reserve Bank of India; the land holdings with small and marginal farmers in Maharashtra forms only 14% of the total land in the State. In view of this fact and considering the several problems being faced by the District Central Cooperative Banks in making available loans to small and marginal farmers, the above achievement can definitely be taken as credit worthy.

4.4.4 Dandekar Committee Report on
Financing of small & marginal
farmers in Maharashtra

In this connection it may be relevant to refer to the Report of the Committee on Financing Small and Marginal Farmers (1976) through Cooperative Credit Structure in Maharashtra (Dandekar Committee Report).

The findings of the Committee have revealed that the proportion of membership among the small holders was much lower than among the large holders. Taking all districts together, only 41.5 per cent of the small holders were members of cooperative societies, while 67.1 per cent of large holders were members of the cooperative societies.

This was the situation in June 1974. Since then as pointed out earlier, as a result of an intensive drive to enroll small holders as members of cooperative societies undertaken by Department of Cooperation and District Central Cooperative Banks the situation has improved considerably (see table - 4.6).

In majority of the Districts the proportion of borrowers among the small holders members was larger than the proportion of borrowers among the large holder members.

Small holders once they were admitted as members of the Cooperative Societies, did not experience difficulty or handicap in receiving short-term cooperative credit.

In almost all the Districts the small holder borrowers received much larger loans per hectare of their land-holdings than did the large land holder borrowers. The average amount borrowed per hectare by small land holder borrowers was Rs.520/- as against the average amount borrowed per hectare by the large land holder borrowers i.e. Rs.240/-. In short the small land holder borrowers did not suffer from credit handicap.

The Committee's findings further revealed that the borrowings to the credit eligibility were much higher for the borrower members in the smaller size classes of land holdings than in the larger ones.

Further, it was noticed in all the districts that the share of the small land holder borrowers in the total credit dispensed was more and in most cases, much more, than their share in the total credit eligibility of all land holders.

Thus, small holder borrowers have received larger credit, not only per hectare of their land holdings but also in relation to their credit eligibility. The small land holders did receive their due share and in many cases more than their due share of the total short-term credit dispensed through the cooperative credit structure.

4.4.5 Performance of Farmers Service Society (FSS) in Maharashtra.

In the light of the project approach it may be worthwhile to examine the progress achieved so far in the State of Maharashtra by the Farmers Service Society. A statement showing the position of FSS in Maharashtra as on 30.6.1980 is presented in table - 4.12

As on 30.6.1980 there were 26 FSS in the State of Maharashtra covering a total number of 666 villages. On an average each FSS covered 25 villages with an average population of 30,741.

The total membership of all the FSS was slightly over fifty thousand with an average membership of 1,929 per FSS.

Assuming the average size of family being 5, the total estimated number of households in the area of operation of the 26 FSS works out to 159,855. If we further assume that 70 per cent of the household were cultivating household, the estimated number works out to 111,898 household.

According to the statement given in table 4.12 a total number of 50,145 households or 48.8 per cent were enrolled as members. Among the cultivating household the estimated number of small farmers household was 55,949 or 50 per cent. Looking to the break-up of the membership among small and marginal farmers on the one hand and other large farmers on the other, it appears that small farmer group formed 55 per cent of the total membership. However, this represented only 49.36 per cent of the total number of small farmers households. Thus, nearly 50 per cent of the small farmers were not even enrolled as members of the FSS.

Analysing the financial achievements one finds that the average loan disbursed per FSS was Rs.1,493,000 and this included all types of loans. The average per member loan was Rs.1,405 which was comparatively on a higher side than in case of SFDA-MFAL projects.

Table- 4.12

Statement showing the achievements of Farmers Service Societies in Maharashtra as on 30.6.1980.

<u>Particulars</u>		
1.	Total number of Farmer's Service Societies	No.26
2.	Number of villages covered	No.666
3.	Average number of villages per society	No.25
4.	Total population of the villages covered	No.799, 275
5.	Average population covered per FSS	No.30,741
6.	Estimated number of households in the villages	No.159,855
7.	Estimated number of cultivating households	No.111,898
8.	Estimated number of small & marginal farmer households	No.55,949
9.	Total membership of FSS	No.50,145
10.	Average membership per FSS	No.1,929
11.	Total membership belonging to small and marginal farmer group	No.27,621
12.	Percentage of membership belonging to small and marginal farmer group to the total number of small and marginal farmer household.	49.36%
13.	Percentage of membership to total cultivating household population	44.81%
14.	Total loans disbursed (Rs. in '000)	Rs.38,816

15.	Average loan disbursed per FSS (Rs.in '000)	Rs.1,493
16.	Average loan disbursed per small and marginal farmer member	Rs.1,405

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Source : Tabulated on the basis of information provided by the department of cooperation, Govt. of Maharashtra.

N.B. : The following cooperative/commercial/regional rural banks have adopted the 26 Farmers Service Societies.

1.	Three District Central Cooperative Bank	5 FSS
2.	Bank of India	4 "
3.	Bank of Maharashtra	5 "
4.	Central Bank of India	5 "
5.	Dena Bank	1 "
6.	State Bank of India	2 "
7.	Union Bank of India	2 "
8.	Maharashtra Regional Rural Bank	2 "
	Total	26 "
		=====

4.4.6 Institutional support

The financial support to the 26 FSS came from District Central Cooperative Banks (DCCB), Commercial Banks and Regional Rural Bank. The DCCB supported 5 FSS, the Regional Rural Bank 2 and the rest were supported by other 6 commercial Banks.

From the above it is quite clear that so far the coverage of small farmers are concerned the Farmers Service Societies have to go a long way as about 50 per cent of the target population is yet to be identified and brought into cooperative fold.

4.4.7 Small farmers and overdue

Overdue with the small and marginal farmers is the major hurdle in maintaining the flow of finance to them. The following statement depicts the picture of overdues with the small and marginal farmers by the end of June 1978 and 1979 (table 4.13).

Table - 4.13

Overdue with small farmers in Maharashtra		(Rs. in millions)	
S.No.	Particulars	June 1978	June 1979
1.	Outstanding crop loans as at the end of the year	1881.3	1927.8
2.	Out of above, outstandings with the small and marginal farmers	453.4	472.7
3.	% of outstandings with the small and marginal farmers to the total outstandings	24%	25%
4.	Overdues with the small & marginal farmers	217.2	248.4
5.	% of overdues with the small and marginal farmers to the outstandings with them.	48%	53%

Source : Maharashtra State Cooperative Bank.

The Study Team on the Overdues of Cooperative Credit Institutions appointed by the Reserve Bank of India (July 1974) had examined default in relation to size of holdings and came to the conclusion that the default was somewhat larger among the smaller land holders than among larger land holders. However, the difference between the small and large was not great. This observation was somewhat contrary to the various research findings during 1960's which revealed that it was the larger farmers who were major defaulter of cooperative credit. Two factors seem to be responsible for this. Firstly, a very liberal policy of financing the weaker section under the special programmes without consideration to the credit absorption capacity and the anxiety of not jeopardising the credit flow to farmers other than small farmers, and at the same time adhering to the instructions of the RBI in respect of the minimum advances to be made to small and marginal

farmers. As liberal approach of providing subsidy for different schemes was also adopted to cover maximum number of small farmers, there was sharp rise in the quantum of credit made available to them. However, in the absence of overall development of infrastructure the farmers could not derive the optimum benefit from the credit made available to them. Possibly, a major part of the credit both in kind and cash were diverted for purposes other than production. It seems that a situation has come when the whole policy of giving subsidy **may here to be reviewed** the context of its overall effect on productivity and human efforts. Subsidy should not be allowed to be treated as charity thereby reducing human efforts.

Secondly, socio-political situation has also been responsible in the recent past for a poor recovery situation. Earlier, the small farmer was being exploited because of resource disparity only, now his case is being exploited in order to gain narrow political ends. Very often the Government used to announce that SF/MF will be given concessions in repaying their overdues to societies. This has also created a tendency towards non-payment of loans among SF/MF. All these have serious economic effects in terms of price situation (inflation). Very recently, the Govt. of Maharashtra with all its good intentions of opening the flow of credit to SF/MF which was chocked due to overdue, gave relief to SF/MF and overdues to the extent of Rs.500 millions were written off. However, with the best of the intentions, it has created adverse recovery situation not only in Maharashtra but also in other States like Bihar etc. Further, the two parameters prescribed by the Reserve Bank of India on defining the economically weak farmer (based on the individual land holdings) and the other specifying the percentage of the total credit earmarked for this class of farmers, are not logically related. This has been the principal reason why some district central cooperative banks found it difficult to comply with the relevant directives of the Reserve Bank of India and still tried to fulfil the target finance.

Percentage of total beneficiaries among persons identified under SFDA scheme in Maharashtra since inception till March 1980

S. No. Project	No. of persons identified			No. of persons benefited			Percentage of persons benefited to identified					
	S.F.	M.F.	A.L.	Total	S.F.	M.F.	A.L.	Total	S.F.	M.F.	A.L.	Total
1. Thane	19.6	37.7	168.5	225.8	5.9	4.2	1.1	11.2	30.10	11.14	0.65	4.96
2. Kolaba	9.2	32.0	9.4	50.6	2.6	4.1	1.4	8.1	18.16	12.81	14.89	16.01
3. Ratnagiri	75.9	228.1	12.2	316.2	4.6	10.8	0.8	16.2	6.06	4.73	6.56	5.12
4. Dhule	10.9	5.9	28.6	45.6	4.4	2.2	6.2	12.8	40.37	37.29	21.53	28.07
5. Satara	59.9	125.1	16.2	201.2	8.0	12.7	0.1	20.8	13.36	10.15	0.62	10.34
6. Parbhani	6.0	2.6	15.7	24.3	7.0	2.8	8.0	17.8	116.67	107.69	50.96	73.25
7. Kolhapur	22.8	66.8	13.5	105.1	6.3	20.4	3.7	30.4	27.63	29.65	27.41	28.92
8. Nanded	22.6	21.0	45.0	88.6	12.8	1.9	7.7	22.4	56.64	9.05	17.11	25.28
9. Osmanabad	16.2	7.0	13.0	36.2	6.4	0.8	8.2	15.4	39.51	11.43	63.08	42.54
10. Chandrapur	25.2	25.7	23.4	74.3	3.3	3.5	0.9	7.7	13.10	13.62	3.85	10.36
11. Buldhana	27.4	21.0	-	48.4	4.6	2.3	4.2	11.1	16.79	10.95	-	22.93
12. Akola	14.2	10.0	53.6	77.8	14.6	6.9	2.3	23.8	102.82	69.00	4.29	30.59
13. Amravati	23.7	15.9	97.4	137.0	10.6	4.8	3.5	18.9	44.73	30.19	3.59	13.80
Total	333.6	600.8	496.7	1431.1	91.1	77.4	48.1	216.6	27.31	12.88	9.68	15.14
	(23.31)	(41.98)	(34.71)	(100.0)	(42.06)	(35.73)	(22.21)	(100.0)				

Source : Dept. of Agriculture & C.D., Govt. of Maharashtra.

SF = Small Farmer

MF = Marginal Farmer

AL = Agricultural Labour

Institutional Finance made available
under the SFDA scheme from 1975 to 1980

Appendix table - 4.2

(Rs. in millions)

Name of the Project	No. of beneficiaries			Amount in millions.			Average loans received for beneficiary		
	Short Term	Medium Term	Long Term	Short term	Medium Term	Long Term	Short Term	Medium Term	Long Term
1	2	3	4	5	6	7	8	9	10
Thane	24145	1391 (3.23)	4200 (8.20)	8.72 (6.32)	3.34 (4.30)	10.55 (6.20)	0.361	2500	2540
Kolaba	6493	2468 (5.74)	2591 (4.96)	3.04 (2.20)	5.84 (7.23)	6.22 (3.52)	0.470	2360	2440
Ratnagiri	26882	2329 (5.42)	542 (1.08)	7.20 (5.22)	3.57 (5.66)	1.45 (0.96)	270	1960	3040
Dhule	N.A.	2216 (5.15)	7723 (15.98)	2.22 (1.66)	4.51 (5.71)	19.25 (11.61)	N.A.	2080	2580
Satara	11629	4631 (10.77)	1525 (2.98)	5.98 (4.34)	11.23 (13.91)	7.19 (4.18)	510	2430	4710
Parbhani	11716	5750 (13.37)	3098 (6.05)	17.70 (12.03)	12.25 (13.93)	14.68 (8.54)	1510	1960	4740
Kolhapur	826	7580 (17.63)	3671 (7.17)	3.52 (2.55)	17.01 (21.07)	14.10 (9.37)	4270	2240	4390
Nanded	44389	954 (2.22)	6574 (12.83)	10.61 (7.69)	1.49 (1.84)	15.70 (9.13)	2240	1560	2390
Osmanabad	5009	1027 (2.39)	9896 (19.32)	1.37 (8.99)	1.09 (2.33)	23.48 (13.66)	270	1840	2370
Chandrapur	N.A.	1948 (4.53)	1455 (2.84)	5.01 (3.69)	3.06 (3.79)	6.06 (3.53)	N.A.	1570	4160
Buldhana	15987	6872 (15.98)	4006 (7.82)	9.70 (6.59)	12.47 (15.82)	18.50 (10.75)	570	1860	4620
Akola	6000	60 (0.14)	915 (1.79)	14.36 (10.40)	0.10 (0.12)	7.44 (4.33)	2390	1620	8130
Amravati	10035	5775 (13.43)	5064 (9.89)	4.01 (35.53)	3.46 (4.29)	24.27 (14.12)	4440	600	4790
Total	164111	43001 (100.00)	51220 (100.00)	137.90 (100.00)	79.86 (100.00)	171.89 (100.00)	841	1800	3360

Note: Information is based on the date supplied by the Dept. of Agri. & C.D., Govt. of Maharashtra.

CHAPTER - VThe State of Bihar - State Situation5.1 Physical situation

Bihar is situated between 20.30 and 27.30 North latitudes and between 82.31 and 88.26 longitudes. In the North it borders with Nepal and Darjeeling district of West Bengal, on the East with the State of West Bengal, on the South with the State of Orissa and on the West with the State of Uttar Pradesh.

The State comprises the valley of the river Ganga. Geographically, it is divided into three main physiographic regions, viz. (i) North Bihar i.e., alluvial plains North of the river Ganga, (ii) South Bihar, i.e. alluvial plains South of the river Ganga, and (iii) the Chotanagpur plateau which abounds in hills, mountains and forests, and is inhabited largely by the aboriginals or the adivasis. According to the reconnaissance soil survey, the soil of Bihar has been classified into 23 broad soil association groups. The soil characteristics differ widely in the three zones.

5.2 Area and population

The State covers an area of 174.0 thousand sq. kms. of which a little less than 50 per cent of the geographical area is in the Chotanagpur plateau. The two plains divisions of North and South Bihar, cover an area of 49 thousand and 45.3 thousand sq. kms. respectively. Total number of villages in the State is 67,768. It had a population of 46 million as per the census of 1961, which increased to 56 million as per the 1971 census. According to 1981 census the population of the State has touched the level of 69.82 million. The population between 1961-71 increased by 21.73 per cent and between 1971-81 by 23.9 per cent which works out to an average increase of over 2 per cent per annum.

The total number of households as per 1971 census was 8.3 million which showed an increase of 1.49 million over the figure of 1961 indicating roughly the same rate of growth as in respect of population. However, the increase in the rural households was only 18.69 per cent.

The population is primarily rural with 84 per cent of the population living in rural areas. The demographic pressure on the rural economy is highest in the North zone with 95 per cent population living in villages. The density of population as per 1971 figure was 324 persons per k.m.

This State is divided in 4 divisions and 31 districts with 587 blocks which are the lowest level administrative and development agency. (Many new districts and divisions have been formed and the blocks are undergoing the process of re-organisation at the time of reporting).

Distribution of Rural Population into main livelihood classes

As per 1971 census the percentage distribution of rural working population into main occupation was as under:

Cultivators 57.16 per cent : Agricultural labour
24.37 per cent and other workers 18.47 per cent.

Per 100 acres or 40 hectares of sown area, Bihar had 53 cultivators, 22 agricultural labourers and 39 working cattle which is indicative of the pressure of human and cattle population on land.

5.3 Literacy

The level of literacy was 19.9 per cent of the total population as per 1971 census. Majority of the literates were just able to read and write. Literacy among female was only 8.7 per cent while among male it was 30.6 per cent. Due to

the abject poverty of the rural masses, enrolment in schools declined from 76 per cent to 29 per cent in the age group 6-11. In the age group 11-14, less than 22 per cent of the population was literate. The literacy percentage as per 1981 census has improved to 26 per cent. Literacy among the male population was 37.8 per cent while among females it was only 13.6 per cent.

5.4 Agriculture

Agriculture is the basic industry providing employment to over 80 per cent of the population. Out of 17.33 million hectares of reporting area forests formed 16.3 per cent. Net sown area was 48.9 per cent and fallow land accounted for 14.4 per cent. Other non-cultivable land accounted for 20.4 per cent of the total reporting area. Net sown area per cultivator was only 1.1 hectares in 1975-76.*

Irrigated area forms about 26 per cent of the cultivated area of the State (1979). The rest of agriculture is dependent on rainfall which is 136 cms. in the plateau region and 122 cms. in the plains. The average consumption of fertiliser per hectare of cropped area was 17.2 kg. during 1978-79 which showed an annual compound rate of increase of 8.9 per cent between 1968-69 and 1978-79. Consumption of pesticides was only 0.3 kg. per hectare of cropped area (1974-75).

The principle food crops are rice, wheat, maize, ragi and pulses. Main cash crops being sugarcane, oil seeds, tobacco and jute. The production of food grains was about 10.1 million tonnes in 1978-79 as compared to 9.7 million tonnes in 1977-78.

Area under high yielding variety seeds during 1978-79 was 40.1 per cent of area under food grains as against 21.2 per cent during 1974-75.

*Source : Fertiliser Association of India, Fertiliser Statistics, 1977-78, November 1978.

5.5 Extensive Resources & retarded growth

One is surprised when he looks to the vast resources available with the state as compared to other states on the onehand and the abject poverty of the masses on the other. Bihar has 87 per cent of cooking coal, 88 per cent of copper and kanite, 50 per cent of mica and 25 per cent of country's iron ore reserves. However, despite extensive resources, the state has no significant development on the industrial front. Annual rate of growth in the state income had never exceeded five per cent while the growth in per capita income per annum had only been around 3.5 per cent. Most of the industrial units are operating far below their installed capacity due to power shortage. As against the installed capacity of the Bihar State Electricity Board of 775.27 MW, the normal generation of power never exceeded 300 MW as against the minimum requirement of 600 MW.

It is really a paradoxical situation that while there has not been a systematic development of infrastructure according to regional needs and potentialities, whatever development of infrastructure took place remained largely underutilised. For example, the highest utilisation from the Kosi Canals in North Bihar has approximately been only 40 per cent of its total potentials. In most of the projects for the development of infrastructure the gestation period is nearly the double than what it is in respect of some other states. This situation is true in respect of both types of infrastructure physical as well as institutional.

A deeper analysis of the problem of poverty in Bihar will show that the causes are more socio-political in character than economic in nature. The true evaluation of the efforts to assist the small and marginal farmers therefore, has to be made in this perspective. In this context mere analysis of achievements in respect of fulfillment of physical and financial targets will be misleading. It will need an assessment of the real benefits going to the targeted groups, and the role played by the institutional agencies.

5.6 Dimension of the problem of small farmers

The dimension of the problem of small farmers could be better realised through the analysis of the operational and ownership distribution pattern of agricultural land holdings among the rural families.

A statement showing the size distribution of operational holdings is presented in table 5.1.

Table- 5.1

Operational Pattern of Land Holdings by size group

Operating size groups (in hectares)	Total holdings		Total area		Average area per holding (in hectares)
	No. (in '000)	%	hectares (in '000)	%	
Upto 1 hectare	4,874	64.34	1,845	16.09	0.38
1 to 2 hectares	1,109	14.64	1,563	13.62	1.4
2 to 3 "	575	7.59	1,379	12.02	2.4
3 to 4 "	340	4.49	1,158	10.09	3.4
4 hectares and above	679	8.94	5,485	48.18	8.08
Total	7,577	100.00	11,430	100.00	1.5

Source : computed from Agricultural census data (1971)

The total operational holdings in the state of Bihar as per 1971 agricultural census was 7.57 million. Significantly, small holdings below one hectare formed 64.34 per cent of the total holdings which is in sharp contrast to the Maharashtra situation where holdings below 1 hectare constituted only 25 per cent of the total holdings. The small farmers in this group were operating only 16.09 per cent of the total operated area in the state with an average area of 0.38 hectares per holding. The next group of small farmers between 1 to 2 hectares constituted 14.64 per cent of the total operating household and commanded 13.62 per cent of the total area. The average size of holding for this group is 1.4 hectares. The two groups taken together (upto 2 hectares) constituted 78.98 per cent of the total operating household but possessed only 29.71 per cent of the operated area. From the above figures it is quite clear that the average land base of the farmers falling in the category of marginal farmers (upto 1 hectare of operational area) is extremely poor.

It has already been pointed out earlier that there has roughly been an increase at the rate of 2 per cent in the number of households, mainly because of the increase in the population. The land reform measures and the distribution of land to landless families under Bhoodan movement have also attributed to considerable increase in the number of marginal holdings.

By 1980-81 the number of households in the operational size group upto one hectare may increase to 5.85 million as against 4.87 million in 1970-71. It is expected that the operational area during the same period for the group will increase only marginally which will mean further diminution of the size of holding.

5.7 Problem of the tenants

A vast number of the small operating households are tenants who could be classified into three broad categories i.e. (a) occupancy raiyats (tenants); (b) non-occupancy raiyats; and (c) under-raiyats. While the occupancy raiyats or tenants are somewhat in a better legal situation in the sense that they cannot be illegally evicted, the situation of non-occupancy raiyats and under raiyats is very serious particularly in relation to continuity of tenancy. These tenants (raiayats) operate land mainly on oral lease and have generally to pay 50% of the produce as rent. In spite of the legal provisions made in the Tenancy Acts regarding prevention of eviction of such tenants, their social and economic situation is as such that they could hardly take advantage of these laws. The situation is made worse in the absence of up-to-date records of right with the government. As stated earlier, there is heavy concentration on land in possession of small proportion of households, whereas a large number of households depended on a very small portion of land. This has resulted in a continuous hunger for land on the part of small owners and landless workers. Such a situation has put the small operating farmers in an inferior bargaining position and therefore, they easily become victims of exploitative rents. As most of the tenants suffer

from lack of ownership and occupancy rights they are unable to utilize the various facilities provided by the institutional agencies for the development of their land. Besides this, they do not find any incentive for incurring any investment expenditure as they are not sure of the continuity of the lease.

5.8 The poverty situation

The inequitable distribution of the land has its impact on the living conditions of the farm families. The problem of poverty and employment is most acute in Bihar when compared with other States. It was estimated that about 70 per cent of the population in Bihar was living below the poverty line as against 61 per cent for the country during 1973-74. At the end of 1977-78, 2.21 million people were unemployed. The problem of unemployment and disguised unemployment is more critical in rural areas as a result of which agrarian tension has been mounting in recent years.

The per capita income of the state which was 26% below the national level in 1950-51 has further gone down to 35% in 1975-76. The situation at present is that Bihar is at the bottom in respect of per capita income among all the states in India.

The state has also failed to secure its due share of funds available with the various institutional agencies. The position with regard to total credit deposit ratio in the state is only 39.4 per cent as against 71.1 per cent for the country as a whole.

One single major contributory factor responsible for critical level of rural poverty in the state is poor implementation of the land reforms. Zamindari abolition act removed the Zamindars but not the intermediaries. The feudal structure of the rural society is still alive and quite strong to resist changes. Despite all the talk about land reforms, the bulk of the cultivable land remains in the possession of big land-lords.

5.9 Institutional efforts for the development
of small farmers in Bihar

5.9.1 Small farmer/marginal farmers Development
Agency (SFDA) and their role in Bihar

5.9.1.1 Coverage

During the year 1969 and 1970 two SFDA Agencies were registered in the districts of Purnea and Patna. These Agencies were started on a pilot basis as a central scheme. Two more Agencies were started in the district of Motihari and Ranchi in the year 1971. With the inclusion of the programme in IVth Five Year Plan, the programme was extended to 18 more districts. By the end of 1977, 22 SFDA were functioning in 22 districts out of the 31 districts in the state. The rest of the districts were covered under different programmes such as CADA, DPAP, and IRDP.

The definition of small and marginal farmers as adopted by the Agency differs from district to district depending on the soil type, irrigation facilities, cropping pattern and single and double crop holdings, etc. For operational purposes the following broad criterion were adopted for identifying the target group:

- a) Small Farmers: Cultivators having land holding upto 5 acres of unirrigated land or 2.5 acres of class-I irrigated land.
- b) Marginal Farmers: Cultivators having land Holding upto 2.5 acres of unirrigated land or 1.25 acres of class-I irrigated land.
- c) Agricultural Labourers: Cultivators deriving more than 50 per cent of their income as agricultural wages and are tenant farmers.
- d) All the farmers belonging to scheduled caste.
- e) All the farmers belonging to scheduled tribe.

If a family derives Rs.200 or more per month as income from off farm sources, he is not to be identified as a person belonging to the target group under the programme.

As has been pointed out earlier the main thrust under the programme is to take up credit oriented programmes to bring the benefits of modern technology to the small and marginal farmers and agricultural labourers and raise their standard of living through improved agriculture, subsidiary occupations, and supplementary employment.

The implementation of the programme is done by the District Level Agency with the district collector or a senior IAS officer as its chairman. Another officer of the rank of Additional Collector is appointed as Managing Director.

By 1977 out of the 587 blocks in the state 236 blocks were covered under this programme by 22 agencies. The performance of the programme both in terms of physical and financial target has extremely been poor if one looks to the overall task ahead. As against the estimated number of 4.8 million families in the size group upto 1 hectare only, the 22 agencies in the state could identify only 0.31 million families by March 1980 who could be considered as eligible for assistance under the programme. On the other hand it is estimated that by 1981 the number of households in the size group upto 1 hectare will increase to 4.8 million as against 5.8 million in 1971. It could be anybody's guess as to the time which may be needed by these agencies to identify all the families in their area of operation.

3.9 Physical achievements under various identified schemes

The statement in table 5.2 provides an idea regarding the physical achievement made by the agencies during the year 1979-80 in respect of identified schemes in terms of beneficiaries.

Table 5.2

Statement showing physical achievement of
the 22 SFDA in Bihar (1979-80)

S.No.	Particulars of Physical Achievement under various heads	No. of beneficiaries
1.	Grant of subsidy	52,251
2.	Demonstration	49,907
3.	Soil Conservation	3,363
4.	Purchase of bullocks	13,119
5.	Agricultural implements	1,753
6.	Custom services	1,588
7.	Purchase of milch cattle	22,274
8.	Poultry	619
9.	Other Animal husbandry	1,975
10.	Village industries	1,230

From the above it could be seen that the agencies major efforts during 1979-80 was on giving subsidy to individual farmers and arranging for demonstration. It could be recalled that both in the case of grant of subsidy and organisation of demonstration it is extremely difficult to measure

the real benefits in the short run. While subsidy is prone to be misused, organisation of demonstration is a convenient tool to achieve targets of coverage in a system which is basically target oriented with little emphasis on quality of implementation.

5.9.1.3 Institutional finance under SFDA by type of institutions & type of loans:The credit facilities for the implementation of various schemes are being provided mainly by cooperatives and commercial banks.

A statement showing the financial achievements by the institutional agencies under the SFDA programme are presented in table-5.3.

Table-5.3

Progress of Distribution of loans by SFDA in the State of Bihar till March 1980 through Cooperative & Commercial Banks

<u>Particulars</u>		
1.	<u>Cooperative Credit</u>	
1.1	No. of beneficiaries during 1979-80	No. 14,174
1.2	No. of beneficiaries since inception	No.215,028
1.3	Short-term loans a) during 1979-80	Rs. 4.51 million
	b) since inception	Rs. 71.95 "
1.4	Medium-term loans a) during 1979-80	Rs. 1.19 "
	b) since inception	Rs. 9.48 "
1.5	Long-term loans a) during 1979-80	Rs. 8.04 "
	b) since inception	Rs. 25.88 "
1.6	Total Coop. Loan (ST, MT & LT)	
	a) during 1979-80	Rs. 13.74 "
	b) since inception	Rs.107.31 "
2.	<u>Distribution of Loan by Commercial Banks</u>	
2.1	No. of beneficiaries	
	a) during 1979-80	No. 21,291
	b) since inception	No.155,509
2.2	Short-term loans a) during 1979-80	Rs. 3.13 million
	b) since inception	Rs. 30.66 "
2.3	Medium-term loans a) during 1979-80	Rs. 35.53 "
	b) since inception	Rs.110.41 "
2.4	Total finance by commercial banks (ST & MT)	
	a) during 1979-80	Rs. 38.66 "
	b) since inception	Rs.141.07 "

Source : Agenda Document for the State Level Meeting of SFDA held on 22.4.1980

It appears from the above statement that in all together the cooperatives could provide loan assistance to a total number of 0.21 million families till March 1980. On the other hand the commercial banks could provide benefits to 0.15 million families during the same period. Thus, a total number of 0.36 million families could be assisted by the institutional agencies under the programme till March 1980 as against the estimated number of 5.8 million families in the size group upto 1 hectare. With this pace it may take decades to render benefit to all the families.

It may also be noted that though the commercial banks are late entrant in the field of cooperative credit, they have over shadowed cooperatives in terms of financial assistance given to the small and marginal farmers. As against a total sum of Rs.107.31 million advanced by cooperatives as ST, MT and LT loans under the SFDA scheme since its inception to March 1980, the commercial banks have advanced Rs.141.07 million as ST and MT loans during the same period. Such a state of affair is entirely due to very poor level of the development of cooperatives in the state and is in sharp contrast to the situation prevailing in the state of Maharashtra.

5.9.1.4 Financial progress of the agency

A total sum of Rs.169.12 million was released since the inception of the 22 agencies till March 1980, of which only 157.12 million could be utilised. In many cases the under utilisation of the financial allocation was due to late release of the funds and other administrative reasons.

5.9.2 Draught prone area programme (DPAP) & the small farmers in Bihar

Draught Prone Area Programme was included in the IVth Five Year Plan from the 1974-75.

The objective of the Draught Prone Area Programme (DPAP) in the state is to improve the economy of the areas which are susceptible to draught conditions. The main thrust under the programme is to improve the economy of the weaker section through creation of a package of infrastructural facilities and providing them assistance for carrying out on-farm activities. The DPAP is supposed to ensure the optimum utilisation of land, water and human resources particularly on the small and marginal farmers by arranging for the availability of credit facilities.

So far the programme is in operation in 57 blocks in the four districts namely Monghyr, Nawada, Palamu and Rohatas from the year 1975-76. According to the DPAP authorities a total number of 0.5 million persons have been benefited as against the estimated population of about 6 million in the area of its operation at a total cost of Rs.170.9 million spent on various schemes by 30th June 1980 (including benefits derived from creation of infrastructure).

A statement showing key indicators of physical achievement during the 1979-80 under the programmes is presented in table- 5.4.

Table- 5.4

Key Indicators of Physical Achievements during the year 1979-80 under Draught Prone Area Programme

1.	Programme of soil & moisture conservation	15,000 hectares
2.	Creation of irrigation potential (minor irrigation)	13,000 "
3.	Afforestation & Pasture	11,000 "
4.	Distribution of milch animals (number)	503
5.	No. of beneficiaries	63,366
6.	Of which belonging to scheduled caste and scheduled tribe	42,079

It is estimated by the DPAP authorities that the four programmes listed above benefited more than 65,000 families mostly belonging to farmer group during 1979-80. Besides this the programme generated 1.6 million man days of employment to the weaker section during the same period. However, there is no information available which could indicate the number of families actually brought above the poverty line.

5.9.3 Command Area Development Agency Programme

Command Area Development is not a programme which specifically aimed at identifying the target group. The main objective is to ensure the optimum utilisation of water potentialities generated in the area of its operation through suitable water management schemes and providing suitable extension services to ensure the adoption of appropriate farm practices. However, provisions have been made in the programme to ensure that the needs of small and marginal farmers and the other weaker sections of the population are

projected. Like DPAP the emphasis is on area development rather than the development of a given target group.

The organisation and coverage of the Command Area Development Authority is not based on the district basis but on the concept of total coverage of the area under a given irrigation project. There are four CADA in Bihar i.e. Gandak Command Area Development Authority, with headquarters at the District of Mizaffarpur, Koshi Command Area Development Authority with headquarters at Saharsa, Sone Command Area Development Authority with headquarters at Patna and Kieul-Badna Chandan Command Area Development Authority with headquarters at Bahagalpur. The Chairman of these authorities are senior IAS officers of the rank of commissioner, and act as Regional Development Commissioner for the implementation of the programme.

The four development authorities cover a total number of 305 blocks.

A statement showing the achievement under CADA in the state of Bihar till 30th June 1980 is given in table 5.5.

Table 5.5

Achievement of CADA in Bihar as on 30th June 1980

Identified schemes	Expenditure (Rs. in million)	Area covered (Rs. in million)	Coverage of small and marginal farmers
1. Contour Survey	53.17 (49.26)	0.43	Besides general farms 15,000 small & marginal farmers and 800 families belonging to scheduled caste & scheduled tribes have also been benefited by various programmes
2. Soil Survey		0.34	
3. Socio-Economic Survey		0.17	
4. Planning & Design		0.20	
5. Construction of Irrigation facilities	3.75	N.A.	
6. Construction of Jal- Nikas Nali (Drainage canal)	(3.47)		
7. Construction of holdings	51.01		
8. Installation of Tubewells (number)	(47.27)		
Total	107.93 (100.00)		

B.B. : Figures in () are percentage of total

It could be seen that so far the impact of CADA on the weaker section is concerned, it is almost negligible as roughly 15,800 families belonging to the weaker section in 305 blocks could be benefited so far.

Looking to the pattern of expenditure, one finds that almost 50 per cent of the expenditure was made on conducting various types of survey. The expenditure on irrigation and drainage accounted for only 3.47 per cent of the total expenditure. However, on installation of tubewells and construction of holdings for retaining water accounted 47.27 per cent of the total expenditure.

No statistical information is available to indicate the actual benefit derived from different schemes by the small and marginal farmers. Even in case of 15,800 families who are supposed to be benefited from different schemes there is no evidence to indicate as to how many families have really been benefited and have crossed the poverty line.

5.9.4 The new policy approach - Integrated Rural Development Programme (IRDP) & the small farmers in Bihar

The principal objective of the integrated rural development programme is (a) Removal of unemployment and significant under-employment, and (b) raising the income levels of families belonging to poorer sections of the population. The programme seeks to lay sufficient emphasis on the weaker sections of the society and aims at making them viable and self sufficient.

5.9.4.1 Coverage

From the year 1978-79 the Integrated Rural Development Programme was introduced in 142 SFDA blocks, 34 DPAP blocks and 128 CADA blocks, making a total of 304 blocks. Besides this the programme was introduced in 40 other blocks where there was no programme in a phased way.

Under the programme the target group of beneficiaries are small and marginal farmers, agricultural labourers, rural artisans and persons belonging to scheduled castes and scheduled tribes. In the selection of the IRDP blocks, special note was taken of preponderance of scheduled castes. The investment under the programme is made not only to generate direct benefits but also to improve the potential of investments in various on-going programmes.

The first administrative action required by the administration is to prepare Block Plan; assessment of physical and material resources available; and preparation of viable schemes which could help the poor. The other major effort is required for the integration among the on-going

programmes i.e. SFDA, DPAP, CADA and with the programmes under normal plan and also with the identified programmes of Khadi & Village Industries Commission.

The financial allocation under the IRDP is over and above the allocations available to SFDA, CADA and DPAP. All the 31 districts of the state are fully covered by the District Credit Plans of nationalised banks and it is assumed that programme will assess the availability of credit block-wise while framing schemes.

The introduction of the IRDP in the blocks already covered under different programme has created the problem of coordination and overlapping of area of operation resulting in avoidable wastage of efforts. The figures given below explains the overlapping of development efforts (table 5.6).

Table-5.6

Name of the Programme	No. of Blocks covered	Total No. of blocks in the State
1. S.F.D.A.	236)	587
2. D.P.A.P.	57)	
3. C.A.D.A.	305)	
4. I.R.D.P.	344)	
Total	<u>942</u>	

There were many blocks which were covered under all the four programmes but there were such blocks for which there was no programme at all.

With the change in policy from 2nd of October 1980, all the 587 blocks are now covered under the IRDP. In the new policy approach in the IRDP programme will be adopted according to their importance and relevance in particular areas with a view to utilising the local endowments for growth for generating full employment, increasing production and achieving social justice. The investments under the IRDP will be made not only to generate direct benefits from them but also to improve the potential of investments in various on-going programmes.

5.9.4.2 Progress of the programme in the State

The programme has a late start in the state during the year 1978-79. By March 1980 some 0.26 million families were identified in the target group for assistance and the actual number of beneficiaries was of the order of 54,089. The number of beneficiaries increased sharply to 0.20 million by November 1980. (table 5.7).

In terms of financial progress the programme has poor achievement. The total allotment of funds for the year 1979-80 and 1980-81 is Rs.246.30 million of which only 35 per cent or Rs.86.22 million could be utilised till date (October 1980).

Table- 5.7

Progress of Physical Achievement during 1979-80
(Number of families assisted till March 1980)

Types of Schemes	No. of families assisted
Agriculture	27,154
Irrigation	34,831
Forestry & Pasture	164
Animal Husbandry	11,888
Fishery	326
Sericulture	984
Bee-keeping	nil
Village Industries	11,600
Tertiary sector	5,724
Others	1,418
Total	94,089

Total No. of families identified 264,555 till March 1980.

N.B.: Number of beneficiaries has gone upto 0.20 million by Nov.1980.

5.9.4.3 Financial progress

Under the IRDP there is heavy dependence on subsidy element in the implementation of some schemes. The central scheme provided for the subsidy ranging between 25 to 55 per cent for given schemes of assistance to weaker section. The state government have enhanced the rate of subsidy for scheduled caste and scheduled tribes to 100% in case of certain schemes from August 1980.

As against a total allocation of Rs.122.5 million in 1978-79 and 1979-80 as subsidy amount, total expenditure upto December 1979 was Rs.47.2 million which was 38.5 per cent of the total unspent balance of Rs.75.3 million. During the year 1980-81 (upto November 1980) out of the total central allocation of Rs.1,467.5 lakhs a sum of Rs.551.59 lakhs was released by the centre during the first 8 months of 1980-81. Against this the expenditure upto November 1980 was of the order of Rs.402.61 lakhs only. Thus while the centre released 37.59 per cent of the total allocation the state government could utilised about 73 per cent of the total central assistance released upto November 1980.

During the same period total term loans disbursed through cooperatives and commercial bank was of the order of Rs.638.12 lakhs. The details are given in table-5.8.

Table 5.8

Term loan disbursed through different institutional agencies under IRDP (including SFDA)

(Rs. in lakhs)

Type of Loan	Total	By Cooperatives	By Commercial Banks
Short-term	53.54 (9.98)	22.64 (42.47)	30.90 (57.53)
Medium term	500.14 (78.36)	29.71 (4.95)	470.43 (94.05)
Long-term	84.44 (11.66)	53.34 (63.17)	31.10 (36.83)
Total	638.12 (100.00)	105.69 (16.72)	532.43 (100.00)

(figures in brackets indicate percentage)

Source : Computed from Monthly Review of IRDP by Government of India, Ministry of Rural Reconstruction, November 1980.

A few significant facts emerges from the data provided above. The commercial banks accounted for over 83 per cent of the total term loan while the share of cooperatives was about 17 per cent.

So far the short-term loan was concerned the relative share of cooperatives and commercial banks was 42.47 per cent and 57.53 per cent respectively.

Again, of the total medium-term finance, which is generally provided under the IRDP/SFDA schemes to built up assets, the commercial banks accounted for 94 per cent of the total loan disbursed and the contribution of cooperatives was only about 6%.

In case of long-term credit, cooperatives (the LDB) have performed better accounting for 63.17 per cent of the total loan disbursed and the share of commercial banks was 36.83 per cent.

Looking to the overall performance of the institutional agencies, it is quite clear that cooperatives in the state have yet to make any significant impact. Cooperatives though have a net work of organisational structure have not been able to play significant role under the programme. There are several reasons for the same, the major being the weak structure and the financial weakness of the primaries which are yet in the process of re-organisation.

5.10 Cooperative credit & the small farmers in Bihar - overall situation

5.10.1 Cooperative credit - an evaluation

The performance of cooperative credit institutions (Agricultural) has not been very bright in this state due to various factors.

Under the Fifth Five Year Plan of the state it was envisaged to cover 78 per cent of the agricultural families and 75 per cent of the borrowers. It aimed at disbursement of Rs.600 million as short-term loan and Rs.100 million as medium-term loan through cooperatives. By 30th June 1980, 5.14 million families roughly constituting 50 per cent of the total rural families in the state were brought within the cooperative fold, of which 38 per cent of the families actually borrowed from the cooperatives. Cooperatives during the same period disbursed Rs.160 million, Rs.15 million and Rs.15 million as short-term, medium-term and long-term loans respectively.

As the situation exists today, short-term credit needs of small and marginal farmers and other categories of farmers are primarily being met by the PACS through the credit made available by the 28 District Central Cooperative Banks covering 31 districts. The DCC banks avail the refinancing facilities made available by the RBI through the State Cooperative Bank. However, due to very unsatisfactory working of the District Central Cooperative Banks and extremely poor recovery position, the flow of funds from the RBI has been very meagre during last five years.

During the year 1977-78 only 19 Central Cooperative Banks could get short-term credit limit from the RBI. In 1978-79, the number of DCC banks availing this facility went down to 14. The remaining 14 Central Cooperative Banks could not get any credit facility which affected adversely the leading position of the PACS affiliated to these banks. The situation was so serious that even in case of sanctioned limits, most of the DCC banks could not avail the refinancing facility for want of adequate non-overdue cover.

5.10.2 Proportion of financing by the District Central Cooperative Banks to SF/MF

It has already been pointed out that the major source for the flow of funds to Primary Agricultural Credit Societies (PACS) is the District Central Cooperative Banks. Besides the DCC banks, some of the primaries were adopted by commercial banks and getting financial accommodation. The proportion of financing done by the DCC banks to identified small and marginal farmers between 1976-77 to 1979-80 is given below in table - 5.9.

Table - 5.9
Proportion of financing by DCC Banks in Bihar (Rs. in million)

Cooperative year July to June	Total Advancement	Advancement to SF/MF	% Advanced to SF/MF
1976-77	193.29	89.93	46.53
1977-78	308.92	89.60	29.00
1978-79	248.47	48.90	19.68
1979-80	109.93	31.66	29.80

Source : RBI Agricultural Credit Department, Patna, Bihar.

The advancement by the District Central Cooperative Banks shows a progressively declining trend in terms of quantum of advancement to small and marginal farmers between 1976-77 to 1979-80. As a matter of fact total advancement by DCC banks declined from Rs. 308.92 million in 1977-78 to Rs.109.92 million in 1979-80 in respect of all groups of borrowers and from Rs.89.60 million to Rs.31.66 million in respect of small and marginal farmers. This was obviously due to very poor recovery and mounting overdue situation. Though, the cooperative credit financing has steadily been **increasing till 1977-78 in Bihar**, it fell far short of the total needs. The short-term loans advanced by the cooperative credit institutions has been fluctuating, the highest amount of loan of Rs.308.92 million was advanced in 1977-78. This was, however, far short of the credit requirement of agriculture in the state which was assessed at Rs. 1777.6 million for the year ending 30th June 1976 by the Reserve Bank of India Study Team on Agricultural Credit Institutions. To this if we add the estimates of consumption credit needs of Rs.180.8 million for small and marginal farmers, the total credit need works out to the tune of Rs.1958.4 million for 1976.

5.10.3 The role of PACS in providing assistance to small and marginal farmers

The area of operation of 16,500 PACS (before re-organisation) covered 9.4 million rural families during the year 1977-78. Out of these 4.7 million or roughly 50 per cent were members. The coverage of small and marginal farmers and agricultural labour families was to the tune of 2.6 million or 55 per cent of the total membership.

During the period under reference out of 16,500 PACS, 1209 covering some 2,629 villages were dormant and hence small farmers and marginal farmers in these villages could not get assistance from PACS.

At the end of June 1978 out of 4.7 million members only 0.72 million or 15.32 per cent were borrowing members.

A statement showing the disbursement of loan to various groups of farmers is provided in table 5.10 which gives some idea about the benefits derived by the weaker section from the PACS.

Table- 5.10

Statement showing financing by Primary Agricultural Credit Society (PACS) to different groups of farmers during 1977-78

Size group of borrowers	Amount advanced by the PACS (Rs. in millions)	% distribution
Upto 1 hectare	60.5	31.30
1 to 2 hectares	40.6	21.00
2 to 4 hectares	29.8	15.42
4 hectares & above	62.4	32.28
Total	193.3	100.00

Source : Statistical statements relating to the Cooperative Movement in India, 1977-78, RBI

In terms of financial coverage 31.30 per cent of the total advancement was made to the borrowing members in the size group upto 1 hectare. Another 21 per cent of the total advancement was to the members in the size group 1 to 2 hectares. Thus, 52.30 per cent of the total financing by PACS went to farmers in the size group upto 2 hectares. This appears to be on high side when looked from the point of view of credit absorption capacity of the small and marginal farmers. However, one fact that emerges from the analysis is that small and marginal size borrowing members were having adequate share in the cooperative credit in relation to the land area held by them.

Separate information relating to recovery, outstanding and overdues are not available in respect of different categories of borrowers. Against the total advancement of Rs.193.3 million to 0.72 million borrowers the total recovery during the year was Rs.124.0 million, outstanding Rs.364.8 million and overdue was 286.1 million. Overdue has been mounting over year despite the fact that on many occasions in the past, short-term loans were converted into medium-term loans.

By the 30th June 1980 the membership of PACS increased to 5.13 million or a little of 50% of total rural families. The percentage of

borrowing members during 1979-80 was only 38 per cent (1.95 million members). The total short-term advances during the same period was slightly over Rs. 160 million showing an average advancement of Rs.820 per borrowing member.

5.10.4 Re-organisation of Agricultural Credit Cooperatives in Bihar

In view of the poor performance and weak financial structure it was decided to re-organise the primary agricultural credit organisations to ensure their business viability and organise new types of cooperatives to ensure flow of funds to the weaker section.

At the end of June 1977, there were 16,500 primary agricultural credit society (PACS) with a total membership of 3.4 million. The empirical record of their performance revealed that most of them were not financially viable. A large number of them were dormant.

On the basis of the recommendation of the RBI, the state government decided to re-organise them through the process of amalgamation and restructuring them. The 16,500 PACSs have now been organised in 6,034 primary agricultural societies (PACS). In areas where district central cooperative banks and primary societies were weak and were not in a position to render assistance to the small and marginal farmers, the state government organised 136 Farmers Service Societies (FSS) with the sole objective of ensuring the flow of funds to the small and marginal farmers. Besides this, for the benefit of population living in the tribal areas 474 large size multipurpose credit societies (LAMPS) were organised on the basis of the recommendation of Bawa Committee Report. The entire population in a tribal area is considered as weak.

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While in case of PACS and LAMPS the flow of fund is ensured through District Central Cooperative Banks, in case of FSS it is the Commercial Banks and Regional Rural Banks, who are providing financial assistance to them.

5.10.5 Overdues

Overdue has been a chronic problem with the agricultural credit cooperatives of this State. Up-to-date information regarding the overdue situation in respect of all the banks is not readily available. For the sixteen District Central Cooperative Banks from where we could get up-to-date information regarding the financing to small farmers and the overdue situation **revealed** an alarming situation. The total outstanding for the 16 DCC banks out of 28 was Rs.65.5 million in 1977 of which Rs. 51.99 million was overdue. Similarly, the outstanding figures for 1978, '79 and '80 was Rs.93.98 million, Rs.104.87 million and Rs.111.84 million respectively. Against this, the overdue figures were Rs.77.05 million in 1978, Rs. 89.58 million in 1979 and Rs.94.22 million in 1980. Thus, it is quite clear that both the outstanding and overdues have been mounting as a result of which fresh financing declined sharply every year.

5.10.6 The role of Bihar State Land Development Bank in Financing the small & marginal farmers in Bihar

The medium and long-term credit requirements of the farmers are met through the credit advanced by the Land Development Bank. Besides this, there are commercial banks lending support to medium and long-term credit needs of agriculture.

Land Development Bank (LDB) has a unitary structure in the State with its headquarters at Patna and branches located at district and sub-divisional headquarters. In some of the special programme areas like SFDA, MFAL and CADA the branches of the Bank have been opened at the block level.

As on 30th June 1980 the number of the LDB branches was 130 with a total membership of 0.28 million families. Out of the total membership 0.10 million or 35.71 per cent belonged to the category of small and marginal farmer.

The LDB has a total subscribed share capital of Rs.131.83 million including governments share. The total working capital was Rs.1210.84 million with a reserve of Rs.15.09 million. The Bank advances loan for the identified purpose of creating minor irrigation facilities in case of small farmer members.

A statement showing the progress of financing by LDB to Small and Marginal farmers during the last five years are present in table- 5.11 for better appreciation of their role in helping this group of members.

Table- 5.11

Statement showing the financing by LDB
to Small and Marginal Farmers in Bihar

Year	No. of LDB	Total No. of beneficiaries	Of which small and marginal farmers		Total loan advanced (Rs. in million)	Advancement to Small and Marginal Farmers	
			No.	%		(Rs. in million)	%
1975-76	127	33,717	21,238	62.99	164.01	84.37	51.44
1976-77	129	33,125	13,34	40.29	187.29	56.36	30.09
1977-78	129	13,736	5,142	37.43	73.34	22.00	30.00
1978-79	130	9,194	4,227	45.98	52.83	24.25	45.90
1979-80	130	13,384	7,532	56.28	86.82	44.53	51.29

Source : Bihar State Land Development Bank, Patna

It can be seen that during the IVth Plan period (1974-75) when the SFDA, MFAL and other programmes were started to help the weaker section, the bank could cover a total number of 33,717 families and advanced them a sum of Rs.164.01 million rupees during 1975-76. Since then one could notice that there had been sharp decline in the number of beneficiaries and advancement except for the year 1979-80 when the situation registered some improvement.

As far the position of financing to small farmers was concerned it is significant to note that 63% of the beneficiaries during 1975-76 were small farmers and they accounted for 51.44 of the total advancement. However, the absolute number of beneficiaries belonging to small and marginal farmers declined from 21,238 in 1975-76 to 7,532 in 1979-80.

In a state with small farmer household population of 58.5 million the LDB could cover a very negligible percentage of families annually. The main reason for this was poor recovery and the mounting overdue which could be seen in table 5.12.

Table 5.12

Overdue position of LDB in respect of small and marginal farmers

Year	Total outstanding (Rs. in millions)	% of recovery	Overdue (Rs. in millions)
1975-76	655.13	72.00	43.90
1976-77	788.98	42.00	124.64
1977-78	795.80	39.00	189.28
1978-79	759.91	40.50	227.54
1979-80 (upto 31st March)	802.43	23.00	325.11

Source : Bihar State Land Development Bank

N.B. : No separate figure for recovery and overdue available in respect of small farmers.

Some of the field studies in project areas have found that both in respect of outstanding and overdues the performance of small and marginal farmers are better than the big farmers.

As regards the position of recovery and overdue in respect of different groups of farmers are concerned, some of the field studies have shown better performance by the small farmers in the repayment of dues.

5.10.7 Farmers Service Society (FSS) and SF/MF

It has already been pointed out in the earlier chapter that Farmers Service Societies were organised with the sole objective of helping the small and marginal farmers. However, the operation of FSS in Bihar has been far from satisfactory. Out of 101 FSS registered till June 1980, only 4 F.S.Ss were functioning - one each in the Districts of Purnea, Patna, East Champaran, and Ranchi. The area of the operation of the 4 FSSs was quite large and together they covered 407 villages having a population of over half a million. However, the total membership was confined to 9,905 of which the number of small farmer member was 6,301 or 63.61 per cent. A detailed information regarding the functioning of the 4 FSSs which are sponsored by 3 lead banks is presented in table - 5.13.

Both in terms of coverage of small farmers and the financial assistance provided their performance appears to be quite unimpressive. Overdue continued to be the major problem in respect of 3 FSSs out of four.

Table - 5.13

Statement showing the position of Farmers Service Cooperative Societies as on 30.6.1980

1	2	3	4	5	6	7	8	9	10	11
Purnea	1	192	1,34,367	3643	1733 (47.74)	5.07	4.01	24%	1.26	Central Bank of India.
Patna (Nalanda)	1	74	1,63,559	1399	826 (59.04)	0.24	0.42	24.5	0.23	Punjab National Bank.
East Champaran	1	77	1,43,043	2353	1764 (74.97)	0.81	0.81	3.4	0.38	State Bank of India.
Ranchi	1	64	75,453	2510	1978 (78.80)	0.57	0.12	69.6	0.12	Bank of India.
	407	5,21,422	9905	6301 (63.61)	6.69	5.36				

* There were 101 Farmers' Service Societies as on 30.6.80 but only 4 of them were functioning.

Figures in () are percentage.

Source : Department of Cooperation, Govt. of Bihar.

CHAPTER - VIMethodology of Intervention6. Some Micro level case studies & findings in relation to strategy of intervention

6.1 In order to identify the factors responsible for better participation by people in the development efforts and successful operation of cooperative action, we conducted intensive studies in the two states of Maharashtra and Bihar in respect of few selected successful cooperatives and a couple of voluntary agencies operating as intervening agents to help the SF/MF and other weaker sections. One of our objectives for adopting such an approach was to develop suitable strategy of intervention for the development of SF/MF.

6.2 A total number of seven cases were selected for detail study of which four cases related to Maharashtra and three to Bihar. Again out of the seven cases five cases related to cooperatives (Maharashtra -3, & Bihar -2). In respect of the working of voluntary agency one voluntary institution was selected in each of the two states.

6.3 Findings of the case studies

The major findings, having direct relevance with regard to the development of suitable strategy of intervention for the benefit of SF/MF are summarised below. This is followed by the actual case situations.

6.3.1 Creating awareness:

For lasting effect of any external intervention and assistance, it is essential to create awareness among the target group, both in respect of the opportunities opened to them, facilities available through various institutions and the need for

for certain amount of group action. In most of the cases which were selected for intensive study, this particular factor was found to be responsible for creating proper situation for the intervening agency for successful operation of various action programmes.

6.3.2 Identifying Leadership:

In respect of most of the cases in Maharashtra, enlightened leadership played the major role in starting successful action programmes for the betterment of SF/MF. In few cases it was observed that leadership came from outside the target group and in other cases it emerged from among the target group as a result of certain members of the group coming in contact with the development agencies.

Some of the success that had been achieved under some of the special development programmes for the SF/MF (i.e. SFDA, IRDP, DPAP, Special Livestock Development Programme and Operation Flood etc) were largely due to the individual efforts on the part of the development agents in identifying leadership within and outside the target group. Though in most of the cases, where the programmes were sponsored by the government, such efforts on the part of the Project staff or staff from the financial institutions were made in order to achieve physical and financial targets. Nevertheless it brings the focal issue to the surface that identification of leadership both within and outside the target group is an important aspect in the methodology of intervention. Outside intervention could provide best results if it is carried out with the support of local leaders particularly such leaders who command respect with the community. This facilitates the dissemination of ideas and smooth implementation of programmes.

6.3.3 Ensuring support of people outside the target group

Outside intervention by implication should avoid isolating people from the people. It was observed that in many situations, the government and the voluntary agencies in their anxiety to help the

weaker sections including the SF/MF started special programmes for them. Such an approach was adopted considering the socio economic situations and the power structure (class & caste structure) in the villages which prevented the weaker sections of the community from taking full advantages of the development efforts. However, while implementing such special programmes at micro level certain practical and sociological problems emerged. Some of the case studies have revealed that it was difficult to implement micro projects aimed at helping the weaker section if exclusive emphasis was given on low caste people who formed the bulk of the weaker section. A situation of social confrontation could possibly emerge if the cooperation of other high caste group is not given due weightage. Caste no doubt is a significant factor in rural setting and hence there may be situations where a project for lower caste people has to be carried out in cooperation with the higher caste people. While implementing programmes, careful effort should be made to avoid isolating one group of people from the other.

6.3.4 The role of intervening agency in promoting group action/cooperative action

Another major point with regard to the strategy of intervention that has emerged from some of the case studies relate to the role of the voluntary agency in promoting group action/cooperative action. The case of Social Centre in Maharashtra and the case of PADI- Vaishali in Bihar have made it amply clear that the efforts of the intervening agency for the promotion and development of the SF/MF should not run parallel to the efforts that are being made by the service organisations (including the Govt.). Voluntary action can not survive in isolation, devoid of support from the government and local service organisations. Secondly, the intervening agency must focus its attention on achieving vertical and horizontal linkage with the various government departments, service organisations, the project personnel and the farmers for the success of the their action programmes.

In respect of the two cases referred to above it was observed that the intervening agencies concentrated a lot of their efforts in reducing the 'distance factor' between the SF/MF and the service organisation through promotion of better communication system between them. The approach adopted was to gradually introduce the small farmers into the local institution of the government; the cooperatives, after removing 'bureaucratic obstacles'.

6.3.5 Umbrella support for group action

The case studies conducted in Maharashtra and Bihar have confirmed the fact that the umbrella support from bigger service organisation helps in accelerating the implementation of action programmes.

So far the question of such umbrella support being provided by the local cooperative organisation was concerned the experiences in Maharashtra and Bihar had been different. In Maharashtra it was observed that the cooperative organisations working at the village level were the most suitable organisation through which micro projects in many areas were successfully implemented by the intervening agency. (see cases of Social Centre, Mahabir Cooperative Lift Irrigation Society, Narayanwadi Poultry Farming Scheme for SF/MF etc).

As a matter of fact the local cooperative leadership in these areas visualised a situation in which all development resources could be channelised, as far as practicable, through the cooperative organisation working at the local level.

The close cooperation between the working of the voluntary agency and umbrella organisation was mainly due to formal agreement between the two with regard to demarcation of areas of activities and responsibilities. The agreement provided for overall control and supervision of action programmes by the voluntary agency .

However, such an strategy could be successful only in a situation where the cooperative organisations are well organised and managed.

In a situation like Bihar where cooperatives were found to have a very weak base and were financially not viable, the umbrella support for group action was provided by the other service organisations. It was also observed that it was not always essential to have a formal cooperatives at the very beginning of a micro-project. The group action had successfully started once the group was found to be ready. It was found that in a situation where the formal cooperatives were not functioning properly at the micro level, the cooperative group actions were organised successfully on informal cooperative lines retaining all the basic characteristics of cooperation.

In such cases also at one stage or the other, the action groups so formed were required to obtain a formal legal status in order to make coordination and support from the service organisation. Whether such legal status for the action group could come in the form of registering a new cooperative society after the group has worked together on informal cooperative lines for some time or register the action group under other legal status provided under the law, will depend on local situation. So long the group formation and its activities are on cooperative lines it is immaterial if they are registered as cooperative or not. In the final analysis all such 'Action Groups' will lead to cooperative way of living and development for SF/MF and other weaker sections. (see the cases of social centre, Mahabir Lift Irrigation Society, PADI-Vaishali etc.)

6.3.6 Selection of the areas of intervention & group action

From the review of the case studies it is revealed that the strategy of intervention for the development of SF/MF should be in two major areas i.e. (a) intervention in the areas of production activities and (b) intervention in the area of self generating

employment activities. While formulating action programmes these two things may be considered in its proper perspective. Such an approach is essential firstly, to make lasting and visible impact and secondly, to keep the interest of the group members in the group action. This means that, we could roughly classify the strategy of intervention into long term strategy and short-term strategy. While short-term strategy could concentrate on production activities and activities of immediate mutual benefit, the long-term strategy could concentrate on self employment generating action programmes. In the project areas some schemes could be formulated which could absorb the future working force in some gainful self employing enterprise. This will to some extent prevent the neutralisation of the benefits of the action programmes due to population growth. However, one of the conclusions that emerges from the case study of PADI - Vaishali, Bihar, is that the implementation of long-term strategy (action programmes) should wait till certain amount of results have been obtained from the implementation of short-term action programmes and the target group has acquired some experience in group action.

6.3.7 Creation of revolving fund

The study of the working of two voluntary agencies (Social Centre, Ahmednagar and PADI-Vaishali) has brought one practical point into focus which relates to maintaining certain amount of 'seed money' in the form of a revolving fund.

Availability of such resources is absolutely essential in order to avoid delays in implementing action programmes as the sanction of loans from the financing organisation takes some minimum time as required under the given organisational procedures. The quantum of 'seed money' will depend on the number of action programmes as well as on the number of beneficiaries and the type of action programmes to be implemented.

6.3.8 Involving the existing cooperatives in action programmes

Some of the case studies have revealed that it is not always essential nor desirable to form separate cooperatives for different activities for SF/MF. In a given situation, proper assessment must be made about the possibilities of the various group actions being implemented through the existing village level cooperatives. In case of Narayanwadi Poultry development programme for SF/MF the existing VKSS, Narayanwadi (Multipurpose Cooperative Society) has played major role towards its successful implementation with the umbrella support coming from the District Central Cooperative Bank, Satara.

6.3.9 Safe-guards against failure of action programmes

From individual cases under the case studies, it has come to light that people joined the action group basically to try their luck in order to improve their economic situation which meant that they pinned all their hopes with it. The failure of the action programmes meant disappointments for future efforts. A micro project must, therefore, guard itself from such factors and for this apart from various other things, the following points must be considered properly:

- a) Proper identification of needs and formulation of matching action programme with regard to existing resource potentialities.
- b) Priority in implementing various action programmes.
- c) Viability of action programmes in terms of results to the beneficiaries (cost benefit ratios). The group action has to be selective in character ensuing the generation of maximum benefits.
- d) The human element is most important factor in any action programme. The micro projects must give due weightage on the training aspect of field level worker in the art and science of social work. Group action generally has slow start - people have to be convinced. The role of intervening agent has to be that of persuasion, guidance and personal efforts to bring tangible results in the shortest time. Proper training of the project personnel, therefore, is absolutely essential.

6.3.10 Monitoring and evaluation

Among the seven cases under study, we found only the Social Centre, Ahmednagar, having developed a system of monitoring and evaluation. The board of directors meet regularly to plan, organise and execute the policies or approve the proposals by the Managing Committee. The Social Centre staff meetings were held once a month in which work done during the previous month were reviewed. Problems and situations in the field as also the ways and means through which they were either solved or were required to be solved were discussed in detail. This on-going evaluation was followed by the periodic supervision by the Directors based on the 'progress reports' of the field staff. However, the Social Centre is yet to make a detailed evaluation to study the impact created by it.

The umbrella organisation for the Social Centre (District Central Cooperative Bank, Ahmednagar) did not have any system of monitoring and evaluation of its own.

6.3.11 Some problems in cooperative group action

The case studies have brought out certain practical problems which relates to organisation and continuity of cooperative group action. The two main problems as observed were as follow:

- a) The group leaders were found to be honorary worker. In the initial stage they showed all the interest in the action programmes but gradually it was observed that their involvement and interest declined. In such a situation the major problem faced by the intervening agent was with regard to ensuring the continued interest of the group leader.
- b) When due to some reasons actions were delayed, the group members started loosing interest in group activities as there was no compulsion to bind any member to continue with the group once it was formed.

The Case Study of Social Centre, Ahmednagar District (Maharashtra)

1. The Social Centre, Ahmednagar, a voluntary agency has identified itself with the aspirations of the rural poor in the Ahmednagar District since the year 1966.
2. The Project was established with the following objectives:
 - a) To assist the small and marginal farmers in obtaining necessary finance for wells and pumps which they are unable to obtain through the institutional credit structure because of lack of security.
 - b) To increase food production/income of small and marginal farmers through ground water development for irrigation in an area which has a low rainfall and has no canal irrigation facilities.
3. The Historical Background

Initially, Fr. H. Bacher started his project independently giving all his attention to low caste families and weaker sections of the community. He was convinced that any programme of assistance to the weaker sections could not be carried out if exclusive emphasis is given to only low caste people. The project objectives could not be achieved without associating or combining the other high caste groups of society. His experience with the project work further convinced him that for lasting effect of any external assistance programme it is essential to create awareness among people and develop leadership at the target group level. For this, it was considered to combine non formal education of the target population along with the action programme under the project. As the Project activities went on, Fr. Bacher realised that his efforts were counter productive as he was working in isolation and his efforts were running parallel to the efforts being made by other service organisations. He realised the fact that the Social Centre could not really function in isolation of the Government and other local organisations. In spite of all their weaknesses, the local organisations could ultimately change things if proper approach and methodology was adopted to coordinate the efforts of the Social Centre with that of the actions initiated by other service organisations. In the early stage of its functioning, the Social Centre adopted the policy to give credit to the small and marginal farmers through the local institutions.

In actual operation the methodology adopted by the Social Centre as an intervening agent tried to bring down the hierarchical structure in the administrative machinery of the Government which facilitated better communication system between the service organisation - Social Centre- the target group and vice versa. The immediate result of this methodological strategy was that it shortened the time span of action to be initiated by the service organisation to help the target population under a given programme of action.

4. Economic Conditions in the Project Area (upto 1970)

Ahmednagar District is the most persistent scarcity area in the state of Maharashtra. It lies in the rain shadow of the Western Ghats receiving an average of 20" to 25" of rain mostly during the months of July and August and again in November.

There are approximately 80,000 irrigation wells already in existence in the district roughly irrigating 240,000 acres or three acres per well. This accounts for only 7.3% of the total cultivable area of 3,279,678 acres. Only 11.18% of the cultivable land of the district is under irrigation. The area is thus mostly dry farming area. Slightly over 50% of the farmers own less than 10 acres of land accounting for about 15% of the total cultivable area. Within this category of farmers there are three groups:

i) The descendents of farmers whose land has been divided among the sons with each generation so that each family now has an uneconomic holding. This process of division still continues;

ii) Those farmers who got land through the implementation of the Land Ceiling Act. Most of these families were previously either tenants or landless agricultural workers and needed the help to develop their lands. But because of the small size of their holdings, they were not in a position to offer sufficient security to borrow from institutional agencies. Hence, many of them gradually got into the clutches of the money-lenders; and

iii) The third category of small and marginal farmers are those farmers who were given ownership of 'Inam' land under the Bombay Land Act of 1957. Inam lands were hitherto government owned and traditionally allotted for use by certain social groups (usually out-castes) for services rendered to the village.

Under the Act there were given full ownership of lands on the condition that they pay 13 times the assessment tax. If due to lack of capital or equipment (bullocks, implements, etc.) the new small land-owners fail to cultivate their plots and instead rented it out, they would run the risk of losing it to their tenant cultivators.

The new land laws had to a great extent changed from management conditions but have also certain difficulties to the new tenant who was without necessary potential for capital investment for a rational and economic farm management. As the small farmer, having no access to investment, was in many cases found to lose the land for cultivation to the bigger neighbouring holder and thus he himself became an absentee landlord for reasons of non credit worthiness.

The Social Centre started its activities from this point by offering necessary security to the service agency on behalf of the small farmer. To the small farmer they gave interest subsidy for timely repayment of loan and to a great extent succeeded in checking the negative effects of the Land Act on the one hand and on the other assured the essential capital base for the small farmer to run the farm enterprise.

5. Identification of the Target Group

Although the government identified small farmers as having 7.5 acres; the Social Centre defined the small farmer as having below 10 acres of land assessed upto Rs.8/-. In the changed situation of technological development it was felt that even a 3 acres irrigated land had the potentiality of viability in the changed technological situation. Accordingly, the target groups at present, are identified on the basis of these two criterions.

6. Project Area

The project area selected was along two major rivers of North Ahmednagar District, i.e. the Pravara and Mula rivers. Both these rivers are tapped by major dams and a canal system. The small farmers in the non-command areas were given the permission by the Government of Maharashtra to use upto 20,000 acres irrigation water for the Kharif season in the first instance and under specific conditions also for the rabi season. This meant that the arable land of the dry small holders would now get an assured source of water for two crops provided they were able to lift the water towards their highlying fields. For the individual small farmer this was

uneconomical, and therefore the only option left to them was to organise themselves in groups and cooperate with each other. However, the absence of leadership among the small holders and the service organisations' insistence on individual security, it prevented any positive action on their part till the Social Centre started the initiative.

7. Project Activities (1964-66 to 1971-72)

7.1 In view of the difficulties encountered by the Social Centre in promoting individual efforts to attack the problem of providing much needed credit, the Social Centre took a policy decision that a better way may be a combined effort with greater flexibility of action to grant loans without demanding an impossible level of security from the farmers and the institutional credit agencies with their uniform policy within the broad national policy framework and large network of agents and staff to undertake proper selection, supervision and recovery system. Accordingly a scheme was worked out between the Social Centre and the Ahmednagar Land Development Bank. The scheme was approved by the Bombay State Cooperative Land Mortgage Bank Ltd. (which was the parent institution of the District Land Mortgage Bank Ltd.) and the Commissioner for Cooperation, State of Maharashtra.

Earlier, the District Land Mortgage Bank, Ahmednagar was anxious to advance loans to the small and marginal farmers, but were unable to do so because of lack of security, as the advancement of development loan was linked with the valuation of land. The system of valuation was Rs.500/- loan per acre or 500 times of the assessment of rent whichever was higher. The average assessment was about Rs.1 per acre. Thus the total loan eligibility of a small farmer in the 5 acre group was to the maximum of Rs.2,500, which was entirely insufficient to meet the development investment. The District Land Mortgage Bank (which is now called the District Land Development Bank - DLDB) was therefore in search of certain organisations who could stand security for the small farmers. The agreement reached between the Social Centre and the DLDB served the interest of both.

According to the agreement arrived at, the Social Centre invested a sum of Rs.33.04 lakhs in the ordinary debentures (10 years maturity) of the Maharashtra State Cooperative Land Development Bank. They also kept a sum of Rs.55,000 as deposit with the same Bank. The interest on debentures earned at the rate of 5.5% was partly kept in the Reserve for Bad Debt Fund

(about 10%) of the DLDB - and the major portion of the interest earned was kept apart for providing the working capital finance to the small farmers who had dug a well, acquired the pumps, but lacked the money to take full advantage of the development of infrastructure on their respective farms.

The agreement further provided for the reinvestment of the money on maturity for a further period of 10 years in the same scheme.

7.2 The Mode of Operation

Two types of farmers were identified from among the target group:

(a) A small farmer who had borrowed from the District Land Development Bank (DLDB) but could not finish his work or who in addition to a well, required a pump set. In this case the farmer made an application for an additional loan which was sent by the DLDB to the Social Centre for its sanction.

(b) The second type of farmer was one who was unable from the very beginning to get a full loan from the DLDB because of lack of security. In this case the Social Centre helped him to get a combined loan i.e. the maximum his land security allowed him to draw from the DLDB and the balance was provided from the deposit of the Social Centre through the ordinary channels of the DLDB.

7.3 Eligibility

The beneficiary must be an owner cultivator identified by the Social Centre and having land not above 10 acres.

7.4 Procedure for Sanction

The procedure for sanction was that the full economic and financial position, the title deeds of his lands, possible justified objectors to the loan, the state of his family regarding labour procurement, the state of his actual crops and cattle was made evident. The procedure was executed through the 13 taluka branches of the DLDB with the help of about 8 officers. Besides this the office of the Block Development Officer, the Talaties (lowest level Govt. revenue officers in the villages) and the Gramsevaks (village level worker attached with the Block) were involved. The financing was done individually.

To implement the programme the DLDB appointed special expert personnels from its head office at Ahmednagar to expedite the cases of the combined scheme to enable the advancement within a month of application. The Social Centre provided the missing link between the small farmer and the DLDB. The recovery of loans was effected by the DLDB in 10 equated instalments including interest.

The Social Centre gave 100% interest subsidy to the beneficiaries who made the payment of their instalment of the principal regularly. The amount of interest subsidy was supplemented by interest received on debentures. The actual work started from 1968. The help to the small farmers was provided under the specific schemes on minor irrigation such as digging of new well, installation of pump sets and repairs of wells.

7.5 Physical progress

Between 1968 and 1972 a total number of 1892 families got the benefits through as many projects at a total cost of Rs.60.42 lakhs (Rs.6.4 million). During the same period the amount of interest subsidy granted by the Social Centre was of the order of 16.93 lakhs (Rs.1.70 million).

8. The Conflicting Interest: the breakdown of agreement between Social Centre and DLDB

The collaborative arrangement of the programme of assistance to the small farmers by the Social Centre and the DLDB broke down in 1973. The main reason for this breakdown was the internal changes in the structure of the State Land Development Bank (earlier its name was changed from Cooperative Land Mortgage Bank to Cooperative Land Development Bank- CLDB) and changes in their policy and programme of assistance to the agricultural sector. From the two tier structure (State Land Development Bank and Primary Land Development Bank) the State Land Development Bank adopted a unitary structure with its head quarters at Bombay and branches at Taluka levels by amalgamating the Primaries which were then controlled by their regional offices.

Besides this in 1972, the International Development Association (IDA) came forward in a big way to assist the CLDB to provide finance for minor irrigation in Maharashtra. Approximately Rs.40 crores (Rs.400 millions) were to be received from IDA. As a consequence there was a change in the loaning policy to the effect that a loan was to be granted not on the security, but on the basis of its potential value of return from the Project. As a result of this the LDB in 1972 were in a position to advance upto Rs.10,000 to a holder of 3 acres of potential land.

Added to this was the introduction of the GSDA (Ground-water Survey and Development Agency) and only those villages that would come under the water-sheds specified by the GSDA could be financed. This naturally went against the policy of the Social Centre:

i) The farmers whose lands did not come under the water-sheds were neglected. However, with the G.I.T (Ground-water Investigation Team) many such wells were feasible.

ii) In the so-called 'Developed Areas' specified by the GSDA, many small and marginal farmers with the potentiality for development were neglected.

9. Project Activities after 1973

Fr. Bacher's experience with the LDB made him sure about the co-operative organisations. He started looking for some commercial banking agency who could help him in achieving the Project objectives. One of the Inspecting Officer of the Ahmednagar District Central Cooperative Bank (ADCCB) communicated the intention of Fr. Bacher to the Manager of the ADCCB, Mr. G.K. Patil, Mr. Patil deputed one of his best officer Mr. S.B. Kulkarni to initiate the action to convince the Social Centre that the ADCCB was capable of carrying out a joint assistance programme in the interest of the small farmers. For the ADCCB the attraction was the significant fund available with the Social Centre for this purpose which could strengthen the financial position of the bank and also the scheme of interest subsidy of the Social Centre which would certainly be an added incentive towards better loan recovery.

Mr. Kulkarni had several discussions with Fr. Bacher. Subsequently, Mr. Chappte, from the Swiss Development Cooperation visited the studied the working of the cooperative structure and having convinced himself strongly recommended the implementation of the Social Centre only through this cooperative bank.

An agreement between the Social Centre and the ADCCB was made on 12th November 1973 which became a land mark of joint efforts between a voluntary agency and a cooperative organisation towards achieving common social and economic objectives.

According to the agreement the Social Centre deposited the project amount (Rs.40 lakhs or 4 millions) as fixed deposits for 7 years with the bank at the prevailing rate of interest with minimum of 10%.

9.1 Procedure

Under the new agreement the ADCCB sanctions medium term loans (MT loans) to economically backward agriculturais (small farmers) for approved

agricultural purposes such as installation of pump sets, pipelines, deepening and repairs of wells, dairy development, land development, etc. and short-term crop loans on the recommendation of the Social Centre. The ADCCB receives and advances loans to the target groups through their Primary Cooperative Societies. Before the loans are sanctioned the applications are sent to the Social Centre. The Social Centre through its staff conducts a 'spot-inspection' and based on this report the Social Centre head office sanctions these projects. These are then sent to the Bank for final approval.

9.2 Interest Subsidy

The agricultural primary cooperatives face a serious problem of overdues as a result of so many factors. However, from the banking point of view no financial institution could survive if its funds are locked up as overdues. The Social Centre has tried to remove this obstacle to enable the Cooperative Banks to come forward to finance the small and marginal farmers through their primaries who (small farmers) otherwise were considered non-credit worthy. On the farmer's side if the payment of the principal and interest of development loan was made in time, the farmer was getting a considerable amount of relief by way of interest subsidy made available through the Social Centre. The incidence of actual relief received by the farmer is well expressed in the table given below:

Suppose that the initial loan advanced for the purchase of a pump set is Rs.3,500 at 11% interest rate with repayment period of 4 years (Medium term), the incidence of interest subsidy received by the small farmer for timely payment will be as follows:

<u>Year of repayment after loan</u>	<u>Repayment Schedule</u>		
	<u>Principal (Rs.)</u>	<u>Interest (Rs.)</u>	<u>Total (Rs.)</u>
Ist year	875.00	770.00	1,645.00
IIInd year	875.00	288.75	1,163.75
IIIrd year	875.00	192.50	1,067.50
IVth year	875.00	96.25	971.25
TOTAL	3,500.00	1,347.50	4,847.50

Under the interest subsidy scheme the farmer will get full exemption of the interest charge of Rs.1,347.50 if his repayment is timely.

The interest which is to be credited to the loan account of the small farmer by way of subsidy is not by way of reduction from principal due from him but by way of reduction from the interest subsidy to provide him incentive for timely repayment.

9.3 The Change in Approach and Methodology

Through the present programmes a new dimension was added to these efforts insofar as the small farmers were organised in groups of families to irrigate and cultivate their lands. Thus out of the total beneficiaries of 1171 under the present scheme, 113 are individual small farmers and the remaining 1058 small farmers who have grouped themselves and have formed lift irrigation societies. The 113 individual small farmers receive the assistance from the Social Centre only through the multipurpose primary agricultural society (known as 'Vivid Karyakari Seva Society' - VKSS).

For operational reasons and economic viability there are many lift irrigation societies, where holders of more than 10 acres of land have also been included. Such families, though they get all the advantages, are not eligible for interest subsidy provided by the Social Centre. The total number of beneficiaries upto 30.6.1980 was 1539.

10. The Formulation of Action Programmes

During the notorious drought of 1973-74 the Government of Maharashtra organised a massive programme of digging and building of community wells with the immediate purpose of providing employment and relief to the poor in the district. About 2000 such wells were dug, but most remained unfinished and unusable as the relief funds were stopped with the first rains in June 1974. The Social Centre established contacts with the local institutions in the district in order to complete these wells by deepening them and installing the pumps besides providing crop loans. This was sought to be achieved through bringing the beneficiaries together to form a registered cooperative society. The idea was to help the small farmers cooperate with each other in order to achieve economic independence.

The methodology adopted to achieve this objective was to sell the idea through the Social Centre workers among the small farmers located in the command area of such wells. Once the farmers become aware that there was a chance of finishing the work through interest free loans provided by the Social Centre through the ADCCB and through the VKSS, the initiative for such work started coming from among the people.

11. The Work Approach of the Social Centre

The policy of the Social Centre is to introduce the small farmers into the local institutions by making a shuttlecock like movement between the farmers and service organisations besides providing financial support to the project through local societies. A close contact is kept with the Revenue Department, Department of Cooperation, Cooperative Financing Institutions, Irrigation Department and other service organisations involved in the development of small farmers. The Social Centre has also very close contacts with the Zilla Parishad (District Board) which is responsible for executing the five year plan and the Draught Prone Area Programme (DPAP). The Ground-water Survey and Development Agency (GSDA), Maharashtra has to be called upon for the water assessment of the community wells.

The most significant aspect of the working method of the Social Centre is that it has succeeded in getting cooperation and help from larger cooperative enterprises of the area such as the cooperative sugar factories. Mention may be made here of the Sangamner Cooperative Sugar Factory, Pravara-nagar Cooperative Sugar Factory and Rahuri Cooperative Sugar Factory with whom the Social Centre has established excellent contacts in the interest of their projects.

The engineering and technical divisions of all the three factories prepare plan and estimate in the area of operation on behalf of the Social Centre for the benefits of the small farmers. The Civil Engineering Departments of these three factories supervise the actual executive together with the Social Centre field staff. The services of these factories have been employed in a very extensive way and this has saved a lot of additional expenses, assured proper prices, quality control, efficient executive, and timely recovery; a service not easily available anywhere else. The Social Centre also takes full advantage of the agricultural department of these cooperative sugar factories not only in respect of growing sugarcane, but also for all other types of crops grown in the area.

These three sugar factories also collaborate with the Social Centre and the ADCCB by contributing from their Development Fund. In certain projects 50% of the total project cost was given as subsidy. This, besides decreasing the burden of loans taken by the poor farmers, ensued greater involvement and cooperation from these factories. There are instances where funds were also provided for maintenance of projects.

Mention must also be made that through the collaboration of these factories land levelling programmes could be undertaken. The Social Centre tractor unit would do the land levelling and at the time of sugarcane crushing this loan was recovered by the factories.

The Social Centre works through the local institutions and leads the people to make use of these institutions as their right. In the last few years it has been observed that these institutions themselves have grown in their social concern and this has made the cooperation of the Social Centre with these institutions progressively more fruitful, easier and effective.

The twenty odd field workers of the Social Centre (organisational chart of the Social Centre is given in Appendix 'A') identify their main task as that of a liaison person. Over years the Social Centre has established its own cadre in the field.

12. Some Significant Achievements

The efforts of the Social Centre, as described earlier, has succeeded in bringing down the hierarchical structure in the administrative machinery facilitating better communication between the concerned organisations and the Social Centre on the one hand and between the small farmers and service organisations on the other. It helped in the smooth operation of the delivery system of services by shortening the time span of action to be initiated by the various institutions to help the small farmers.

From the actual point of view, in all the project areas the beneficiaries under the project now grow two crops per year as against one crop previously. As a result of the action programme initiated by the Social Centre, the average yield per crop has gone upto 15 quintal as against 4 quintals previously.

In case of Lift Irrigation Projects for the small farmer the benefits are very striking. With the Social Centre's efforts and the group action on the part of the small farmers, the 'Jakuri II Lift Scheme' was completed in record time of about 10 months and the farmers got a wheat crop of average fifteen quintals per acre during the rabi cultivation, where there were no crops earlier. This has been achieved because of the fact that the Social Centre linked its programme of infrastructural development on small farmers' farm with that of the supply of inputs through the Multipurpose Cooperative Society. A complete integration is achieved between the medium-term loan with that of short-term loans required by the farmer.

A visit to some of the project areas revealed some important changes. The farmers work now to a great extent in their own fields instead of looking for employment elsewhere. Many of them are settling down near their own fields; thus greater care is taken of their own fields. A sense of belonging and owning has grown and this has led to a greater bargaining power. Their nutrition and health has improved and their general standard of life in terms of education, housing, means of communication, clothing, radios, etc., has certainly improved.

These above benefits would have been more pronounced had the inflationary trend in respect of consumer goods not disturbed the balance. While there has been a very low increase in the prices of the agricultural product, the prices of other consumer articles increased by 20% according to the Government's own economic survey ending March 1980.

Keeping in mind that a social and human change is aimed at in the programme of the social centre, through economic means, the social benefits are really what counts most: like improved communal interaction, interself reliance and a sense of justice. When, for instance, in one of the lift irrigation scheme, the application for electric connection was put off on some minor ground, several groups marched on their own to the office of the Maharashtra State Electricity Board and did not move till they were assured that things would change immediately. However, the main socially educational effect is felt within their own community in the just sharing of the water and its effect on practically all the spheres of life.

13. The Problems encountered by the Social Centre and the Methodology adopted to solve them

During the initial period of enthusiasm the people did not realise the full implications of the social process involved in the whole exercise. During the group meetings where the programme for the new community well was discussed, most of the small farmers readily agreed to associate themselves for group efforts, but when the real project work started, many of them backed out because it clashed with their personal interest. For some time, in many cases the whole scheme got stuck in a critical confrontation and temporary stale-mate. It was basically because of the fact that the task of community building was to be achieved through a certain discipline in farm practices which meant considerable change in the economic and social behaviour of the small farmer. Some of them realised that they have to give up quite a number of their cherished customs and liberties making up their personality.

In other cases it was observed that difficulties of a homogeneous group of only Harijans (scheduled caste) were as big as in the mixed caste groups. In one such Harijan scheme outsiders from the higher caste tried to frustrate the effort of Harijans (and even achieved temporary success) just because some of the Harijans secretly helped them to wreck the project on account of old feuds with members of their own caste. It was further observed that such feuds remain dormant for a long time and came to the surface precisely at a time when common effort like common sharing of water requires mutual understanding and planning for the common good.

In the case of the irrigation project one may find a few members of the group mysteriously absent whenever a meeting for policies of managing the 'lift' is called, or someone from among the group, like out of the blue, suddenly may refuse the water to pass through his field to the neighbour or another refuse to take the water when his term comes for no apparent reasons.

Such experiences at the Social Centre Project and elsewhere have led to comments by many observers that on account of group action for irrigation projects, quarrels had been introduced into an otherwise peacefully co-existing village community. However, it would be wrong to mix up cause and effect. The experience of Social Centre has revealed that even cultural events may be used to ventilate old grievances against the other and hence, the methodology of intervention may take these factors into consideration.

In such a situation the field level worker and the Director of the Social Centre intervened by organising repeated group meetings. They explained the technical discipline of an irrigation scheme, and also the need for the execution of the scheme through duly elected representatives from the group. It was found that in most of the cases at the group meetings its context was recognised and after recognition accepted.

The experience of the Social Centre further shows that no strict time schedule can be adopted in respect of such projects which involves sharing community well as it requires mutual understanding and planning for the common good.

There were other external factors disturbing the smooth implementation of the projects which could be called as "Bureaucratic Obstacles", resulting from lack of coordination among the various departments of the government involved in the rural development process. In many cases the problems were

of a technical nature. For example, unless an electric pump was installed, the Maharashtra State Electricity Board (MSEB) did not provide the electric connect ons. In many cases it took up to one year time which meant that the capital investment had to be made as advance to the electrical manufacturers and on delivery of the full payment, then the installations and only then would the MSEB accept applications for the connection. A similar story was told in respect of the pipeline which have even a longer delivery period on account of cement shortage.

14. Sharing the experience

What has been described in earlier sections is a brief description of the working of Social Centre. An attempt was made to get some methodological issues clear by direct questions and answer session with Fr. Pinto who was shouldering the responsibilities of Fr. Bacher as Director since he was on leave.

Q.1 When would you like to stop your activities in a given project area giving full responsibility to the group and switch over to some other new area?

Ans. "The moment Social Centre feels that it has submerged its identity with the local cooperative organisation". He further revealed that in many areas this has already happened and people now look to their VKSS (multi-purpose cooperative society) and Ahmednagar District Central Cooperative Bank rather than looking and waiting for assistance to come through Social Centre's field staff.

Q.2 Why people trust the Intervening Agent/Agency and not the Government Agency?

Ans. The change agents do the job of animation. The Government officials hardly come down to hear and study specific problems of the people, of course there are exceptions. The big boss, if at all he goes to visit a village - he goes in a car, keeps his identify more pronounced by having more prominent display of stature, with the big man in the village than with the poor for whom he has come. In the process he automatically creates a distance with his target group. Secondly, this official hierarchy is not only reflected in terms of partiality but also in terms of the communication system, while dealing with the poor. What a farmer observed? He has observed an official coming in car/jeep with close contacts with the big one, the other officer down the line coming on a motorcycle, mixing with middle

class people and then finally found the lowest level government worker coming on cycle or on foot talking to him and about the loan. His inner reactor is that of distrust - this is particularly true where leadership among the poor farmers is completely absent.

Q.3 How to evolve a built-in system for peoples participation in action programmes?

Ans. Take manageable projects and area. Take the human element in action programme as most important factor. The field work and officers must be trained in the art and science of social work. Do not try to change things overnight and hence in micro projects entrust the major responsibility regarding action to the people. Guide and supervise them and also help them wherever needed.

Q.4 What is the Procedure or monitoring?

Ans. There is a monitoring system. The Managing Committee of the Social Centre decides the major policies of the Social Centre. The board of directors meet regularly to plan, organise and execute the policies or approved proposals by the Managing Committee. The Social Centre staff meetings held once a month reports on the work done for the month. Problems and situations in the field are discussed and how they were solved. This on-going evaluation is coupled by the periodic supervision of the Directors based on the 'progress reports' of the field staff demanded regularly.

Salient Features of the Case

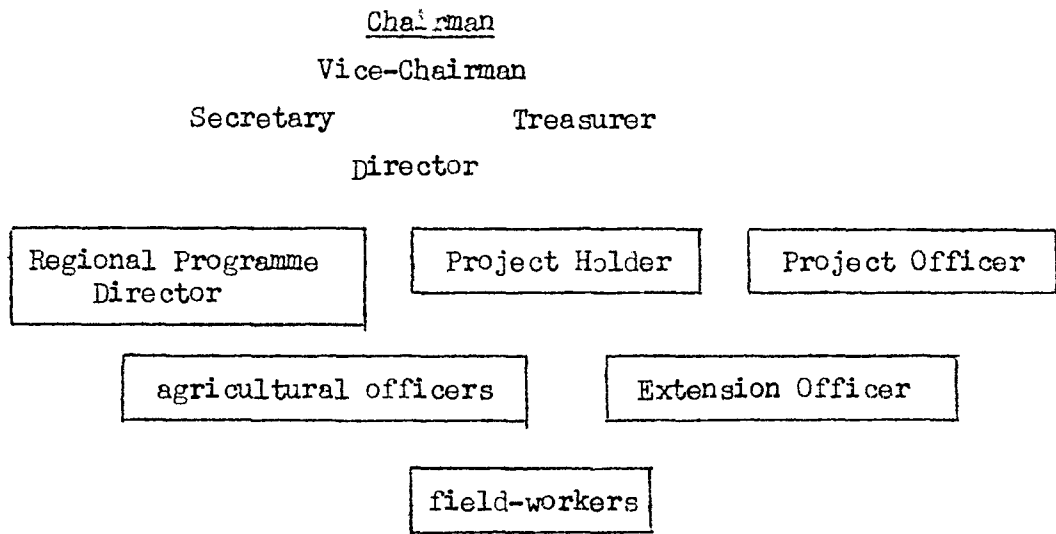
- (i) It is difficult to implement micro projects aimed at helping the weaker section if exclusive emphasis is given on low caste people. Caste is a significant factor in rural development and hence there may be situation where a project for lower caste people has to be carried out in cooperation with the higher caste people.
- (ii) For lasting effect of any external assistance programme, it is essential to create awareness among people and develop leadership at the target group level before starting a micro project. Hence, it may be essential to combine non-formal education of the target population along with the action programme.
- (iii) The efforts of intervening Agent/Agencies should not run parallel to the efforts of service organisation. Voluntary action cannot be successful in isolation of the government and local organisations.

An umbrella support from bigger organisation helps in accelerating the implementation of action programmes. The methodology to be followed should aim at coordinating the efforts of the voluntary agencies with that of other service organisations.

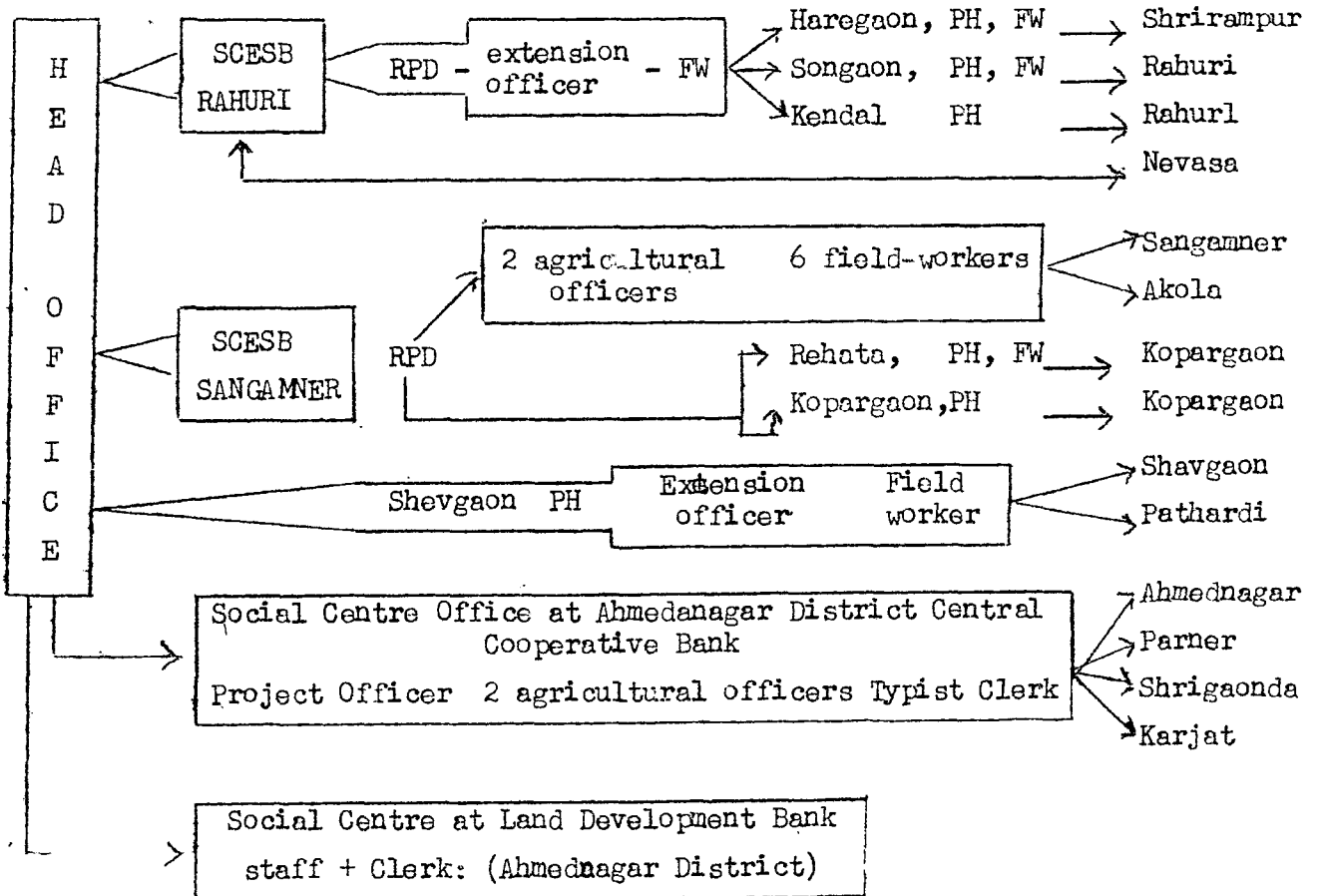
- (iv) Cooperative organisations established at the village level are the most suitable organisation through which the micro projects could be successfully implemented by the change Agent. As a matter of fact all development resources be channelised through the cooperative as far as practicable.
- (v) The change Agent should facilitate and develop a better communication system between various service organisations and farmers. The approach should be to introduce the small farmers into the local institutions of the government; the cooperatives etc. after removing "bureaucratic obstacles".
- (vi) Once micro project is worked out, there should be formal agreement between the main service organisation involved in the project and the voluntary agency. The government should demarcate the area of activities and responsibilities to be performed by each. The overall control and supervision of the project may remain with the voluntary agency.
- (vii) No strict time schedule can be adopted for implementing a micro project particularly in respect of such projects which involve the common sharing around the community irrigation well.
- (viii) The human element is most important factor in any action programme. The micro projects must give due weightage on the training aspect of field level worker in the art and science of social work.

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STAFFING-PATTERN OF SOCIAL CENTRE AHMEDNAGAR
as on 1st June 1981



Social Centre Extension Service Branch = SCESB
 Regional Programme Director = RPD ;
 Project Holder = PH ; Field-worker = FW



SHRI MAHABIR SAHAKARI PANE PURAVATHA MANDAL LTD.
(Mahavir Cooperative Lift Irrigation Society Ltd.)

Babu Yallapa Ghatе, a small farmer lives in a village called Hupri, in the Hathkangle taluka of Kolhapur District. The village is located at a distance of 14km and 22km from the taluka and district headquarters respectively. He possessed 1.5 acres of land with a well. The well was constructed after receiving a loan from the Cooperative Land Development Bank. However, he could not exploit the potentialities of the built up infrastructure for lack of further finance to buy a motor-pump and also the working capital to adopt better farm practices. By the year 1973, the total debt liability of Babu Ghatе in respect of the loans received from LDB and other moneylenders increased to Rs.27,000 (principal and interest). He reached a stage where he was going to lose all his land under the threat of court proceedings for payment of debt. He started searching for a buyer to whom he could sell half of his land (0.75 acres) in order to clear his debt. The moneylenders and some big farmers who saw considerable potential on his land because of the well, offered to buy the land but at a price which could have hardly been sufficient to pay 50% of the outstanding loans belonging to LDB and other moneylenders. Nobody was ready to provide further finance.

The problem of Mr. Babu Ghatе came to the notice of Mr. A.V. Naik, a founder member and Managing Director of the Paisa Fund Bank (An Agricultural Cooperative Bank), Hupri and a proven social worker. Once when Babu Ghatе was at the bank in connection with his working capital loan, he explained his problem to Mr. Naik.

Hupri Paisa Fund Agricultural Cooperative Bank was a small multi-purpose agricultural credit society, which through the dedicated service of Mr. Naik and his friends achieved a big landmark by becoming a full-fledged agricultural cooperative bank from a small primary society.

Mr. Naik gave a patient hearing to his problem, went to see his plot and the well and finally decided to do something which could not only save Babu Ghatе but also help other such people who were economically and socially weak. It struck him that the well in the plot of Babu Ghatе is like a goldmine as it never dries up even during the worst summer season. The adjacent land along the boundary of Babu Ghatе's land mostly belonged to small farmers below 2.5 acres.

Mr. Naik contacted one Mr. Bhupal Appa Ghaté[§], a progressive farmer and a social worker whose one acre of land out of his six acres of owned area was also near the well. He explained his ideas to him.

Subsequently a group meetings of small farmers falling in the perspective command area was convened. All together 14 farmers families and Mr. Bhupal Appa Ghaté attended the meeting. Babu Yallapa Ghaté on whose land the well was, was also among the 14 persons attending the meeting.

Mr. Naik explained to the farmers the potentialities of the well which if used for community purpose could transform the economic conditions of the families receiving benefit from it.

Not much ice was broken in the first meeting as nobody wanted to share the debt burden of some one and then use the resources for self development.

After a series of three/four meetings with the same people, a formula was worked out to buy the 10 Guntas (0.25 acres) of land including the well from Babu Yallapa Ghaté for Rs.27,000/- (total loan liability) for which Mr. Naik assured the availability of credit on individual security from the Paisa Fund Agricultural Cooperative Bank. It was also agreed upon that individual loans sanctioned by the Bank will go towards payment of the loan encumbrance on the land directly by the Bank to the parties concerned (LDB and others) and not to Mr. Babu Yallapa Ghaté. The group also decided to purchase this land under the joint ownership of all joining the project.

However, when everything was nearly final two of the group members backed out of their commitment regarding applying for loan against the joint purchase. The situation suddenly got confused, but the patience of Mr. Naik and Mr. Bhupal (both social workers) solved the issue through persuasion and clearing of doubts.

The significant aspect of the whole story is that Mr. Babu Yallapa Ghaté whose land was involved in the venture is also a member of the group though his land area came down from 1.5 acres to 1.25 acres, but then he saved himself.

[§] Mr. Bhupal Appa Ghaté won the All India 1st prize for producing 142 tonnes of Sugar-cane per acre during 1978-79. Earlier he got second prize in the All India Sugar-cane production during 1976-77 (123 tonnes).

The Role of Paise Fund Agricultural Cooperative Bank

Apart from the initiative taken by Mr. Naik, who incidentally is the Managing Director of the Bank, the bank's management, in keeping with its tradition of serving the people also came forward liberally to help the small group of farmers who were involved in the task of building up their economy. Here, it may be mentioned that out of the 14 farmers joining the group, 12 members belonged to the small and marginal farmers group having land below 2 acres. Two farmers have land below 10 acres. Subsequently, 3 more members joined the group of which one was small farmer and two were land holders below 10 acres having some land in the command area.

Mr. Naik in consultation with the group members worked out a lift irrigation project which included deepening, and widening of well, and the installation of pump-set and laying of pipe-line.

The Bank sanctioned a sum of Rs.5,000/- to each of the group member as M.T. loan. Thus, a total amount of Rs.70,000/- was sanctioned against the loan application of 14 members of the group.

Out of the sanctioned amount of Rs.70,000/- the Bank paid Rs.27,000/- directly to the creditors as first charge on the land. It then advised the group leader to work out a phased programme of completing the project work so that money was released from the bank accordingly without increasing unnecessary interest burden on the loanees. Thus, though the loan was sanctioned at one time, it was disbursed in instalments. The members gave their cultivable land as security to the bank.

According to the phased work programme the first year 1974-75 was devoted mainly towards deepening the well. The actual project work started in 1975-76 and completed in 1978.

The original project cost was worked out at Rs.66,951/- which was to be spent as follows:

In 1973	-	Rs.27,000/-	as loan repayment
1974-78	-	<u>Rs.39,951/-</u>	project implementation cost
Total	-	<u>Rs.66,951/-</u>	

After the deepening of the well in the first year during which period the area irrigated through traditional method was only about 10 to 15 acres, the group decided to increase the command area through bringing in suitable changes in the original project to derive optimum benefits. The command area expected to be irrigated was worked out at 40 acres.

The revised budget was as follows:	<u>Rs.</u>
1. Payment of loans due to the creditors on the land	24,775
2. Excavation of well	15,898
3. Construction and brick work	12,119
4. Electric motor	6,050
5. Engine House	4,225
6. Pipeline	2,585
7. Dead stock	65
8. Plantation of fruit trees around the well	1,681
9. Approach road up to well	819
10. Material	325
11. Electricity deposit	405
Total actual cost	<u>Rs.1,02,216</u>

Earlier the estimated cost per acre was worked out at Rs.1,690/-. But after the completion of the project as per the revised budget the per acre cost worked out to Rs.2,555/-. The Paise Fund Agricultural Cooperative Bank agreed to finance the additional cost.

The project was completed in the year 1978. Irrigation water is now flowing from the well, which is of 47 feet diameter, with the help of 10 horse power electric motor pumping water at the rate of 25,000 gallons per hour. It takes about 8 hours for the motor to fully irrigate one acre of land.

Financial Support from the Small Farmers Development Agency, Kolhapur

As per the Small Farmer Development Agency Programme, the small and marginal farmers are entitled for 50% subsidy on (group irrigation) per acre cost of the project on the total area of SF involved in the command of the project. A total of Rs.15,743.50 was claimed as subsidy from the SFDA on the completion of the Project in 1978. To this extent the burden of the SF was reduced.

Repayment of the Loan

Between 1973 & 1980 a total sum of Rs.70,000 was paid by the group to the bank (major payment between 1978 & 1980). It was expected that after deducting the subsidy amount the total cost of loan would be paid by June 1981 including the interest.

Due to assured water supply the cropping pattern changed and all the farmers started growing sugarcane at least in 1/3rd of his land. This provided liquid money. Again, the cooperative sugar factory of the area deducted the outstanding loan of the Paise Fund Bank. Thus, recovery was linked with marketing.

Farming Irrigation Cooperative

After the Project was completed and started giving the benefits Mr. Naik convened a series of group meetings to discuss the management of the project for the supply of water to all.

In one of the group meetings it was decided to form a cooperative society for the purpose of giving legal entity to the group and also to avail various facilities provided by the Government to the cooperatives. The society was formally registered on 6th June 1980, in the name of Sri Mahabir Sahakari Panee Puravatha Mandal Ltd., Hupri (Mahavir Cooperative Lift Irrigation Society). Each member purchased a share of Rs.50/- each.

At present, there are 13 small farmers and 4 others as members of the society. The Paise Fund Agricultural Cooperative Bank opened a separate section to provide the services to this cooperative and has also appointed an extension officer to provide extension services to members.

Water Management

There is no formal committee to manage the water. The general body decides the water rotation programme. It has its sitting every month which is attended by all.

To each beneficiary water is made available as per rotation chart for 8 hours between 6 a.m. and 5 p.m. It is the responsibility of persons concerned whose turn is to get water to start and close the motor. He cannot complain on account of non-availability of electricity. In case of power cut his turn again will come only when others have completed the rotation.

Each member of the society has also taken the responsibility to clear the channels to ensure the flow of water to his field. So far there has not been any complaint from any member regarding water management.

Water charges per acre is fixed after taking into consideration the overheads and depreciation. The individual loans of the beneficiaries in respect of the project is recovered along with the water charge by the Paise Fund Agricultural Cooperative Bank at the time of advancement of crop loan. Thus, the individual credit limit and eligibility of small farmer for crop loan from the bank is worked out on the basis of per acre water cost, plus the loan instalment of the individual borrower. Further, the subsidy rules for small farmers provides that the society cannot charge more than 50% of the actual water charge levied per acre in respect of small farmers for 5 years. This has provided considerable relief to the small farmers.

The Changing Situation

After the completion of the project in 1978 and formally registering a cooperative lift irrigation society in 1980, there appears to be visible change in the economic life of the small group of farmers of 17 of whom 13 are small farmers. This change is reflected in the change in cropping pattern and development of both individual and community assets.

The group of people who formed the society now have the community ownership of a capital asset of about 1.10 lakhs in the form of the irrigation well located on a 0.25 acres of land.

The adjoining area around the well is being developed into an orchard having lemon/coconut and chikku (a variety of fruit) plants besides growing banana. It is expected that after 4 to 5 years it would be possible for the group to pay the full cost of electricity charges on account of irrigation (which is at present Rs.1,250/- annually) out of the sale proceeds of the orchard which will help in lowering the water rates. Besides this it will be possible to have a full-time paid man to run the pump and look after the orchard.

Change in Individual Situations1. The Case of Shri J.A. Gath

Shri J.A. Gath, aged 28 years who has his education upto standard 5 only is one who joined the group from inception in 1973-74. There are 7 members in the family (+2 males, 2 females and 3 children). Only husband and wife are workers. The family has 0.75 acres of land.

The main source of income for the family is from agriculture. He has the know-how in making silver ornaments and hence follows it as a secondary source of income besides getting some regular income from the sale of milk received from one cow.

Prior to the joining the project he was growing chillies in all the 0.75 acres of land and getting an annual gross production value of Rs.2,800/-. During the post development period in May 1981 he was found to be growing sugarcane which fetched him a gross production value of Rs.7,000/-.

At the pre-development stage, the total cost of cultivation of chillies was Rs.500/- (Rs.800/- per acre) while at the post development period it was Rs.3000/- (Rs.4000/- per acre) in respect of sugarcane grown in 0.75 acre of land.

Besides this, Mr. Gath got an income of Rs.600/- from the sale of cow milk. He bought a new cow for Rs.6000/- through a bank loan on which he received $33\frac{1}{3}$ subsidy from SFDA. He also earned Rs.1000/- from the traditional work of preparing silver ornaments on order. The pre and post level of changes in income is given below:

	Pre-perfect income level by source (gross)	Post-Perfect income level by source
1.	Agri. production (gross) 2000	7000
2.	Others including (net) 800 & traditional work	1600
	<hr/> Total gross 2800	8600
	Less: cost of cultivation 500	3000
	<hr/> Net income from all sources 2300	5600

The average household expenditure which was about Rs.200/- per month in 1973 increased to Rs.400/- per month in 1981. However, part of the increase in the expenditure was the result of inflation.

He identified Mr. A.V. Naik as the man who had brought the change in his real life situation. It was he who convinced him about the benefits of the project.

He does not have any outstanding loan against him nor does he want any further loan except the crop loan.

2. The Case of Shri Babu Y. Gath

Babu Y. Gath is an elderly man around 55 without any schooling. He has 6 members in the family of whom one male and two females are workers.

He owned about 0.65 acres of land in which he now grows sugarcane instead of Groundnut and Jowar grown earlier. The other sources of income for Babu Y. Gath family was agriculture labour before he joined the group.

For him the pre-project period was a period when all his family members were just trying to make both ends meet. The total income for the family from all sources was about Rs.1500/- per annum including income from agricultural labour. Agriculture provided an income of Rs.600/- only.

The post-project development situation has raised him and his family from the level of starvation to that of survival and consolidation. Now the average annual income of Babu Y. Gath is about Rs.4,500/- of which he gets about Rs.500/- from the sale of milk and another Rs.500/- from miscellaneous work.

The change in the pre and post consumption level shows that the average expenditure per month was Rs.150/- per month only during 1973/74 whereas it is now Rs.350/- per month. There was no loan outstanding in his case.

He was of the view that no agency ever in the past tried to help him in the manner Mr. Naik did.

The two cases given above are the cases of marginal farmers. The economic benefits in respect of small farmers below 5 acres has been more significant. The case of Mr. K.T. Phirgan and Adinath Bandu Gath are such examples.

3. The Case of Shri K.T. Phirgan

Shri K.T. Phirgan is a middle aged man of 40 with education upto standard I. The total size of the family is 4, of which two are working members.

The total land area of Mr. Phirgan is 3.20 acres of which 1.20 acre area is irrigated and is under sugarcane. Earlier all his land was dry and the main crops were Jowar, Chillies and Groundnut. Availability of water and introduction of sugarcane as a result of group action on the project changed his economy completely.

As against the pre-project income level of about Rs.2800/- from agriculture (no other occupation), his post-project income level increased to Rs.10,000/- by bringing a change in the cropping pattern (sugarcane) made possible through the irrigation project. Against the average expenditure per month of Rs.250/- (for the family) during pre-project period, the expenditure level increased to Rs.450/- per month.

His credit eligibility for production loan increased from Rs.500/- (for all crops) to Rs.2000/- due to change in the cropping pattern. He is now free from any outstanding loan.

Mr. Phirgan also got the inspiration to join the irrigation group after participating in the group meetings organised by Mr. A.V. Naik.

4. The Case of Shri A.B. Gath

Shri Adinath Bandu Gath is a small farmer, having 3.20 acres of land. He is 30 years old and have 8 members in the family. He is educated upto standard VII. His is a joint family in which his younger brother and his family are living happily together. There are 4 working members of whom two are women. Out of the four children in the family, 3 are going to school.

Before joining the project, he was growing 4 crops i.e. sugarcane (0.20 acres), Paddy (0.20 acres), Groundnut (0.20 acres), and Chillies (0.20 acres). The remaining area was practically fallow because of the lack of irrigation. Sometimes he used to plough them and broadcast Jowar or some other inferior millets which was more in the nature of trying his luck with the soil. The average income of the family was about Rs.2000/- after deducting cost of cultivation. The family was in extreme poverty condition.

However, after joining the group irrigation project initiated by Mr. Naik, his condition changed. He has brought nearly all his land area under sugarcane and the gross return on sugarcane last year was Rs.23,000/-. Even after deducting all costs he got a net profit of about Rs.10,000/-.

Per month family consumption level increased from Rs.250/- to Rs.600/- p.m. New items of investment after the project was on the purchase of a she-buffalo. There was no outstanding loan of any institutional agency against him.

Shri Adinath Bandu Gath was one of the first small farmer to join the first group meetings organised by Mr. A.V. Naik. He took considerable interest during all stages of project implementation.

Salient Features of the Case

- i. Enlightened leadership
- ii. Mature situation and potentiality of development. The selection of Micro Project was most important.
- iii. Identifying leadership and winning confidence before initiating group action.
- iv. Group action generally has slow start - people have to be convinced. The role of intervening agent has to be ~~that~~ of persuasion - guidance - and personal efforts to bring intangible results in the shortest time.
- v. Group action is successful when proper linkage is established with service organisations - particularly the cooperatives.
- vi. It is not always essential to have a formal cooperative at the very beginning of a micro project. The group action at micro level could start once the group is ready. In this case the group action on the micro project started first and once the project started giving benefits, it was formally registered as an irrigation society.
- vii. The group action has to be selective in character which could generate maximum benefits. Mr. Naik during one of the personal interviews explained that he was not concerned with every economic problem of individuals but was concerned about the most important problem having community or group character.

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THE POULTRY FARMING SCHEME FOR SMALL
FARMERS BY NARAYANWADI VKSS (MULTIPURPOSE
COOPERATIVE SOCIETY) - SATARA

1. The Background

Under the Special Live-stock Production Programme (SLPP) of the Government of Maharashtra, the Narayanwadi VKSS (Multipurpose Cooperative Society), Satara started a scheme of assisting the small farmers through a poultry scheme in the month of March 1979. One of the conditions for receiving assistance under the SLPP was that the village selected for implementation of the scheme should fall within the MAFCO eggs collection route. Narayanwadi fulfilled this condition. However, the selection of Narayanwadi village for this scheme was a chance selection. Dr. A.S. Rediz, Assistant Director (AH), Special Live-stock Production Programme (Godali), Satara, first selected four villages namely Kusur, Kobe, Atke and Kale for this scheme after having a round of discussions with the small farmers in these four villages. He collected some 146 loan applications from individual small farmers and sent them to a commercial bank. In all these villages poultry farming was being pursued but not as a commercial venture so it had little impact on the economy of the farmers. The commercial bank, however, could not grant the loan on the technical ground that the scheme was not viable. The process of refusal itself took considerable time. Finally Dr. Rediz approached the District Central Cooperative Bank, Satara for assistance. The Bank agreed to experiment/finance the scheme in one village only. The Bank advised him to submit fresh applications to them. Dr. Rediz approached the 146 families again in the four villages but they refused to submit fresh loan applications because of the apprehension that they may be cheated if they submit frequent loan applications.

2. The Narayanwadi Experiment

Dr. Rediz was left with no option but to try his luck in another area. He was a bit restless also because he could not achieve any target under the Special Live-stock Production Programme during the current year. He did not give up and one day came to the village Narayanwadi where he met one Mr. T.S. Khude, a small farmer with 1.20 acres of land. Mr. Khude was involved in poultry farming since few years back. He owned a poultry farm of some 800 birds and possessed the technical know-how of poultry farming.

Dr. Rediz first took Mr. Khude into confidence and one day organised a meeting of all the farmers in the village which consisted of 225 families (78 small farmers, 100 marginal farmers and 47 others). Only 50 persons out of 100 receiving direct communication attended the meeting in which the economics of poultry farming was explained to them. Dr. Rediz took the help of the Gramsevak (village level worker) and that of the Secretary of Narayanwadi VKSS.

The first reaction in the meeting was negative. People did not want to start the business by taking loans as they were not convinced about the business potentialities of the enterprise which could provide them with such a level of income which would be profitable after paying the loan instalments. Then the farmers were asked if they were ready to start the business on their own and still avail of some of the concessions and subsidy available under the programme. The reaction was that "they had no money". They were also scared about the high risk involved in this business.

After few days another meeting was called in which the MAFCO representative also participated along with the secretary of the Narayanwadi VKSS and the Gramsevak. The whole scheme and its economics was re-explained by giving real examples. Mr. T.S. Khude (the small farmer having 800 birds) gave his own example as to how after starting with 50 birds he had now 800 birds. However, most of the farmers were still worried about the risk (high death rate). Dr. Rediz assured them about all medical assistance and training and also insurance coverage which was available under the scheme. The meeting ended on a positive note. It was agreed upon that the willing farmers will submit their loan application through the Narayanwadi VKSS. The secretary of the society assured follow-up action.

During the first fortnight only about 12 loan applications were received out of about 55 people who attended the meeting. However, with the constant effort of Dr. Rediz, Mr. Khude and the secretary of the society, ultimately 22 persons belonging to small and marginal farmer categories joined the scheme. In the meantime the Deputy Secretary of the Government of Maharashtra, Animal Husbandry Department, the Deputy Registrar, Cooperative Societies along with Dr. Rediz had discussions with the District Central Cooperative Bank, Satara, and finalised the modalities of financing the scheme. It must be commented here that in a situation when the Lead Bank as well as other commercial banks did not come forward to finance the scheme,

the District Central Cooperative Bank, Satara took a bold decision to come forward and assist the small farmers. This was made possible by a very positive role played by Mr. Bhosale, Manager of the DCC Bank, Satara.

3. The Scheme and Assistance

A total sum of Rs.2,640/- was available as loan to individual small farmer for starting a 50 bird poultry. The scheme also provided for 25% subsidy (Rs.660/-) in case of small farmers and 33% (Rs.880/-) in case of marginal farmers over the loan amount. Actual loan burden, therefore, came down to this extent. In order to cut down the cost, Dr. Rediz advised the farmers to convert their existing 'varandah' into a shed as a result of which the cost came down by Rs.704/- which meant that the actual loan incident for a marginal farmer, after deducting the subsidy portion, was only Rs.720/- in the 1st year. Though the cost of shed was cut down it was assured that the existing valuation of the shed would be calculated on the basis of original estimate of the shed in order to get full benefit of the subsidy component.

The supply of feed was assured to be made available through the VKSS at the fixed rate of Rs.1300/- per tonne as against the market rate of Rs.1400/- per tonne. This was made possible by arriving at proper collaboration with MAFCO which supplied the feed at the above fixed rate on credit through the society. The MAFCO in its turn has received at the rate of Rs.5 lakhs per district, covered as under the programme from the Government of Maharashtra as grant in aid for modifying the infrastructure, supply of feed at subsidised cost and to provide 50 per cent of the cost of birds of such farmer who continue the farm for the second year.

The necessary arrangement for medicines vaccinations, technical guidance etc. is assured through the veterinary doctors attached to Zilla Parishad. The price of egg was assured at 2 paise lower than the Bombay price with a minimum guarantee of price 35 paise per egg.

4. Economics of 50 Birds Poultry

The simple economics of the 50 birds poultry micro project for one year was worked out as follows:

A. i. Cost of feed at Rs.1300 per tonne	Rs. 2600
- Rs.1300 x 2 tonnes =	
ii. Loan instalment including interest on loan amount after deducting subsidy	<u>Rs. 316</u> Rs. 2916

B. i. Income from the sale of 9000 eggs at Rs.0.35 paise per egg	Rs. 3125
ii. Income from the sale of poultry fertilizer (about one tonne)	Rs. 200
iii. Income from the sale of empty gunny bags of feed	Rs. 100
	<u>Rs. 3425</u>

Net Income B - A : B. Rs.3425
A. Rs.2916
Rs. 509

The net income thus worked out to Rs.509 per annum. The greatest advantage is the continuous cash flow to the families every month.

The loan was provided by the Bank on 8% interest to the society which disbursed it to the members at 11% keeping 3% as service charge. Veterinary services and insurance coverage as provided through existing service organisation.

IIInd year

The economics for the IIInd year is as follows for the farmer:

A. i. Total cost of 50 birds at Rs.21/- per bird - Rs.21 x 50	Rs. 1050
ii. The farmer gets back Rs.494 from the sale of 45 birds (1st lot - assuming that 5 birds may die) from MAFCO - Cost of bird = Rs.11 x 45	Rs. 495
being the net money required	<u>Rs. 555</u>

B. Under the Project, MAFCO supplies the birds at 50% subsidised price which means the farmer needs to invest only Rs.277.50 as additional cost for running the poultry in the second year. Other concessions and facilities and cost remains the same as in the first year. However, he is not required to re-invest in the construction of shed. Thus, if the farmer continues with the scheme for 3 years he will reach an income level at which he will not require the loan. However, he will need the umbrella provided by the service organisations like MAFCO etc.

5. Linking of Loan with Marketing

The recovery of the Bank loan is linked up with sales of the eggs. The VKSS collects eggs from the members joining the scheme. The MAFCO avans collects the eggs from the society on every Thursday and delivers 31 bags of feed every fortnight.

The MAFCO issues the draft on account of the sale proceeds of the eggs in the name of the society under intimation to the Bank after deducting the cost of feed supplied by it

The appropriation of the amount is carried out as per the policy laid down by the Bank.

- a) The amount at the rate of 1 paise per egg is to be credited to the fund which is created for purchase of new birds in next year.
- b) The amount at the rate of 1 paise is allowed to the VKS society as commission.
- c) The 50% of the remaining amount is credited into the loan accounts of respective beneficiaries.
- d) The remaining amount is paid to the beneficiaries in cash or credited into their savings account with the bank.

The new birds are replaced in lieu of birds originally supplied after completion of one year of the scheme so as to ensure the supply of eggs.

6. Training

Once the Project started working, Dr. Rediz organised a 5 day training course in poultry farming for those who joined the scheme. The classes were organised for two to three hours daily after lunch time. Other families from within the village and from other neighbouring villages also attended the course. More than 50 families were given basic training in poultry farming. All technical and indigenous methods of poultry farming were explained. They were also given specific guidance in reducing cost.

7. A Few Case Studies of Individual Farmers

(i) The Case of Yaswant Babu Khote

Mr. Yaswant Babu Khote has 3 acres of dry land in which he cultivated 6 to 8 crops. The total income is just about Rs.1600/- from agriculture. He has a bullock which he shares with others for cultivation purpose.

There are 5 members in the family. Three are children. Husband and wife look after all the work which includes the maintenance of she-buffalo. He gets an income of another Rs.600/- from the sale of milk.

In the beginning he was not convinced about the economics of poultry farming. However, Mr. T.S. Khude, the co-villager and Dr. Rediz persuaded him to join the project. He was reluctant to take loan but ultimately decided to experiment with his luck. Now he is convinced about its benefits.

He has repaid all his loan except Rs.300/- within two years. He now plans to add 50 more birds to make the enterprise more profitable. He is looking for resources and feels that probably VKSS may help him to enlarge his business so as to bring a real impact on his economy. He is of the opinion that the nutritional level of the family has improved due to consumption of eggs. The availability of liquid money from the sale of eggs is a great source of relief to his household economy.

(ii) The Case of Daji Walyanu Khote

Mr. D.D.Khote is a small farmer having 2 acres of irrigated land. There are 5 members in the family of whom 2 are children. The number of working members is 2 (two females and one male). Economically he is in stronger position than Mr. Y.B. Khote (first case) because of irrigation facilities available on his farm.

He joined the micro project after attending the group meeting. Though he was aware of the profitability of the poultry farm from the example of Mr. T.S. Khudo (the original poultry farmer of the village), he was doubtful about the marketability of eggs and supply of feed. Dr. Rediz in the group meeting explained about the umbrella of MAFCO available to the poultry farmers, so he decided to join the group.

His experience shows that one could roughly get a net income of Rs.1/- per bird (layer) per month, so fifty birds meant Rs.50/- liquid money every month.

He has added 50 more birds to his farm from the second year through his own resources. Now he has a net income of Rs.100/- per month. By now he has paid all his outstanding loans. He has bought a bicycle and a cow partly out of his additional income. Besides this, the nutritional level of the diet of the family has improved due to consumption of eggs.

(iii) The Case of Damu Tatoba Khude

Mr. D.T. Khude is a marginal farmer having only 0.60 acres of land of which 0.35 acres is irrigated. He has four members in the family - himself, his wife and two minor children. The family has been living in extreme poverty situation. Agriculture hardly provided him an income of Rs.1400/- per annum. Thanks to sugarcane crop on 0.25 acres. The average expenditure needs are about Rs.175/- per month. All the time he was in

deficit and was trying to fill the income - expenditure gap through agricultural labour work and sale of milk from a homebred cow. He joined the poultry project with a view to try his luck.

He now feels that the poultry project has given him real relief and has improved his economic situation to a great extent in the sense that he has now a cash flow of Rs.50 per month after paying all loans from the poultry project. He plans to add another 50 birds this year (1981) if the VKSS could provide him the assistance. Out of the total loan amount of Rs.2640/- taken in 1979 only Rs.380/- was outstanding which he hoped to clear by June 1981. He feels that it is all due to MAFCO support and efforts of Dr. Rediz and Mr. T.S. Khude.

(iv) The Case of Ram Rao Tatoba Khude

Mr. R.R.T. Khude is a marginal farmer having 0.75 acres of land of which 0.37 acres is irrigated. He grows two crops - sugarcane and jowar. It is the cultivation of sugarcane which has kept him and his family surviving in the village.

His is a small family of four members; - himself, wife and two children. He was convinced in the group meeting by the original poultry farmer of the village and Dr. Rediz about the economic benefits of a poultry farm.

As compared to all the three cases given above, Mr. R.R.T. Khude's case is entirely different. He started with 50 birds in the first year by taking a loan of Rs.2640/-. He paid all the loan except Rs.350/- by January 1981. By this time he was fully convinced about the profitability of the enterprise, particularly in the light of various services, concessions and support available from the services organisations. He worked out his own plan of development by starting a new experiment after completing 1st year in the scheme. He planned to start a poultry of 500 birds.

He applied for a loan of Rs.5,000/- to the Bank of Maharashtra for this project, which after verifying his credit eligibility, sanctioned the loan of Rs.5000/-.

Mr. R.R.T. Khude bought 500 chicks at the rate of Rs.4.25 each. It cost him Rs.2125/-. The remaining amount he kept for the purchase of feed. He used the deep litter system and hence did not spend any cash on buying

cages. He reared the chicks for 20 weeks and from the 21st week started getting eggs. However, out of 500 chicks, 50 died and he was left with 450 birds. From the 21st week to the 50th week (the period of laying eggs) he got a net income of Rs.450/- per month. After the 50th week he sold the 450 birds at the rate of Rs.11/- each which fetched him an income of Rs.4950/-. Besides this, he got Rs.2,000/- from the sale of the extracts of the birds as fertilizer.

Mr. R.R.T. Khude today is one of the happiest persons whose economy has now been transformed. Dr. Rediz too is very happy because he feels that his efforts have started giving the multiplier benefits.

8. Salient Features of the Case

- i. Macro level projects require micro level planning and dedication on the part of officials.
- ii. Micro projects are most successful when they are implemented under the umbrella of a bigger organisation (MAFCO) and coordination with local service organisations (VKSS),
- iii. It is not always essential to form separate cooperatives for different activities. In case of Narayanwadi Poultry Project the existing VKSS Narayanwadi has played major role towards its successful implementation so also the DCC Bank, Satara.
- iv. Outside intervention could provide best results if it is carried out with the support of a person/leader. Particularly such person who have some experience in a particular micro project. This facilitates the dissemination of ideas and implementation of programmes.
- v. Small micro projects for weaker people need external assistance either in the form of subsidy or infrastructural support in the absence of which no amount of intervention could really make difference. Price support is another important factor to be considered.
- vi. From individual cases it has come to light that many joined the project to try ^{their} luck which meant that they pinned all their hopes with it. The failure of project will mean disappointments for future efforts. A Micro Project must, therefore, guard itself from such factors.

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The Case of Amrit Manthan Cooperative
Milk Marketing Society (Ingli) Ltd.,

1. Background

Ingli is relatively a big village with a population of about 1000 households. It is in the Hathkangle taluka in the district of Kolhapur. Before the Amrit Manthan Cooperative Milk Marketing Society was formed, there were already 7 other types of cooperatives in existence in the village of which the V.K.S. Society was registered as far back as the year 1939. Its present membership is 800. The following are the other societies:

<u>Name of the society</u>	<u>Year</u>	<u>Members</u>
i. Navjiwan Dairy Society (members belong to scheduled caste)	1959	
ii. Navbharat Coop. Housing Society	1964	104 (no house so far)
iii. Ingli Lift Irrigation Society (promoted by Panchganga Coop. Sugar Factory)	1967	259 (450 acres)
iv. Panchganga Lift Irrigation Society	1970	200 (500 acres)
v. Ingreshwar Lift Irrigation Society	1970	40 (70 acres)
vi. Sahu Coop. Lift Irrigation Society	1978	58 (16 acres)

Within this environment the Amrit Manthan Cooperative Milk Marketing Society was registered on 15.1.1972. The process of forming a milk cooperative society actually started more than a year early prior to its formal registration. There was already a milk society in existence which was dominated mostly by the scheduled caste people. The other people mostly the small and marginal farmers were not getting entrance into it due to certain local level group politics. On the other hand they were collecting milk from their doors. Traditionally, all the agricultural families in the village combined dairy with agricultural operation.

Mr. Maruti Datta Khude, a social worker and local political leader, who owned 5 acres of land decided to organise these people who were being exploited by the traders. In his efforts, he was assisted by Mr. Dattajee Shankarrao Batmare, a school teacher, Mr. Babu Govind Batmare, a social worker and Mr. N.B. Desi, a small farmer leader. All the above mentioned people themselves were in the category of small and marginal farmers. Subsequently, Mr. Desi became the chief promotor of the society.

Mr. Maruti Datta Khude, who was incidentally the Chairman of the V.K.S. Society called a meeting of all those people who were desirous of marketing their milk to the cooperative milk federation whose van was already coming to the village to collect the milk from the other milk society. The meeting was attended by over 55 families but only 30 families agreed to form a group in the year 1970 for the joint collection and sale of milk to the milk federation. They decided by rotation to collect the milk from the houses of the group members and send it to the milk federation. The V.K.S. Society which has a very close link with the cooperative milk federation helped the group members in marketing their milk to the federation. The immediate reaction of this group action was that the traders who frequented the village increased the rate of milk per litre by about 30 paise. However, due to the efforts of Mr. Dattajee Shankar Batzare, the school teacher and Mr. Maruti Datta Khude, the traders failed in their effort to isolate the group members. They even provided liberalised advances against the supply of milk but were not successful in their design. It was mostly because of the fact that most of the families, joining the group, knew through their experience about the various exploitative tactics of the traders. Their group efforts resulted in a net profit of Rs.6,000/- during 1970 (Rs.200/- each). As a result of this another 15 members joined the group in the next year.

After the group functioned for more than a year, it was considered necessary at one of the group meetings to register it as a cooperative milk marketing society. Accordingly, the group converted into a registered cooperative society on 15.1.1972 named as Amrit Manthan Cooperative Milk Marketing Society.

2. Marching Ahead

By the end of 1977-78 it has only 102 members which increased to 529 by 1980-81. Out of the total membership of 529 in 1980-81, 200 were small farmers, 150 marginal farmers and 169 agricultural labour families. Besides this there were 10 members who belonged to higher size group of farm. From 1972 to 1976 the society concentrated on consolidating its position and providing marketing facilities to the members as well to the non-members also.

It was soon realised by the members that though the society provides them an assured channel of marketing, it does not have any significant impact on the economy of the farmer because of the small quantity of milk available

to them from the traditional variety of cows and she-buffaloes possessed by them. The only way out was to increase the milk production by acquisition of high breed animals. But then the cost of a high breed cow was as high as Rs.4,000/- to Rs.5,000/-.

3. Cooperation among the Cooperatives

The taluka level milk federation guided the chairman and secretary of the Amrit Manthan Milk Marketing Society to approach the commercial bank for necessary finance to individual members as D.C.C. Bank was not advancing M.T. loan. The Bank of India was approached but they asked for guarantee for recovery through the society. The members of the milk society who were also the members of the V.K.S. society Ingli, then approached the V.K.S. society for forwarding their loan application to the Bank.

In the meantime the Small Farmers Development Agency, on being approached, assured the Bank to grant 25% and 33 $\frac{1}{3}$ % subsidy to small and marginal farmers besides giving the insurance assistance.

During the year 1977-78 to 1980-81 loan assistance to the tune of Rs.13.95 lakhs was given by the Bank through the society for the purchase of 529 milch cattle to as many families. Of the total milch animals bought 228 were high breed cows costing Rs.10.40 lakhs and 301 she-buffaloes costing Rs.3.55 lakhs. All the loans other than the current borrowings and borrowings made during 1979-80 have been fully paid by the farmers which in itself is an spectacular achievement. Out of the total cost of Rs.13.95 lakhs (1.39 million), for the purchase of milch animals, the SFDA released the subsidy of Rs.2.50 lakhs in respect of 393 families of whom 93 were small farmers, 180 marginal farmers and 120 agricultural labourers.

As a result of these efforts there was significant improvement in the milk supply as is apparent from the facts given below:

Year	Milk collection in litres	
	Per year	Per day
1975-76	64,713	180
1976-77	119,300	327
1977-78	127,000	353
1978-79	289,698	793
1979-80	474,000	1,298

The increase in the milk collection was both due to increased supply from members as well as 25 non-members.

This has its impact on the business of the society as is reflected from the profits earned by it during the period 1977-78 to 1979-80.

<u>Year</u>	<u>Net Profit</u>
1977-78	10,400
1978-79	16,329
1979-80	20,000

4. Linkage of Credit with Marketing

The society has developed its own method of ensuring the repayment of loan. The milk is collected twice a day from the members, in the morning and in the evening. The value of morning collection of milk of individual members, who have taken loan, is credited towards the loan repayment. The society directly credits the loan instalments to the Bank from the bill of milk supplied by the members (loanees). The value of evening milk is paid to the members in cash after 10 days (three times a month).

The payment is based on the fat content of milk which is 3 to 4 per cent for cow milk and 6 to 7 per cent for buffalo milk.

5. The economics of one high breed cow

The simple economics as worked out by many farmers revealed that on an average each household having a high breed cow earned a net income of Rs.1,000 to Rs.1,200 per annum after meeting all costs including the loan instalments. This is calculated on the basis of following:

a) Cost of high breed cow	Rs.5,000
b) Deduct - 33½% subsidy for marginal farmer	(-) Rs.1,666
Actual loan amount needed	<u>Rs.3,334</u>

The repayment period of this loan is 3 years at 11% interest.

The average lactation period of such cow is about 9 months during which it yields on an average ten litres of milk per day.

The buying price of milk is fixed at Rs.2.56 per litre by the milk federation. This means a monthly gross income of Rs.768.00. Assuming that per day average cost of maintenance, health, fodder and concentrate, a

farmer spends Rs.18/-, then the monthly expenditure works out to Rs.540/-. This leaves him a margin as follows:

Gross value of milk (per month)	Rs.768.00
Less: Cost of maintenance & health service (per month)	(-) <u>Rs.540.00</u>
Balance	<u>Rs.228.00</u>

Thus the net income comes to Rs.228/- per month from which he has to pay the loan instalment of Rs.1,150/- per annum, the monthly incidence of which comes to roughly Rs.100/-. He is thus left with a net balance of Rs.128/- per month for 9 months, besides the organic manure he gets from the cow.

His real gain, however, is in terms of the off-springs of the cow. A high breed cow normally gives milk for 6 to 7 years and the farmer gets 4 calves during this period. Each of the calves is matured between 12 to 15 months and could fetch an income of Rs.4,000/- to Rs.5,000/- when sold out.

The economics explained has proved correct in actual practice. However, it will work only when people behave. In case of Amrit Manthan Milk Cooperative Society, the members did behave properly in their self interest.

6. Management

The society has its elected board of management on which the majority are small farmers (out of 11, 8 members belong to small and marginal farmer group). It takes all major decisions.

7. Basic facilities

All the milch cattle bought out of the loan from the bank is covered by insurance to the tune of its full cost. The insurance premium is paid out of the loan amount. On the death of the milch animal the farmer gets the compensation in full excluding the cost of subsidy if availed. During the last four year 12 cows and 15 she-buffaloes died in respect of which appropriate compensation was paid to the owners.

Artificial insemination facilities are available at Paltankogoli village, which is at a distance of 3 kms from the village. It is run by the Department of Animal Husbandry. The medical facilities are made available well within the village. The veterinary doctor visits the village twice a week. For special calls he charges Rs.5/- per call besides the cost of the medicines.

The marketing of milk is assured by the Kolhapur District Milk Federation whose milk van comes to the village twice a day i.e. between 7.00 to 7.30 a.m. and again between 6.00 to 6.30 p.m. The milk is collected at the collection centre of the society from members between 5.00 to 7.00 a.m. in the morning and between 4.30 to 6.30 p.m. in the evening.

The shortage of milk during transportation is charged against average milk price to be collected for ten days. The society has provided milk containers to its members out of its profit.

8. Social Service by the Milk Society

The Amrit Kanthan Milk Society has been promoting community marriage to overcome the evils of dowry. Since the last 4 years it has arranged about 25 community marriages. On each marriage the society spent a sum of Rs.200/- which was provided out of its profit.

Besides this the society is promoting family planning. They give a sum of Rs.10/- as cash incentives as well as the transport cost for going to hospital and back.

9. A Few Individual Cases of Members

(i) Mr. D.V. Gaikwad is a small farmer having 3.20 acres of irrigated land. He is aged 32 years and have read upto standard 7th. There are 8 members in the family (male 2, female 2, children 4). Only two male members are working.

During the pre-project period his main source of income was agriculture. Dairy fetched him roughly a sum of Rs.400/- per annum. After he joined the group he got a loan of Rs.6,000/- to buy a H.F. Hoston breed cow. With the assured marketing of milk he is now earning about Rs.1,400/- per annum besides having sufficient milk for home consumption. This has improved the nutritional level of the children in the house, 3 of whom are below 6 years. Last year he sold one off-spring of the cow on maturity and got Rs.5,000/- in return which he spent on improving his house and purchase of clothings. He has further bought a she-buffalo at a cost of about Rs.1,200/-. He feels that the self employment period has considerably increased and he does not have any lean season of work. He has repaid the full loan and wants a second loan to buy another cow to off-set the decrease in income when the first cow is not in lactation. He does not have any problem with his society.

(ii) The Case of Mr. A.D. Khude: Mr. Khude is a marginal farmer having two acres of irrigated land. There are five members in the family of whom two are working members and three children. He is a member of the lift irrigation society. He received a loan of Rs.6,000/- from the Bank of India on which the SFDA gave him $33\frac{1}{2}\%$ or Rs.2,000/- as subsidy amount to the Bank. Hence his actual loan burden was Rs.4,000/- only.

Earlier he did not possess any milch cattle. The loan enabled him to buy H.F. Hoston breed cow fetching an average of 12 litres of milk per day. After deducting all cost he gets a net income of Rs.1,300/- per annum besides the assets in terms of the off-spring of the cow which on maturity in another few months will bring him around Rs.5,000/-. He has already paid back the full amount of loan within one year. He feels that the project has transformed his economic situation.

(iii) The Case of Mr. D.S. Naik: Mr. Naik is a marginal farmer aged 38 years. He is illiterate and has 8 members in the family of which two are working members. He has two acres of irrigated land and a H.F. Hoston breed cow which he purchased out of the loan provided by the Bank of India. After adjusting the subsidy his actual loan burden came to Rs.4,000/-.

Before the society came into existence his only source of livelihood was agriculture. The society by assuring the milk marketing encouraged him to start dairy business. Roughly he now gets Rs.120/- to Rs.130/- per month besides the assets of the cow and the she-calf. He has nearly paid back his whole loan in about one year's time.

Salient Features of the Case

- (i) Enlightened leadership has helped people to identify areas of development and initiate action programme.
- (ii) The general awareness and cooperative activities in and around a given area encouraged the people to start new cooperative activities.
- (iii) Formal registration of cooperative was found to be successful in a situation when the members of the group have successfully functioned for some time in informal way.
- (iv) Existence of suitable infrastructure is necessary for the success of any micro project.

- (v) Umbrella support of larger organisation is another factor. for success. The umbrella of Bank of India for loan and the assistance by way of subsidy from SFDA helped the pace of development.
- (vi) The support services like, veterinary services - availability of assured marketing of milk through Kolhapur District Milk Federation could be identified as a other important factors for the success of the project besides the inter-organisation coordination established between the Bank of India - SFDA - Amrit Manthan Milk Marketing Society - VKSS - and the Milk Federation.

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THE CASE OF PADI - BIHAR1. Background

The Peoples Action for Development, India (PADI) Project is a voluntary action programme supervised by the Ministry of Rural Reconstruction, Government of India, with the help of funds made available from donor agencies. The Central PADI head office is at Delhi. PADI's Regional Office is located in the ancient cultural place of Vaishali which is the head-quarters of Vaishali development block. About Vaishali it is claimed that the first democratic type of political system existed here during the Licchavies period. Regional PADI project at Vaishali was started in the year 1971 because of the following main factors:

1. (a) Shri J.C. Mathur, IAS, the one time Commissioner of Tirhut Division, Muzaffarpur was sentimentally attached to the area due to its old cultural importance and he was the main force in the PADI during 1969-71.
- (b) Most of the farmers were small and marginal farmers with fragmented holdings, 80% being in the size group below 5 acres out of which 90% having land below 2.5 acres.
- (c) Among the poors, the backward class people dominate. The schedule caste families were mostly landless. The area was devoid of any other non-agricultural activities.

Before the re-organisation of districts, Vaishali block was in the district of Muzaffarpur. There are 165 villages in the Block with a household population of 23,000 families (1981). The growth rate in population has kept pace with the average increase of about 2.5 per cent per annum.

About 85 per cent of the population is agricultural with heavy dependence on land. Soil is by and large fertile, but water cannot retain moisture for long. Underground water is there but largely unexplored.

Land distribution system presents a feudal character. Nearly 80% of the farming households are in the size group below 5 acres out of which 90% having land holdings below 2.5 acres. As a result of the exploitation of man through land a situation of serious social confrontation exist in many areas.

Under this socio-economic situation PADI started its work as a voluntary organisation for the development of the people in the year 1969-70. Luckily for PADI it succeeded in getting the services of an extremely experienced person like Mr. K.D. Dewan, an agricultural graduate. Before taking over the charge as Regional Coordinator of PADI at the instance of late Shri J.C. Mathur in 1969, he was looking after his own farm and was deeply involved in organising voluntary action for development in his own village in Haryana.

The main objective of the project is to involve the people in various types of action programmes aimed at their development. Further, it tries to work for the development of people in such under-developed rural areas where existing service organisation give low priority in their development efforts.

2. The Working Method and Steps of Intervention

First, the Regional Coordinator and the other PADI field level workers conduct an introductory meeting in a village situated in the area selected for action programmes. An overall view is taken with regard to following factors: (i) if there is scope for development i.e. possibilities of exploiting of hitherto unexplored natural resources, (ii) if there is social unity in respect of common social and economic problems with no serious political factions, (this is just to avoid political conflicts), (iii) if the people by and large have no access to different developing agencies of the government, banks and other organisations, and (iv) if the people's attitude and response to some of the development problems suggested in the meetings are encouraging and there are chances of local leadership to come up. Once the people's response is found to be positive, the project work is started.

In the 2nd phase 10 to 20 percent household sample survey of the area is done. It is followed by an Area Survey to find out real potentialities of development.

The whole set of data is then processed and if the area is considered to be suitable for development the work of forming the Association is started.

A mass meeting is called for a cluster of villages in a suitable place and the people are asked to form their own Uddami or Action groups on the basis of personal friendship, relations and affinity. This is followed

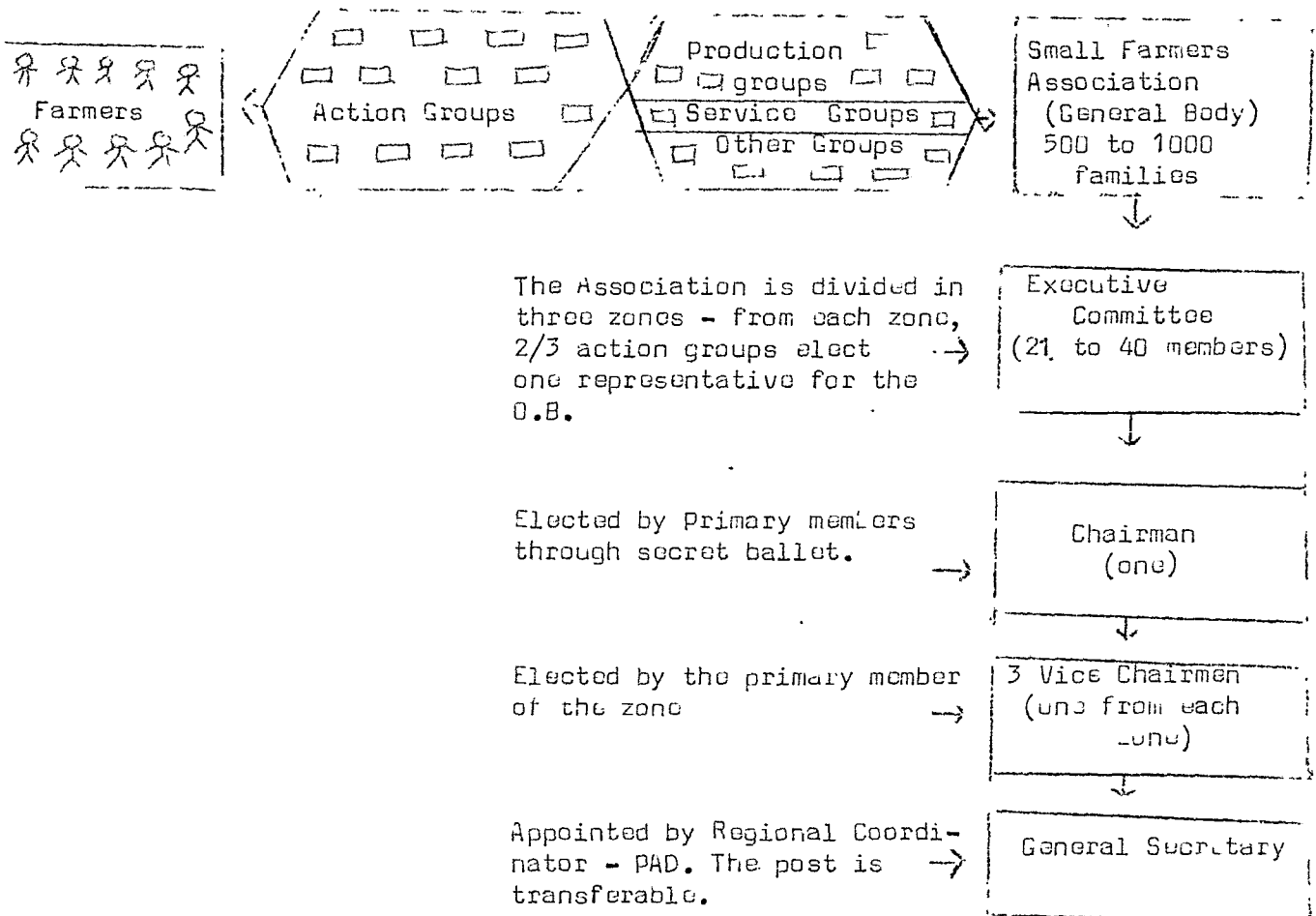
by group meetings at the village level. Only small, marginal and other weaker section are asked to form such groups, the size of which is kept below 10. After the action groups are formed each group works out its own action and development programme for each member in the group. The group is assisted by the PADI field staff. He gives an advance date for the meeting in each village.

The action groups within a given area are thus federated into an Association called "Small Farmers Association" which consist of nearly 500 to 1000 families. Thus, each such Association become an umbrella organisation for the small farmers. Within the area of operation of these Associations which generally covers a radius of 5 kms., the PADI workers concentrate on pockets or clusters of target groups. Each Project (Association) is divided into three zones and each zone is put under the charge of one PAD worker.

3. Structure - Management and Operation of Association:

3.1 Process of Group Formation:

A chart showing the process of organising group action and formation of Association by PAD is given below:



Each Association at operational level is an independent Project run by the people. The Regional PADI office coordinates, supervises, guides and provides necessary assistance to all the Associations formed through its own resources as well as through the mobilisation of the resources of the service organisations.

3.2 Composition of Groups:

The members of the group for functional purpose regroup themselves in "Production Groups" (for irrigation) or service groups (like group running a saw mill) or credit group. For the formation of credit groups, similarity of status in terms of economic level is considered rather than similarity of profession. The development cost of each individual member in the group is worked out and the members execute group guarantee to the financing agency. Each group elects its own leader. Only such families are eligible for membership of a Production Group which has an annual income of less than Rs.4000/- or land below 5 acres. Each group member becomes the member of the Association for which he has to pay a membership fee of Rs.5/-.

3.3 Management:

For operational and management purpose a combined committee of action groups called Executive Committee (EC) of the Association which is an elected body, is formed drawing representatives from 'Action Groups'. The number of representative on the EC varies from 21 to 40 from association to association. The President is directly elected by all members of the association. On this Committee, one representative is nominated by the financing organisation - one from the PAD and one coopted local leader, PAD worker acts as General Secretary. Each Project (Association) is divided into three zones and each zone is put under the charge of one PAD worker.

In day to day functioning each Association has considerable amount of autonomy in its operation. All group projects and loan applications are scrutinized at the Association level by the President, General Secretary and a nominee of the Central Bank of India which is collaborating with PADI. The procedure does not provide for final endorsement by the PADI Chief Coordinator or his Deputy. Coordinators do not interfere with the management and have no casting vote on loan proposals.

3.4 So far the PADI has formed 20 Associations, 18 of which are located in the districts of Muzaffarpur, Vaishali and Champaran West in Bihar. One Association each is working in the District of Gorakhpur and Dewaria in U.P. bordering Bihar. All these Associations are registered under the Society Act and not under the Cooperative Societies Act. As a matter of fact Mr. Dewan wanted to register these Associations as Cooperatives because for all practical purposes the people were working on cooperative principles. However, the study of cooperative structure in the area by PADI showed that the cooperative department was like any other government department for which the local people had developed apathy. Besides this, the existing cooperative societies were lying defunct due to the undue interference by the staff of the department, often under pressure from vested interest. He decided to register the Associations only in a formal way under the Society Act and not under the Cooperative Societies Act.

4. Linkage with State and District Level Administration:

At the district level a District Coordination Committee is formed with District Magistrate as its Chairman and representatives from different institutions as its members. The Regional Coordinator and the concerned Deputy Regional Coordinator represent the PAD. All problems relating to implementation of projects are discussed and action initiated. The committee meets twice in a year. Similarly there is a state level committee also which meets once in a year.

5. Linkage with Financing Organisation:

The cooperative financing to agricultural sector is practically nil in the area since 1978. The financial support for the project activities is provided by the Central Bank of India. The Bank has opened two separate cells one at its Vaishali Branch and the other at its Bagha Branch which exclusively render services to the project activities. Each cell is provided with a Manager, one Clerk, one Agricultural Officer and four to five Agricultural Assistants. One Agricultural Assistant serves two Associations.

All the loan applications received through the Association are scrutinized by the cell. However, the work on the project is not allowed to wait till the formalities are over. Every project has been provided with a

sufficient amount of revolving fund by the Central PADI which is first utilized by the Projects in the purchase of development means for their members and subsequently reimbursed by the financing bank and credited to the Projects H/S accounts in the bank by debiting the respective accounts of the various beneficiaries of the Project.

6. Financing of Promoting Agency:

The Central PADI, New Delhi, receives the funding from International Donor Agency - DANIDA. Its activities are supervised by the Ministry of Rural Reconstruction, Govt. of India. On the central body (The Governing Council) 50% are government representatives. Mr. Dewan is an advisor to the Central body and not its member. The Central PADI provides the funding to the Regional PADI. The Regional PADI provides a sum of Rs. 6 lakhs to each project (Association) in the following manner:

i.	Agro Services	:	1.50 lakh
ii.	Margin money in the bank	:	2.00 "
iii.	Godown	:	1.00 "
iv.	Revolving fund	:	0.75 "
v.	Training for landless worker	:	0.75 "
			6.00 lakh

7. Financing Group Activities & its Progress:

As indicated earlier the credit is provided by the Central Bank of India through its branch operating in the area. For irrigation projects the Bank provides full finance which is channeled through the Associations. The groups are themselves responsible for maintenance and purchase of spare-parts. Legally it is individual farmer who receives the loans with fellow members standing joint guarantee. In practice, the Association plays an important role in distribution, supervision and collection. The Bank is repaid by the Association after collection.

Out of the 20 Associations formed so far, Project work is in progress in respect of 17 projects. A sum of about Rs.1.2 million is available for the 17 projects at the rate of 6 lakh per project.

The actual work under the present programme started during 1978-79. So far 7000 families have been benefitted through 15 projects. The bank has made advances of about Rs.7 million till March 1981 on various projects. The recovery situation is comfortable showing nearly 60% to 70% recoveries in different areas. This compares well with the situation prevailing in respect of the cooperative sector where recovery is extremely poor.

The PAD project has mostly promoted minor irrigation like tube well and lift irrigation on group financing basis besides promoting service group activities in the field of developing professional skills.

8. Staff Development (Change Agents):

8.1 All PADI workers are graduates. Persons of a lower level of education are judged not competent enough for work which requires a high level of social and technical skills. However, commitment to target group development and willingness to sacrifice comfort and security are even more important.

8.2 There are two schools of thoughts as to whether PADI workers should work in the areas where they themselves have grown up or come from outside. With both formulae, there are good and bad experiences.

8.3 PADI workers work with PADI for a couple of years and may then proceed to other organisations who may offer higher income and better career perspectives.

Yet of the present 45 PADI workers more than 30 are now with PADI for more than 3 years out of which 10 workers have passed the 5 years. Since its inception (about 1972) 25 workers have left the Vaishali PADI project.

8.4 When PADI started, new workers were recruited by personal contacts. This was more satisfactory than the present system of recruitment by advertisement. Those who are recruited by advertisement appear to be more particular about career perspectives. The Delhi based recruitment board uses other criteria than Mr. Dewan and his staff.

The problem of how to give PADI workers the right orientation from the start of their work has not been adequately solved yet.

8.5 PADI workers earn Rs.650/- per month during the first 3 years; Rs.900/- during 3 to 5; and Rs.1,000/- after 5 years of service. This is top salary.

Other fringe benefits are :

- a children education allowance upto Rs.500/year/child
- coverage for medical expenditure upto Rs.500
- a travelling allowance to visit home areas twice a year.

PADI workers have 40 days leave per year. Most live in the area of the Association for which they work, or near by.

PADI workers should conceive their jobs as "missionary work". Yet, it would be better (said Mr. Dewan) if they could be provided with free housing. Donor support will be asked for this purpose.

8.6 Commitment alone to target group development is not sufficient. PADI cadre should 'learn to listen to the people', impose no decisions and refrain from emotional outbursts, when they are wrongly accused, or their good intentions discredited. They sometimes have to face fierce opposition from target group or non-target group persons who, for personal reasons, are unreasonably sceptical, and inimical to group formation.

9. The Case of Gangoi Area Small Farmers Association (GASFA)

A detailed study of one Association namely Gangoi Area Small Farmers Association (GASFA) was conducted to have a feel of the working of PADI in the area.

The GASFA was organised in the year 1978 (September) covering 18 villages in the two blocks of Saria and Paru. In the year 1978-79, 100 families formed about 15 Action Groups.

By 31st March 1981, 566 families formed 78 Action Groups. Out of 566 families, 103 are small farmers between 2.5 acres and 118 families belonged to landless agricultural class. The members of the 78 Action Groups formed 24 Production Groups (irrigation groups).

The total command area which is to receive benefits from the action programme of 24 Production groups is 294.12 acres. The average command area for action programme with each Product group is 12.25 acres. In each Production group there were 6 to 7 members. The total number of beneficiaries is 317 with an average of about 13 members per Production group.

The total loan required and financed through the Bank is Rs.70,224/- which worked out to Rs.2,926/- per group.

Under the IRDP, small and marginal farmers get 50% subsidy on group irrigation projects. Thus, the total loan per group worked out to Rs.1463/- or about Rs.113/- per member after deducting the subsidy element.

For 24 Production groups there are 9 pumpsets. In many cases one pump set serves about 3 tubewells of three groups. The leader of the groups decide the rotation of the pump-sets. However, the loan to buy the pump-set is taken by one group and the other groups utilising the services of the pumpset pay an agreed charge for it. Out of 24 groups only one group is a defaulter of loan because of the non-completion of consolidation work. Besides this, there are other groups of milch cattle owners for improving the level of income of the poor farmers. In all 69 families received benefit from this project. The total loan amount disbursed amounted to Rs.123,190/-. This is followed by suitable veterinary services to the groups.

Similarly, 169 families received 237 bullocks at a total cost of Rs.209,516/- which was essential for carrying out agricultural operation.

Another group consisting of 12 families is engaged in small cottage industry using family labour. The group received Rs.20,393/- as loan.

The Transport group consists of 9 families who have been assisted to the tune of Rs.13,642/- to buy cycle rickshaw. The group members are now self employed.

Besides this, there are 82 families who have formed groups for various types of self employment enterprises. In all together these families have received a sum of Rs.116,552/- to carry out different activities.

Besides this, the Production Group members received a sum of Rs.159,421/- as crop loan since the inception of the projects.

The PAD workers support and supervise all action programmes. They are qualified B.Sc.(Agri.) graduates or graduates in Economics, Commerce or other social sciences with full rural background and aptitude for working in rural areas. They have contributed a lot to the success of PADI projects.

10. Other Activities of Gangoi Area Small Farmers Association (GASFA)

While the GASFA continues to help the small farmers and other weaker sections through various micro projects involving group action, it started a new area of activity to make an effective impact on the poverty situation of the poor families. It has established a Training Centre for carpet weaving at Gangoi.

The Gangoi and the nearby villages predominantly consists of schedule caste families. There are many households belonging to weaving trade. Most of these families have small plots of land. With the increase in household population the dependency load on land has further increased. The situation is made worse in the absence of any employment opportunity for the new addition to the working force.

The GASFA conceived the idea of starting a carpet weaving training centre for the children between 10 to 15 years belonging to the most poor families in collaboration with the All India Handicraft Board (A I H B).

The AIHB offered to give stipend to 50 children at the rate of Rs.2 per day or Rs.60/- per month for the total period of one year of training. Besides this, the AIHB also agreed to bear the salary cost of one trainer, one clerk and one night-guard plus the cost of raw material required for the training.

The PADI provided building through a grant in aid to the Gangoi Association. The training programme is being conducted by the Association out of funds amounting to Rs.70,000/- allocated by PAD under development of landless family programmes as provided in the original scheme of GASFA. This fund is being utilised for construction of another industrial sheds for giving further work to trained children and also for meeting the cost of raw material.

11. Progress:

The training centre started functioning from the month of March 1980. During last one year period finished goods (carpets) valued at Rs.32,000/- was produced by the 50 trainees. The finished goods are the property of AIHB and they are responsible for its marketing. The quality of goods produced have been found to be quite good.

A first batch of 50 children has already completed their training. Many elderly ex-trained children have got employment outside the village in weaving industry.

As most of the children belong to the illiterate families of poor section of society, the centre provides for two hours daily literacy classes and physical training every day.

12. Programme of Future Assistance to Trained People

The GASFA cottage industry programme is being conducted in three phases :

Phase - I

Training programme for six months period. Building is provided by Vaishali Area Small Farmers Association while the carpet, handlooms, raw-materials, training staff and other contingent expenditure, are provided by AIHB.

Phase - II

In the second phase the trainees will be put in a separate shed and will be treated as apprentices for a period of one year. Capital investment for this phase is made out of PADI's fund earmarked for landless families development programme. Supply of inputs and marketing of finished goods will be the concern of the Project as also the profit and loss would be on Project account. The apprentices will be provided wages on piece rate basis.

Phase - III

In the third and final phase the trained boys will be attached to the financing bank for capital as well as working capital loan to start his own carpet weaving enterprise. However, the Project will help them in the supply of raw materials and marketing of their finished goods at the weavers costs.

At the moment the Project is in the second phase of development. It has already made visible impact. Many of the boys have got good jobs outside and the income levels of their families have considerably improved.

13. Some Problems of Group Action

The PAD project Vaishali has made visible impact through the working of its 20 Associations on the economy of small, marginal and agricultural labourer families. Considerable change in the cropping pattern and agricultural practices are noticed in the area where Production groups under various Associations are functioning. The income level has also significantly improved in respect of service groups covering self employment schemes. All this have been possible through organised group action, with guidance, supervision, coordination and to some extent financial support provided by the Intervening Agency PAD. However, some problems in organising the group action has come :

- (i) The group leaders are honorary. In the initial stage they show all the interest in the action programmes but gradually, it has been observed that their involvement and interest decline. Hence the greatest problem faced under the group action project is to ensure the continued interest of the group leader.
- (ii) When due to some reason action is delayed the group members start loosing interest in group activities as there is no compulsion to bind any member to continue with the group once it is formed.
- (iii) The chairmen of the various PAD Associations are also honorary people whereas he has to shoulder a lot of responsibilities. Since there is no remuneration or payment for the work done there is lesser involvement of the chairman. On the other hand if some incentive is given to them, there will be unnecessary competition among the group leaders for the post which will be cour er productive.

The PAD is considering various alternatives to solve these practical problems involved in group action programmes. However, the PAD has not any system of continuous monitoring of the projects except the visual evidence and opinion that is formed by the project officers.

14. Salient Features of the Case:

- i. Micro projects for small farmers and other weaker sections should avoid isolating people from the people. Instead it should aim at involving others also in the development efforts for the poor. The non-target group members are welcomed as associate member of a given Area Small Farmer Association.

ii. Action groups or Association at one stage or the other are required to be given a formal legal status to make the coordination and support from service organisations easier.

iii. In situations where formal cooperatives are not functioning properly, the group could work and cooperate on informal basis without converting itself as a registered cooperative.

iv. All group action and projects need the umbrella support from bigger service organisation particularly financing organisation. In case of PAD, Vaishali, the Central Bank of India has provided all the necessary support to make the projects successful.

v. The voluntary agency working as intervening agent should have reasonable amount of 'seed money' which could be kept in revolving fund and used to avoid delays in implementing action as the sanction of loans from the financing organisation takes some minimum time.

vi. The approach to the methodology of intervention should be in two major areas - (a) intervention in the area of production activities, and (b) intervention in the area of self generating employment activities.

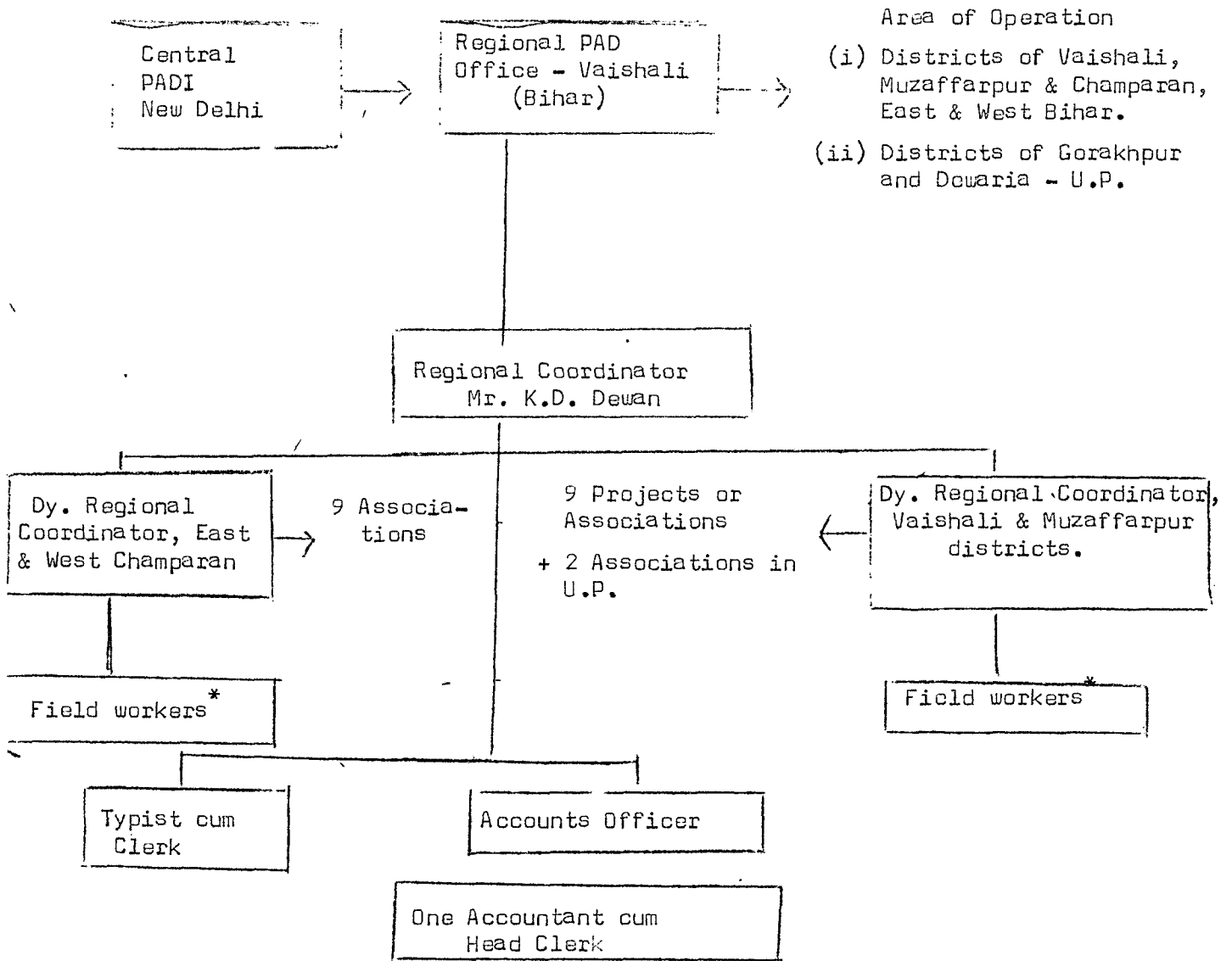
This will have lasting effect and will keep the interest of the group members.

vii. In the project areas some schemes could be formulated which could absorb the future working force in some gainful self employment enterprise. This will to some extent prevent the neutralisation of the benefits of the action programmes due to population growth.

viii. Project personnel giving guidance and support must be adequately qualified and properly trained in group dynamics before put to actual work.

ix. A vertical and horizontal linkage is required to be established with the various government departments, service organisation, the project personnel and the farmers.

One of the main tasks of the intervening agency is to reduce the distance factor between the farmers (beneficiaries) and the service organisation.

Administrative Structure of PAD - Vaishali

* There are 35 PAD Field workers working with different Associations.

N.B. : A PAD worker is appointed as senior PAD worker after working for three years. He gets a sum of Rs.900/- per month. A junior PAD worker gets Rs.650/-. The salaries of all PAD workers is met out of the Project fund of the PAD.

The Case of Diawama Milk Producers
Cooperative Marketing Society

Background

The Diawama Milk Producers Cooperative Marketing Society was established in village Diawama on 1st March 1976 under "Operation Flood Project Phase I". The village falls in the Hilsa block of Nalanda District in Bihar. The first phase of "Operation Flood Project" initiated by the National Dairy Development Board (NDDB) in 1976 covered the potential milk producing districts of Patna, Nalanda and Bhojpur.

Methodology adopted to organise the Coop

The NDDB Patna Project operation flood phase I, envisaged the formation of Milk Producers Cooperative in the potential villages on the milk route in the three districts referred to above.

A team of 3 supervisors from NDDB, Patna Project headed by Mr. B.K. Garg, Mr. A.K. Sinha and Mr. R.N. Choudhary visited the village in the early part of January 1976.

The team first prepared a list of the households having milch cattle with the help of the secretary and chairman of the Primary Agricultural Credit Society. The team made a house to house visit of the owners of the milch cattle and stressed the need for organising a milk producers society. They assured that the entire milk will be purchased by the Milk Union at Patna, named Patliputra Sahakari Dugdh Utpadak Saugh (Patliputra Cooperative Milk Producers Union) Ltd. The village has on H.H. Population of 600 divided in 3 clusters. Total population is 3000 and about 70% belong to small and marginal farmer, and agricultural labour group.

A series of 5 to 6 meetings were organised at an interval of one week within the village by the project team members. At the first meeting a total number of 30 household heads from one of the clusters of households were invited. Most of these belonged to small and marginal farmer groups. Out of 30 invited for the first meeting only 16 attended. The reaction of most of the participants in the meeting was something like 'wait and see'. No commitments were made.

The second meeting was arranged after 8 days and the attendance increased to 20. Everybody in the meeting agreed on one point that they were being exploited by the local traders in respect of milk price etc. However, they were unable to follow the modalities of operation of a milk cooperative society.

Moreover, under the project programme it was made clear to every one that nobody will be given any loan but if the society is formed it will ensure the marketing of milk and timely (every day) payment of the price of the milk.

Ultimately after a series of 6 meetings the society was registered on 1.3.1976 with only 16 members. One of the reasons for the people agreeing to join the society was the assurance that the society will pay 0.40 paise more per liter of milk than what they were receiving from the traders.

Progress

At the time of registration the 16 promoter members had 28 milch cattle (cows and she-buffalo) and the total potentiality of milk supply was only 50 liters a day. All the milch cattle owned by the members were of local breed. During the 1st 5 years of operation the membership increased to 47 (1981) of which 40 belonged to small and marginal farmers. There are a few members belonging to the Harijan caste. Each member has one share of Rs.10/- and has paid an entrance fee of Rs.1/-. The number of milch cattle, with the increase in membership, also went up to 60 in 1981.

One of the reasons for the slow progress of the society was attributed to the problems faced by the NDDB Patna and the Patliputra Milk Union. For many years the whole operation was almost at a standstill disrupting the whole spirit of the people who formed and operated the milk coop. The scheme is being revitalised with the active support of the government again.

The daily milk procurement register of the society revealed that the maximum number of members supplying milk never exceeded 15 on any particular day. In other cases it was found the milch cattle with the member was dry. Many of them were selling milk outside because on many occasions the payment of milk price was irregular. Further, transport was also not regular and on such occasions the milk was returned. There were a considerable number of non-members (about 8 to 10) who were supplying milk to the society everyday. However, it was not the same households which was bringing milk to the society everyday, but it kept on changing. It shows a casual approach that was being adopted by the beneficiaries.

It is surprising that the society which achieved the record milk procurement of 250 liters a day during the flush period two years back was now receiving less than 100 liters a day.

The Problems

The fluctuating performance and not too happy management of the society is not entirely due to the fault of the members. As a matter of fact it started facing the problem as the "support umbrella" of NDDB Patna and the Milk Union gave way to the strong wind of mismanagement.

The transport arrangement nearly collapsed. The overhead costs were quite high as a result of which the price paid to the members was not very attractive. The society pays Rs.1.75 to Rs.1.80 per liter of milk to its members, the price fixed by the Union. The Union gives them a margin of 0.6 paise per liter of milk supplied by the society (6.5% fat). The Union sells the milk to the Dairy Cooperation of Bihar at Rs.2.12 per liter. The price paid by the ultimate consumer, however, comes to Rs.2.75 to Rs.3 per liter.

Another problem faced by the society was lack of finance for making regular payment to the members supplying the milk. Sufficient funds are not available by the Union in this regard. On many occasions during the flush season the Union issues orders to stop the supply of milk as it could not find a market. This disrupts the whole system at the society level. Once the members are asked to stop supply forcing them to find out the traditional outlets, many of them do not resume the milk supply with the comments "government and cooperative schemes are all like this.....a bundle". This shows how much the people are dependent on governmental and institutional support in the absence of local leadership.

Earlier, when the society was established, there was proper veterinary service available at the society and even arrangements were made to improve the local breed. Now these are the storics of the past. The only service which is still continuing at the society level is the supply of green fodder seeds.

One of the major weaknesses in the whole programme is that it does not provide for improving the level of income through the provision of supply of loan to buy improved variety of milch animals. But, then one has to take care first of ensuring a proper delivery system for various types of services. There is no linkage of activities among various organisations involved i.e. NDDB/SFDA/the financial institution and Milk Union.

As the situation stands today, the society is passing through a transition stage. Things are being re-organised at the NDDDB Patna and at the Mil' Union level but still with no coordination with SFDA and other local level developmental organisation.

A few cases of individual beneficiaries are given below which reflects on the total cooperative efforts made to help the small and weaker section people in this village.

(i) The Case of Mr. Durgi Rajak

Mr. Rajak is a middle aged person in his late thirties. He belongs to backward caste and owns 1.20 acres of unirrigated land. He has nine members in the family. His brother lives with him in a joint family. The two ladies share the burden of household work as also the burden of farm work and maintenance of livestock. There are 5 children in the family. None of them were reported to be going to school. Mr. Rajak himself is able to read and write.

He has a she-buffalo in milk, giving 2 liters of milk per day. Earlier the milk was being sold to the local traders at a lower rate of Rs.1.25 to 1.50 per liter. The society has ensured him a better price plus the availability of liquid cash every day. He is a member of the Executive Committee of the society. In spite of all the problems faced by the society, he feels that his economic interest will be very badly affected if society is closed down. He is trying to mobilise the other members to ensure the continued functioning of the society. He is more than convinced about its benefits. He needs one more buffalo but does not have the resources. He feels that he has neither the time nor the resources to take advantage of the SFDA Programme. He has been benefited by joining the society but it has not made any significant impact on his economic condition.

(ii) The Case of Gansuri Pandit

Mr. Pandit is about 48 years. He has 0.80 acres of land and has a family of 6 members to support which includes 3 children. He got the idea to join the milk cooperative from the Project Officer in the village meeting. He has two she-buffaloes of which one is dry. He feels that the society has helped in getting remunerative price. Since he has little land, all his hopes are on developing the dairy business. He could not get the loan from

Primary Agricultural Society as the Society records revealed an outstanding loan of Rs.200/- against his name which he had never taken. He feels he has been cheated and hence ^{does} not want to take a fresh loan utilising the SFDA subsidy relief. He could not get himself even identified as a marginal farmer under the Project because of certain malpractices in getting the names enrolled. Except the fact that he gets liquid money out of the supply of milk to society every day, his economic condition has not improved.

The other cases of Mr. Umesh Narayan Verma (land 2 acres); Mr. Bulaki Choudhary (land 2 acres, all leased in from others); and that of Mr. Rambriksh Pd. (land 4 acres) also tell the same story.

In all these cases one thing found in common is a desire to see that the society functions properly. They feel that the society is a source of light to them. This feeling among them probably holds the light for future of cooperatives which so far has remained unexploited in the absence of enlightened leadership that one observes in case of Maharashtra. The situation also provides proper setting for outside intervention through which peoples resources could be mobilised and in the process local leadership is promoted.

Salient features of the Case

- i. The efforts for organising the people into cooperative was made by the officials under the given Micro Project "Operation Flood".
- ii. The umbrella support of the NDDDB Patna and the Milk Union helped in the organisation of the cooperative. However, once the umbrella support weakened, all the problems developed for the primary society.
- iii. Once people were organised to carry out cooperative activities, a desire developed among them to run it properly.

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THE CASE OF NATIONAL MILK PRODUCTION SOCIETY - KANNABackground :

The idea to start the National Dairy Society originated at the Block level. The Project Executive Officer of Raxaul Block in North Bihar was keen to start some programme for the weaker section under the SFDA/MFAL Project. He sold his ideas to some of the Small Farmers of Kanna village who agreed to form a dairy society.

Kanna is a small village located at a distance of about two kilometers from the border town of Raxaul in India (Bihar) and Birganj in Nepal. Raxaul town has developed as a major trade centre during the last 20 years between India and Nepal. The town is well connected through the National Highway to its district head-quarters Motihari. There is a ready market of milk in the town which is dominated by the private traders. These traders exploited the farmers by paying a much lower price than what prevailed at the market.

The P.E.O. conducted some meetings at the village level with the help of the extension staff of the Block. It was explained to them that small, marginal and agricultural labour families will receive 25% to 33% subsidy on the loans taken for dairy development.

A group of 17 families agreed to form National Milk Production Society. 5 of the members belonged to the higher size group of farmers with land above 5 acres.

The society was formally registered on 6.4.1979.

The unique feature of the society was that it decided to have a common cattle shed for the milch cattle of all its members. As the village was about two kms. away from the village and it created transport problems, it was decided to establish the common shed near the border of Raxaul town at a place through which a canal passed. The land was taken on a nominal lease and sheds were created out of loans received from the branch of Regional Rural Bank, Raxaul.

Progress :

The society was started with 17 members having 26 milch cattle. The total milk production was about 170 liters per day at the time of starting the society. The milking of the animals is at the common shed. A society office is also located in a nearby building from where the milk was sent to the town. At present it is getting a total supply of only 70 liters of milk per day from about 15 milch cattle in milk.

Financing:

The society could not get the loan from cooperative bank. The commercial bank also could not finance it because the society did not possess any tangible assets. Ultimately the branch of the Regional Rural Bank, Raxaul, agreed to finance the project against individual loan applications. It made a total advancement of Rs.55,800/- to 13 members. An amount of Rs.4,166.64 was released as subsidy in 7 cases. The other 5 cases are still pending.

The Regional Rural Bank also provided a sum of Rs.6,385/- as working capital to the society. As the position stood on 31st March 1981, a sum of Rs.48,770.75 of the Regional Rural Bank was outstanding against the individual members of the society. The society also so far paid back only Rs.785/- against its loan of Rs.6,385/-. Major defaulters are the five large farmers in the size group above 5 acres. At the moment the society is in very bad shape. Most of the members have lost the initial interest. Some of them are selling milk directly to the private traders. The support from the block level also ceased once the society was established. There is potentiality of development but it needs leadership besides efficient management.

The main reasons for the default is that the society though forwarded the loan applications and arranged for the release of subsidy in appropriate cases, it could not establish a linkage between the marketing of milk and recovery of loan. The promoters themselves became defaulters.

Salient Features of the Case:

1. Project started with the initiative taken by the government official under a Macro Project.
2. Peoples involvement was attracted by the element of subsidy and loan available to buy milch cattle.
3. Once organised into a cooperative, the members started many group activities like creation of common shed - milking at one place and marketing through the society.

4. There was no umbrella support of any organisation. The marketing of milk was also organised by the members. In the process people developed vested interest.
5. There was no linkage of credit with marketing. Though the individual loan applications were forwarded through the society, it did not assure the responsibility of recovery of loan and repayment of loan as a result of which major part of loan remains overdue and interest on them is mounting. It now faces the problem of rehabilitation.
6. The major defaulters are the members in the size group above 5 acres which raises the question - should group activities be confined to homogeneous class group?
7. In the absence of leadership and the continued support by any outside agent there was practically no coordination with various service organisations. The crack in the group action as observed is mainly due to the absence of enlightened leadership.

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CHAPTER - VIIMicro-Level Problems & Findings7.1 Background

The present macro level study has been reinforced with selective micro level research which was carried out in some selected areas of Maharashtra and Bihar due to financial and time constraints. Under the participative approach in the research to find out suitable strategy of intervention, we adopted three methods: (i) observation and study of selected field level projects, (ii) discussions with numerous officials at various levels in the government, service organisations in general and cooperatives and small farmers in particular, and (iii) intensive study of successful cooperatives and a couple of voluntary agencies operating as intervening agencies to help the SF/MF and other weaker sections in the State of Maharashtra and Bihar. In Maharashtra, a state level one day mini workshop of all the SFDA APO's (Coop.) was conducted in which out of 13 projects, 10 project personnel were present. In the remaining three cases there were no APO's. This meeting was possible because of the very active support received from the Commissioner of Cooperation and Registrar Cooperative Societies, Government of Maharashtra. Besides the APO's the Additional Registrar and a number of Deputy Registrars also participated. The purpose of this mini workshop was to identify some of the functional and administrative problems relating to cooperatives vis-a-vis SFDA/MFAL Project Schemes.

What is contained in the following sections is the summary of findings and assessments made by the researcher. The assessment is not quantitative in character, but is based on objective assessment that emerged out of this exercise.

The research findings have revealed the following main functional and procedural problems:

7.2 Problem of Identification

- a) At the field level major problem was in respect of identification of small farmer/marginal farmer with regard to income and land holdings. This was particularly true in respect of tribal areas and areas of new land settlements.
- b) Project staff faced considerable problem in the preparation of up-to-date list as the definition changed from time to time. Up-dating the list every year was yet another problem.
- c) Many institutional agencies adopted their own definition of small/marginal farmer in a given area as a result of which proper coordination in the working of various agencies was lacking.
- d) In a number of situations SF/MF reported certain malpractices being adopted to register the family as SF/MF.

7.3 Cluster Approach

Though the cluster approach as adopted under the new programme diffused the benefits to larger area, it was not found suitable for schemes like minor irrigation.

7.4 Role of Subsidy

- a) The provision of subsidy attracted the non-eligible beneficiary to adopt certain malpractices to avail of the subsidy component. Both direct and indirect method of providing subsidy was being adopted.
- b) Indirect subsidy like rebate or exemption from interest was found to be quite successful.
- c) As per the existing procedure the subsidy was released as soon as a loan was sanctioned which promoted its misutilization.
- d) Subsidy on loans was found to be most helpful on group projects rather than on individual projects.
- e) Release of subsidy through dealers as was being followed in certain cases were subject to abuse.
- f) A review of the individual cases showed that ceiling on individual subsidy of Rs.3000/- was not sufficient due to rise in prices of various inputs and capital assets.

7.5 Schemes apparently not successful and abused

- a) Demonstration plots : The discussions at various levels in the field revealed that SF/MF could not avail of the benefits as in most cases it was confined to few privileged people. The input subsidy and agricultural demonstration schemes were being implemented through the Agro-Service Centre and marketing societies on ad-hoc basis rather than as an integrated effort to link it with production oriented schemes.
- b) Milch Cattle Scheme : The scheme though found to be most profitable under certain conditions and organisational set-up, was abused in large areas where supervision was lacking and financing was not linked with institutional or organised marketing of the product. Cattle were purchased and sold to retain cash and avail subsidy. In many cases well to-do farmers availed subsidy on behalf of small and marginal farmer who were either not interested or discouraged to take loan. Sometimes both joined hands.
- c) Major emphasis under the project was given on productive activities rather than on employment generating schemes. Many of the schemes under special programmes were abused mainly because of the fact that such programmes were thrust on them. There was no evidence to show that SF/MF were either involved in deciding about the suitability of a given scheme or they were provided with a situation in which they could actively participate in the development effort.

7.6 Institutional Financing Problems

- a) Loans to the farmers were not available at one contact point. The branches of the commercial banks were inadequate and were not within close proximity to large number of farmers. The PACS or the VKSS were found to have the grass-root organisational set-up but they were not providing M.T. Loan for development.
- b) In many areas the area of operation was not clearly demarcated between various agencies which resulted in considerable amount of over-lapping. Even in areas where no such problem existed the SF/MF were found to be unaware about the existence of such service agency.
- c) The multiplicity of agencies also created confusion for the farmer who was supposed to establish contacts with the SFDA/IRDP, block officials, the VKSS/PACS, the branch of Land Development Bank (PLDB) or the commercial bank.

- d) Most of the farmers interviewed at the field level described the procedure for the sanction of loan and release of subsidy which were not only quite cumbersome but time taking and involved certain overhead costs for them. In normal situation it took three to four months time to get a loan sanctioned. The respondents also reported certain malpractices involved in the release of loan. In a few cases sanction of loan took as long as six to eight months time during which the farmer lost interest and ent usiasm. However, this problem was not visible in such areas where some voluntary agencies were working as agents of intervention. They bridged the gap between the farmer and the financing institutions.
- e) Enquiries at the financing organisation level revealed that they did not provide for supervision of schemes and utilisation of loan. The credit was not linked with institutional arrangement for extension. The projects were approved and forwarded by someone - financed by another and recovered by some one else. The recovery of loans by the government development agents and cooperative staff just created an impression of 'Mogal' or Kabuliwala, a symbol of a tough money-lender among the farmers. Such a situation resulted in the loss of confidence of the farmer in the development agent and created an invisible gap between them.

7.7

Problems relating to development
staff and dual control

- a) The discussions with officials at various levels in the field revealed that the present staffing pattern was not adequate to meet all the functional needs under the programme.
- b) Most of the personnel connected with the project were not trained and were unable to appreciate the basic philosophy involved in these development efforts.

7.8 The over burdened development agent:

According to the researchist assessment, the present approach to rural development is synthetic in which the government officials have little incentive. For example a B.D.O. who is the key government development agent has to perform the following functions (this is particularly true in respect of Bihar):

- i. Law and order (top priority).
- ii. Relief.
- iii. Collection of loan.
- iv. Collection of revenue.
- v. Works relating to Panchayati Raj (for which he has enough powers but no funds).
- vi. Arranging monthly meetings.
- vii. Preparation of budget.
- viii. All development programmes including agricultural extension.
- ix. The VLWs services (the other key man at the block level) is taken away from BDO and attached to agricultural department (the case of Bihar).
- x. Implementation of old age pension programme (Bihar). About 2 million people to be covered which means on an average about 6 thousand person in each block. Similarly in Maharashtra the implementation of employment guarantee schemes and schemes under food for work programme to be implemented by him. However, the staff strength has not changed since long.
- xi. The staff who are attached either with SFDA/IRDP or with the BDO have their loyalty with their parent department. The BDO's generally have only notional control over them. He does not have any horizontal control.

In the words of a BDO, "the B.D.O. performs every duty except the development work which is his main function. He has hardly any time left from routine things." From the above, it is quite clear that there is a need to enforce a system of regulatory administration with clear cut demarcation between development work and other works.

7.9 Problems relating to peoples participation

- a) Both the macro and micro level research findings have showed that in practice the concept of peoples participation was ornamental in character. Farmers in many areas were still not aware about the development efforts and of the facilities available to them. The present method of propaganda and extension appeared to have outlived its utility.
- b) By and large there was no personal approach by project authorities to identify themselves with the small farmers. As a result of which the programme in many areas in the past became a subsidy distribution programme. This was admitted by many senior Project Officers who attributed this to socio-political and administrative system in existence.
- c) The frequency of organising village meetings to evolve peoples participation in the programme, had not been enough to generate enthusiasm among the farmers. The way of organising and conducting the meetings also left much to be desired. The participation in such meetings was reported to be confined to lower level personnel involved in the project as a result of which it failed to generate the desired interest among the SF/MF. It was more a forum where the SF/MF listened without much scope to express their views. Apparently there was no evidence to suggest that any effort was made either to identify leadership among the target group or to create a situation where the leadership could emerge out of such formal gatherings. Such meetings were more in the nature of "what is available" rather than "what you need".
- d) A study of the field level coordination arrangements between various levels of development agents revealed that in the monthly meetings conducted by the BDO, the Project Officer or his nominee and VLWs were not invited to attend or when invited to such meetings they seldom cared to attend. Thus, the man who worked with the people, worked in isolation with the man who was responsible for implementing the project.
- e) The field level study further revealed the situation in which there was no evidence to show that efforts were made to organise the SF/MF through extension services. Block level staff in extension schemes appeared to be indifferent about this. The work load of VLWs and Cooperative Inspectors was found to be much more than what they were able to perform effectively as a result of which they generally were unable to concentrate on the development aspect.

From the analysis of the foregoing sections it will appear that there are many problems which could be considered as 'pipeline bottlenecks' and could be rectified by suitable administrative action. However, the problems of financing and successful implementation of the programmes and evolving a proper strategy for cooperative development, involves some basic policy issues both for the financing institutions and for the administration.

7.10 Classification of problem areas:

The main problem areas, as identified through the micro level enquiry and through the review of state situation could be classified into four broad groups:

- a) Problems relating to functional and administrative system and structure;
- b) Problems relating to the delivery system, particularly with regard to availability of institutional finance for SF/MF;
- c) Problems resulting from the non to happy performance of cooperative to help SF/MF; and
- d) Policy issues which needs streamlining and changes to ensure effective implementation of projects for SF/MF.

7.11 State level workshops on problem areas

In conformity with the research methodology of action oriented participative research, two state level workshops were conducted at Pune and Patna. Specific issues relating to the four problem areas referred to above were placed before the workshop participants who were drawn from different government departments, service organisations, academicians, voluntary agency as also from the small farmer group.

Participants were divided into four groups and each group was asked to work on the problems and critically evaluate the material (including case studies) contained in the document in the light of their own experience and recommend suitable measures to overcome the problems. Since, many of the functional and administrative problems identified were in the nature of 'pipeline problem' and of local character, we hoped to have certain follow-up action initiated by the senior officials who participated in the workshop. This did really

happen in case of Patna Workshop where the Chief Minister of the State , Dr. Jagannath Mishra, declared at the valedictory function that the Government will be implementing some of the recommendations made by the Workshop, particularly, the recommendations relating to definition of SF/MF, issuing of Land Pass Book to each SF/MF and Group Insurance Scheme for SF/MF in selected blocks.

7.12 The group assignments and the recommendations made are appended at the end of this document.

CHAPTER - VIIISummary and Recommendations

8.1 The problem of small farmer is a part of the overall problem of poverty, the hard core of which is confined to rural areas. In India the poorest sections belong to the families of landless labour, small and marginal farmers, rural artisans, scheduled castes and scheduled tribes and socially and economically backward classes.

8.2 While India is poor compared to some of the developing countries in the region, some Indians are poorer compared to others. This is partly because of inequitable distribution of assets and income. One of the RBI study has revealed that 50% of the households commanded only 8% of the total assets valued below Rs.5000/-. The N.C.A.R. in a recent study (1980) has estimated that 30% of the population have only 2% share of wealth. According to NSS (16th round) 66% the rural population was having a per capita consumption expenditure below the national annual per capita expenditure of Rs.261.

8.3 Poverty and unemployment has been found by and large interlinked. The general manpower deployment in the country showed that only 10 to 11% increase in the labour force found employment in the organised sector while the rest drifted to part-time employment in rural areas or the informal sector of the urban industry and trade or became chronically unemployed.

8.4 According to Vth Five Year Plan 46% of India's population was below the poverty line. The VIth Five Year Plan estimated the absolute number of persons living below poverty line at 290 million which showed an increase of over 24 percent over the estimated number of people living below the poverty line at the beginning of the Fifth Five Year Plan. The latest estimate for 1981 put 300 million people as living below the poverty line.

8.5 During the last one decade, serious efforts have been made to tackle the problem of poverty and unemployment. In the light of the technological breakthrough, attempts have been made to increase the level of productivity and income of the people dependent on agriculture.

However, a vast set of research documents and expert committee reports have come out with the findings that the benefits of technological breakthrough in agriculture has been exploited more by the better off people than by the small farmers. The majority of the small farmers continue to survive under a situation of abject poverty and in an environment in which they have very little say. The shortage of capital accentuated by lack of skills, extension services, business ability and an inefficient overlapping delivery system of services have been identified as major bottlenecks in the development of SF/MF. Further the existing power structure in the villages have also prevented the SF/MF from taking full advantage of the technological breakthrough and various development programmes.

8.6 An analysis of the poverty situation reveals that the problem of small farmer is a part of the overall national problem of poverty. About seventy percent of the farming household in India cultivate less than 2 hectares, 26 percent cultivate between 2 to 10 hectares and 4 percent cultivate more than 10 hectares of land. Quantitatively, 69.6 percent of the total operating household could be classified as small and marginal farmers and they operated only 21 percent of the total operational area. About 30 percent of the rural population is landless. Land reforms measures (particularly the ceiling on land holdings) have been ineffective. Between 1972 to 1978 some 0.64 million hectares of land was distributed among one million families which worked out to an average of 0.65 hectares of land per family.

8.7 Again, among the small and marginal farmers, the condition of tenants was found to be worst as compared to owner operators. The tenants were unable to mortgage their land to be eligible for institutional finance for development.

8.8 A closer analysis of the socio-economic environment of rural poverty shows that the basic problem is not that of bringing about large redistribution of land surface but that of combining land surface operated by vast number of small holders in to units suitable for efficient cultivation which could improve the level of living of the small and marginal farmers.

8.9 The problems have further been aggravated by continuous diminution in the size of existing holdings in all size groups. Various NSS reports have indicated that small and marginal holdings are increasing at an alarming pace in many states. According to one of the latest estimates the marginal holdings up to one hectare alone would increase by over 20 percent between 1971 and 1981, while the operational area would increase only marginally by over 2 percent for the group as a whole. Various other research studies have also indicated that the phenomenal increase in the number of small holdings (roughly at the rate of 2% per annum) not only have aggravated the problem of their viable operation more and more difficult but it also created serious problems for the supporting service structure to provide necessary support.

8.10 A review of the state situation in respect of Maharashtra revealed that small farmers upto the size group 2 hectares constituted 42.83 percent of the total farming household but they accounted for only 8.79 percent of the total operational area. Holdings below one hectare constituted 25 percent of the total holdings.

8.11 As compared to Maharashtra situation, in Bihar, holdings below one hectare formed 64.34 percent of the total operational holdings. The small farmers in this group operated only 16.09 percent of the total operated area with an average operational area of 0.38 hectare per holding. The next group of small farmers between 1 to 2 hectares constituted 14.64 percent of the total operating household and commanded 13.62 percent of the total area. The two groups taken together accounted for 78.98 percent of the total operating household but possessed only 29.71 percent of the operated area.

8.12 According to one of the latest projections "per capita farm income of the operators of marginal holdings was estimated at Rs.23.80 in 1971. If agricultural productivity rises at the rate of 3.9 percent per annum, and the marginal farmers share in this rise is in the same manner as other categories of farmers, their per capita farm income is likely to rise to Rs.34.95 by the year 2000 AD".

8.13 The quantitative analysis clearly shows that the task of assisting the small farmers is stupendous. The basic task firstly, is to raise the income levels of all the farm households living below the line of poverty. The obvious task, therefore, is (i) how to ensure a rise in agricultural production at least @ 4% per annum for quite some time? (ii) What supporting measures are required to fill in the likely gap between the expected income with stipulated productivity rise and the minimum requirement of such farms? (iii) What action programmes are required to remove the constraints on income resulting from the low resource base i.e. identifying additional income generating supplementary measures.

8.14 In the Indian context, a number of experiments have been carried out since independence to accelerate the pace of rural development in order to increase agricultural productivity and remove poverty. Till mid-sixties the emphasis in Indian Planning in one way or the other aimed at increasing agricultural productivity. In the wake of this thinking IADP and IAAP Projects were started in order to derive maximum benefits from the technological breakthrough - and achieve a balanced and rapid growth in agriculture. The project approach sought to achieve this through the process of accelerating development efforts in selected potential areas of inputs as required under the new technology.

8.15 Between 1970-71 to 1975-76 Indian rural development approach gave major emphasis on Area Development Programmes and a number of projects such as DPAP, TADP, HADP, WVDP, CADA* etc. were started. However, it soon became clear that the benefits from the Area Development schemes mainly percolated to the privileged few and created further disparity between the rich and poor.

Besides this, considerable amount of regional and sub-regional imbalances were also noticed in economic development. In the light of these developments new projects incorporating the concept of target group approach were introduced in the form of SFDA and MFAL. It was conceived that these programmes would succeed in reducing existing gap and disparity between the big and small farmers .

* The abbreviations of the terminology used are given on page-ix.

8.16 The SFDA and MFAL Programmes were included in the central sector in the Fourth Five Year Plan. Accordingly, these projects were started in selected districts in various states.

8.17 The experience with the working of Area Development Projects (IDP) and target group oriented projects (SFDA/MFAL) also revealed that mere project approach or a sectoral approach was not enough for the overall development of the economy of the target group as the programmes failed to make a dent in improving the economic situation of the SF/MF. The poorest among the SF/MF got little benefits from these programmes.

In view of the deficiencies identified in the SFDA programme, a fresh look was given to the whole problem and the Sixth Five Year Plan accordingly provided for suitable policy changes with regard to anti-poverty objectives.

8.18 The new programme known as Integrated Rural Development Programme (IRDP) which was launched during 1978-79 covering 2,300 blocks in the country was extended to cover all the 5,004 blocks in the country from 2nd October 1980. Looking to the size of the programme, it could be easily said that India is probably the only country in the world where a target group oriented project has been launched on such a massive scale with the overall objective of eradication of poverty and helping the weaker section of the society. The present programme has been started with the belief that it is not just sufficient to ensure some income gain to a beneficiary but it is essential to see that sufficient income is generated to raise the family above the poverty line - (Rs.3,500/- per annum per family). To accomplish this objective, the programme aims at integrating field programmes reflecting the economic activities of the rural family.

8.19 With the changes in policy approach towards agricultural development in general and SF/MF and other weaker sections development in particular, certain policy and structural changes in respect of the supporting service organisation were also effected by the government from time to time. The policies changes provided for enlarging the role of institutional credit agencies and reduce correspondingly the role of informal credit agencies.

8.20 The cooperative, after the implementation of the All India Rural Credit Survey report came in a big way to provide institutional finance to the farmers. The RBI not only assumed the role of an active agency for the promotion of cooperative credit structure in different states, but it also adopted a policy which enabled the cooperative agencies to take larger share in the financing of agricultural credit. A review of its performance, however, revealed that "Cooperative Societies have had a mixed record of success. Cooperative Credit Societies have been successful in some areas, not so successful in some other areas and have miserably failed in some other areas". The report of various expert committees suggest that "the benefits of the cooperative credit bodies had not been adequately passed on to the weaker section of the society. The proportion of small cultivators having access to cooperative credit was relatively low in all the states and that the bigger cultivators received a much larger share of cooperative credit than would appear to be justified".

8.21 So far as the role of the other institutional agencies was concerned, their share in lending to agriculture was also found to be negligible in proportion of their funds.

8.22 A series of measures followed as a result of these findings. The 14 major commercial banks were nationalised in 1969. The RBI initiated the Lead Bank Scheme for agricultural finance under which 25 commercial banks started operation in 376 districts as lead banks. In 1973-74, the commercial banks formulated "village adoption scheme with an aim to integrate development of the agricultural economy of adopted villages".

8.23 Despite these improvements in the agricultural credit system which ensured increased flow of credit from the cooperative and commercial banks to agriculture the share of non-institutional credit remained as high as two thirds of the total agricultural credit in the country. The commercial banks opened their branches only in viable areas often duplicating the efforts while many areas remained without a branch of any bank. Cooperatives, though they covered nearly 95% of the villages in the country, were unable to meet the growing needs of the expanding agriculture under the new technological needs and a policy to help the small farmers.

8.24 An expert committee appointed by the Government of India in 1975 suggested the establishment of Regional Rural Banks to cater to the needs of small and marginal farmers and accordingly Regional Rural Banks were established in areas where cooperative banks were weak. In the meantime Farmers Service Societies were also established in selected areas on the recommendation of National Commission on Agriculture with a view to provide integrated credit exclusively to SF/MF at local level.

8.25 In the wake of these structural changes special measures were initiated by the RBI to ensure the flow of finance to SF/MF. Appropriate directives were issued from time to time to ensure the flow of certain percentage of advances by the DCCB banks to SF/MF.

However, inspite of all these policy efforts, it is apparent from the study of state situation of Maharashtra and of Bihar that the problem of SF/MF has so far eluded solution and will need special attention for many years to come.

8.26 In Maharashtra, thirteen districts were covered under the SFDA. It was estimated that till March 1980, 3.9 million families were eligible as the group to be assisted of which 1.4 million or 36 percent were only identified by the agency. Again from among the identified target group only 0.22 million persons received the benefits since the inception of the programme till 31st March 1981.

8.27 In Bihar, 22 SFDA's covered as many districts and a total number of 236 development blocks. As against the estimated number of 4.8 million eligible families in the size group up to 1 hectare, the 22 SFDA's could identify only 0.31 million families by 31st March 1980.

8.28 In Maharashtra, the short-term loans advanced under the programme, was of the order of Rs.21 million of which cooperatives accounted for 98%. The share in the medium-term loan of Rs.34.10 million extended by the DCCB, LDB and commercial bank was 20.91 percent, 31.04 percent and 48.05 percent respectively.

8.29 In Bihar the cooperatives advanced a sum of Rs.107.3 million as short-term, medium-term and long-term loans since the inception of

the programme till March 1980. As against this, the commercial banks made an advance of Rs.141.09 million as S.T., M.T. and L.T. loans during the same period.

8.30 The achievements in respect of the other projects such as DPAP, CADA etc. have also not been very encouraging so far the direct benefit to small farmers is concerned. In respect of IRDP, one has yet to wait and observe the results in the two states as the programme is yet to gain momentum after its introduction in all the development blocks from 2nd October 1980.

8.31 The not too happy achievement in respect of various development efforts for the small farmers - particularly in respect of SFDA could be attributed to the following factors:

- (i) Lack of scientific survey to identify the rural poor in general and the small farmers in particular;
- (ii) Preparation of 'Block Plan' on ad-hoc basis having little relevance to local realities;
- (iii) The implementing agency identified and assisted (in most cases) the most viable farmers, leaving the poorest among the poor. The benefits emergign out of the project activities were more by way of relief operations and spreading of the horizon over which inputs were made available to the small man, rather than a complete solution to the problem. Thus, the possibility of the SFDA acting as a coordinating agency proved extremely limited;
- (iv) The programmes were put to implementation without considering the potentialities and available infrastructure;
- (v) There had been practically no involvement of the beneficiaries;
- (vi) The project staff as also financial and other service organisations including the cooperative involved themselves only to the extent of fulfilling physical and financial targets as a result of which the programme gave more stress on the disbursement of fund without having proper thought with regard to optimum investment necessary to make any substantial dent in the poverty conditions of the poor beneficiaries.

- (vii) The thrift and savings part of the economy fo small farmer was not taken care of by the cooperatives who was supposed to be the senior partner in implementing schemes for the development of small farmer. What the cooperative did was more a matter of channelising the funds available at low cost rather than mobilising funds through encouraging savings;
- (viii) No evaluation and monitoring of benefits and follow-up action were provided for in the scheme. Even in case of certain service agencies, the system of performance appraisal had been faculty and in a way a desk affair; and
- (ix) Arrangements were also not made for making organisational and physical inputs available to the small farmers or for revising the concepts of scales of finance, credit gaps etc.

8.32 It is apparent from the policy framework and the programme contents of various development projects for SF/MF and other weaker sections, that the approach has basically been as Mr. S. Ghaun^{*} has put it (a) symptom-based, (b) growth reliant, (c) ameliorative, (d) gradualistic, (e) target oriented and that the instruments used are essentially administrative. The measures undertaken centred round:

- (i) preferential allocation of resources for SF/MF;
- (ii) formulation and implementation of target oriented and area specific projects;
- (iii) institutionalising the rural financial market; and
- (iv) subsidised credit.

8.33 These measures, as is evident from the analysis of the state situations have not been able to make much impact on the overall problems faced by the SF/MF as a group. One major reason that may be identified is lack of SF/MF participation in these programmes. The administrative machinery for implementing the programmes operated as a 'system supporting' agency rather than as a development agency. As a result of this the programmes failed to generate sufficient amount of motivation for the SF/MF to organise themselves in group and as a corollary to this the SF/MF as a group could not generate adequate and organised pressure on the delivery system of services.

8.34 So far the cooperatives are concerned, the policy basically centred round the task of channelising cheap credit through them along with other institutions. As a matter of fact various SF/MF development

^{*} Mr. S. Ghaun, Rural Poverty : Policy and Play Acting, Economic and Political Weekly - vol. XV, No. 47, Nov. 22, 1980. pp 1976.

projects have only been tangentially related to cooperative. Most of the projects, so far, have tried to provide a system of subsidies which is in principle not very different from the government capital made available to the cooperatives. For example, the massive IRDP programme does not appear to contain any in-built approach to promote cooperative or cooperative group action. There is little in the programme to strengthen the base level organisations (strengthening of primary cooperative) which could serve as a change agent for effective participation by SF/MF and other weaker sections.

8.35 The not too happy performance of the cooperative to help SF/MF have often been attributed to the existence of the vested power structure in the village. However, it is generally forgotten that in a country like India, multiplicity of caste and class interest has to be accepted as a part of the overall social structure which cannot be eliminated merely by providing a legal framework designed to preserve the democratic character of the cooperatives. We are yet to realise that the remedy does not lie in providing only a legal framework for open membership for the SF/MF, but it lies in organising the SF/MF in groups so that they could control their own environment.

8.36 From the facts and figures presented in the foregoing section it is quite clear that the task of SF/MF development, both in its quantitative and qualitative dimensions is stupendous and will continue to bother the planners and policy makers for quite sometime to come. In view of the importance given to the cooperative sector in achieving national plan objectives, it is high time that cooperatives work out their own strategy of intervention to help the SF/MF by learning lessons from their past experience. On the basis of our findings, we make the following suggestions to strengthening cooperative action programme for the development of SF/MF. These will need further careful examination by all concerned who are interested in the welfare of SF/MF.

8.37 There are three favourable aspects for cooperatives which give us the hope for brighter performance in the time to come. Firstly, in spite of the mixed experience of success and failures, cooperatives even to-day provide cheap and efficient ways of drawing the weaker sections into the process of economic development. Secondly, cooperatives in the Indian

context are the only institutions with a net work of grass root organisational set-up which could help in the diffusion of new experiments quite easy. Thirdly, organisation of cooperative provide the easiest way for the institutionalisation of development expenditure. It has the capacity to combine public with private funds and are capable of covering certain economic activities in a very comprehensive manner.

8.38 We may start with the assumption that looking to the dimension of the problem, it may not be possible for the cooperatives alone to solve the twin problems of poverty and unemployment in general and the problem of SF/MF in particular. There has to be multi-channels of delivery of services. So far, the reliance has mainly been on the government machinery which as stated earlier worked as a system supporting agency. It is, therefore, essential that for each constituent of the rural development programmes additional channels (other than government machinery) of implementation are identified, evolved and added.

8.39 Cooperatives could make a major contribution in any programme of assisting the weaker section provided their efforts are supplemented with proper policy approach. In such a situation an appropriate strategy of development of cooperatives and cooperative action to help SF/MF could centre round the main task of ensuring 'effective resource use by the SF/MF'. The word 'effective resource use' refers both to the internal resources of the SF/MF (including labour) and the external resources which could be made available to SF/MF from cooperative or as a result of cooperative group action. Accordingly, our recommendations are in two broad areas of action-i.e.

- i. Recommendations for cooperative macro policies; and
- ii. Recommendations with regard to strategy of intervention by cooperatives at various levels to promote SF/MF development.

8.40 Recommendations for cooperative macro policy

8.40.1 Institutional Reforms:

The success of any cooperative strategy towards the development of SF/MF will depend on expediting effective implementation of certain institutional reform. If SF/MF in general and tenants as sub-group in particular are to receive any substantial benefit, land reforms specially those relating to record of right, ceiling on land holdings and consolidation

of holdings must be implemented as a time-bound programme . Conditions have to be created in which cooperatives are in a position to assure the SF/MF of the benefits of joining the society.

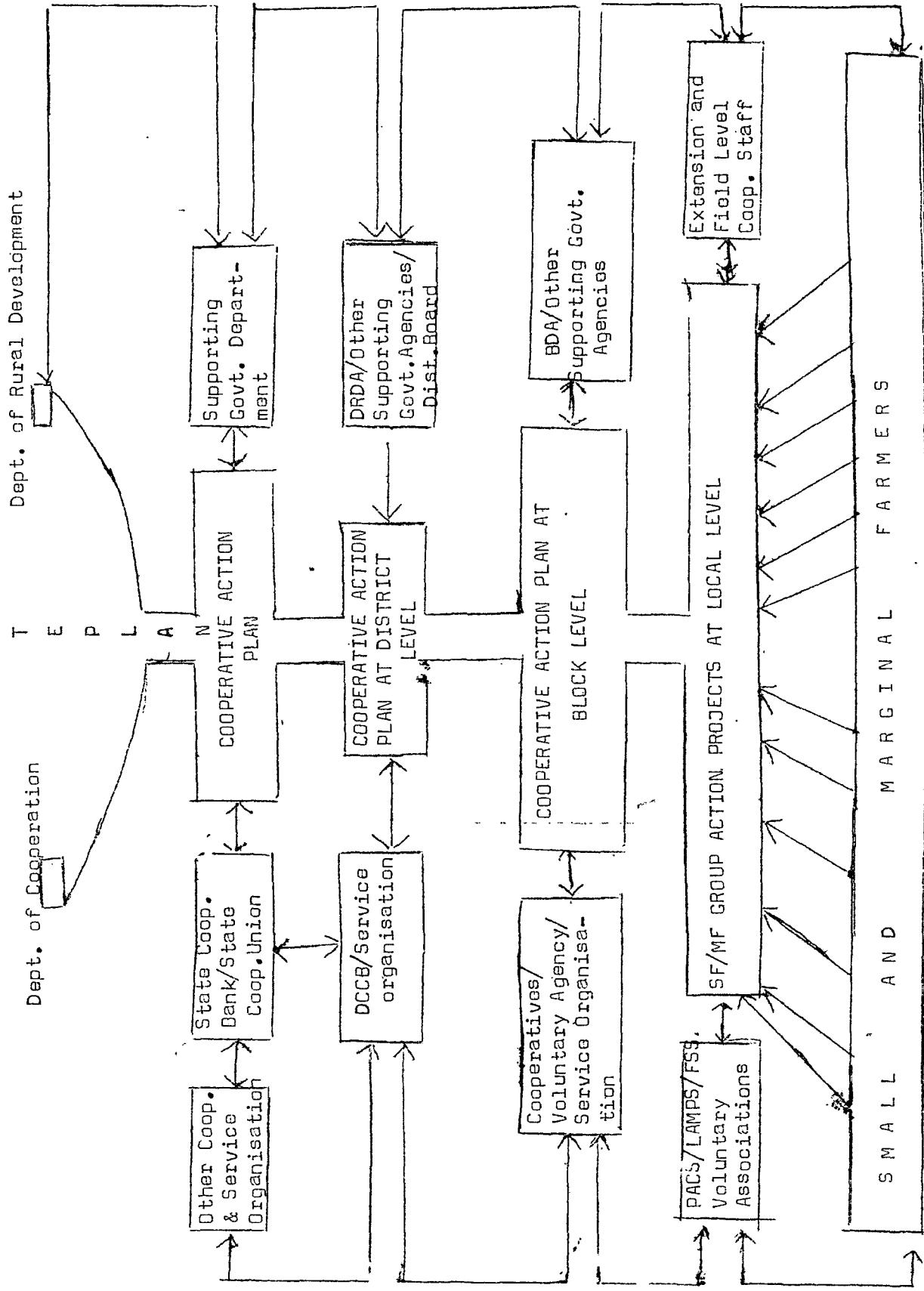
8.40.2 Involvement of cooperatives in planning from below:

It is now being widely recognised that the concept of planned development cannot achieve its objective if planning continues to be for the people rather than with the people. Planning with the people basically is planning from below. What is needed for this is to develop 'a mechanism for effective consultation with the people' at grass root level. Cooperatives to be an effective instrument to accomplish this task should be involved in the planning process at appropriate levels. The objectives of the State Plan be fixed after considering the district plan and likewise district plan be based on the block plan. This is essential for two reasons, a) 'agricultural development is location specific and requires a high degree of local decision'; b) planning for the poor cannot assume poor as a homogeneous group because of socio-economic and cultural differences in local situations.

Broadly speaking, there are two main requirements for planning from below : a) Institutional structure penetrating deep down to the village level; b) Mechanism for effective consultation with the people.

We suggest a schematic planning structure in which cooperatives could provide the institutional framework penetrating deep down to the village with an in-built mechanism for effective consultation with the people.

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The structure provides for the cooperatives to play major role in formulating development plan for SF/MF. Besides this, the basic issues relating to planning from below is also provided for as under:

- a) Individual and group involvement in the development process and local autonomy. Peoples participation is not to be arranged by the bureaucrats but is in-built in the mechanism, involving peoples initiative and action on the one hand and on the other initiative and action by the local level service organisation;
- b) A delivery mechanism for the speedy implementation of the programme by ensuring availability of services at one point of contact;
- c) An administrative arrangement in which the bottom level government agencies and service organisations would be able to exert pressure on the departments/offices working above them;
- d) A mechanism in which various development programmes from top down wards would be administered by the relevant agencies through mutual consultation.

Wherever cooperative structure is weak at the local level and are unable to undertake this responsibility, people can organise themselves into informal group or association. In such a situation, a policy to promote the activities of voluntary agency will go a long way to ensure peoples participation.

8.40.3 Supporting measures:

A policy to promote and build up local level financial structure should be in relation to local production structure emerging out of the process of planning from below.

Credit assistance or assistance in the form of modern inputs and technological know-how are not an end in itself to the problem of SF/MF. Marketing, price policy, transport and crop insurance etc., are some of the important areas in which a coordinated development approach is needed to supplement the efforts of cooperative. In this connection, it is needless to emphasize that services and support to SF/MF must be made available to them at one point of contact for which cooperatives would be the most suitable agencies. Wherever cooperatives are weak any local level service organisation could undertake this task.

8.40.4 Special treatment to SF/MF:

In the broad policy framework of giving special treatment to SF/MF the government may consider granting margin money to help SF/MF in purchasing more share capital. Similarly, such assistance could be extended to promote new cooperatives of SF/MF. The share capital in respect of SF/MF may be fixed at 5% of the loan instead of 10% at present. The main rationale behind this suggestion is that cooperative credit policy should be development oriented and not only security oriented.

8.40.5 Need for new approach to the concept of subsidy:

Recognising the need, that subsidy is an essential element to push development efforts relating to SF/MF, we suggest certain changes in the present approach.

- a) Subsidy should be used not only to promote capital formation but also to create an environment in which SF/MF could be motivated to organise themselves in groups. The method of both direct and indirect subsidy could very well be used to provide for an in-built element to promote group action.
- b) The quantum of subsidy admissible for different projects should be reviewed in relation to annual rate of inflation and the risk involved in adopting a given project.
- c) The provision of subsidy for promoting development effort should not in the process discourage self-help and efforts on the part of beneficiaries to mobilise their own resources. We may consider the implications of linking of subsidy to the group with formation of Thrift society/association wherever situation is conducive.

8.40.6 Need for regulatory administration at block level:

The micro level experience with regard to the role of development officials suggests the need for adopting a policy of regulatory administration which clearly demarcates the administrative and development functions of officials at local level.

8.40.7 Cooperative education & training:

Promotion of member education & training should be an essential part of any cooperative development policy. Cooperative member education and training programmes should have relevance to the development needs. So far the small farmers are concerned, the education and training

at present is limited to provision of extension services. The NCUI should formulate a perspective plan of education and training in close collaboration with the Department of Cooperation (NCCT) and Ministry of Rural Development at state levels. The Rural Development Ministry should also make provisions for funds on this account in the project. The programme of adult education should also incorporate in its syllabi basic aspect of cooperative actions.

8.40.8 Proportional representation of SF/MF in cooperative:

In order to provide a situation in which SF/MF could safeguard their own interest in the cooperative, the bye-laws be amended to provide for representation of SF/MF in the managing committee of cooperative in proportion to their total membership. This has to be provided for not only at local level but at other high levels. This will enable the SF/MF to have control of their own environment and bring in adequate pressure on the organisation with regard to the services needed by them.

8.40.9 Election by secret ballot:

Closely interlinked with the suggestion of proportional representation of SF/MF in cooperative we recommend that it should be mandatory to elect the office-bearers of cooperative society by secret ballot.

8.41 Strategy of intervention by cooperatives at various levels to promote SF/MF developments

Who should promote cooperative group action and act as intervening agency/agent? This question could be answered only in the context of local situation. The alternatives available to us are: (i) cooperatives; (ii) other service organisations; and (iii) voluntary agency. So long the approach to intervention aims at promoting group action, it is immaterial which agency undertakes this task. Because in the long-run it will strengthen the cooperative movement only. What is important is the methodology that is adopted for the promotion of cooperative group action. The choice of agency may be decided in the context of local situation.

To ensure peoples participation, project for SF/MF should include the following action programmes in respect of:

- a) Creating awareness;
- b) Motivating target group to identify their needs;
- c) Inducing target group to organise themselves in group/sub-groups; and
- d) Promoting and guiding group action.

Once these are ensured most of the problems relating to identification of target group and choice of picking up appropriate scheme would be solved. Such an approach will not only ensure efficiency in transactions by delivery system and better performance of the target group but will generate adequate pressures on the service organisations to the advantage of the SF/MF.

On the basis of the micro level case studies in Bihar and Maharashtra, we suggest below the following eight main aspects of the methodology of intervention to promote group action:

- i. Selection of Area of Operation - identification of target group.
- ii. Ensuring support from local leadership outside the target group to avoid social confrontation.
- iii. Extension work - creating awareness - identification of target group leaders.
- iv. Organising meeting of target group with the support of local leadership.
- v. Organising group meetings - identification of problem areas for group action.
- vi. Liaison between SF/MF and service organisation and ensuring umbrella support for the group action.
- vii. Initiating group action.

The success or failure in promoting cooperative group action is largely dependent on the personality of the development agent. An indicative profile of a development agent is appended.

Summary of Conclusions & Recommendations
of State Level Workshops

1. Group I

The group I worked on the functional and administrative problems as identified in the research document and came out with the following observations.

1.1 Definition of SF/MF

The general consensus of the working group was that there was no need to change the existing definition of SF/MF as contained in the Manual of IRDP. However, certain modifications may be incorporated to suit the regional needs. For the hilly areas the ceiling on land holding with regard to identifying the SF/MF be fixed at 5 acres of irrigated land and 10 acres of non-irrigated land. It was further suggested that in order to do justice in identifying SF/MF, only the cultivating area of the holding possessed by the family be considered.

For operational convenience all land holders be given 'Land Pass Book' which should contain all entries regarding sale and purchase of land etc. Every year Block Development Officer should conduct a short-survey in his area to make the list up-to-date.

1.2 Choice of Schemes for SF/MF

The income generating projects for the target group should be such that every family is given a package of inter-related schemes to derive maximum advantages from the programme. In this respect it is essential to involve the beneficiaries in identification of projects suitable to them. The project officials should then help them in working out its technical feasibility and financial viability. Such an exercise may result in discovery of such individual or group projects which are not listed in the project. The project official should have the proper powers to adjust such schemes within the project framework..

As a long-term strategy importance should be given to both on-farm and off-farm development activities. The ideal situation in

respect of the development of off-farm income would be to link it up, as far as practicable, with the development plan of the Block.

1.3 Mechanism for a proper delivery system of services for SF/MF

It was recognised that at present the SF was made to go from pillar to post to get the various services, which is the greatest lacuna in the present delivery system of services. The group members were unanimous in suggesting that not only the services to the SF/MF relating to the supply of inputs, credit and customs services be provided under one roof at a convenient location but such services need necessarily to be channelised through cooperatives preferably managed by SF/MF. Wherever such societies are not in existence or are weak and non-viable, efforts may be made to promote informal groups and assistance may be given through some other service organisation. If a viable cooperative is already functioning in a given area, efforts should be made to strengthen it avoiding direct competition with regard to duplication of efforts.

1.4 Organisation of Extension Service

It was recognised that the present block level set-up for extension service was wholly inadequate and out-dated in approach. The organisation of extension service at the block level should not only propagate to the SF/MF^{as} to what is available under different programmes but they should try to educate them with regard to ways and means of achieving maximum benefit out of these. In this respect the action programmes suggested by the group consisted of, a) holding of village level meeting with SF/MF by the development officials, b) identification of local leadership, and c) formulation of broad action outline on the basis of identification of needs at the village level meeting.

In the actual implementation of the action plan, the development officials must work in close liaison with SF. Suitable training programme and seminars be organised for SF/MF to educate and train them in cooperative action.

In this respect the group also stressed the need for monitoring of action plan by a village level committee. The village

committee could consist of VLV, four representatives of SF/MF and a nominee of the service organisation.

1.5 Cooperative and the SF

Looking to the organisational structure of the cooperatives the group recognised that it is the only organisation having grass root level set-up. However, the group felt that in order to ensure that the assistance sought to be provided by the cooperative societies to SF/MF really goes to them, there should be greater participation and involvement of the SF/MF in the management of the cooperative. This could be achieved through making proportional reservation for them in the managing committee and through a change in the system of electing office bearers of the cooperative. In this respect the group suggested that election by secret ballot be made mandatory so that the SF/MF may vote without fear and elect the man of their choice.

1.5.1 The other measure suggested is with regard to increasing the quantum of share capital loan or grant from Rs.10 to Rs.50. This will make the SF/MF eligible to higher credit limits for undertaking income generating activities.

1.5.2 The group also emphasised the need for the special efforts to be taken by the Primary Level Agricultural Credit Society (PACS). Each PACS should have a paid manager who should be responsible for organising and enrolling all SF/MF in the area of its operation as members of PACS. In order to motivate the paid manager, so that he really acts as a development agent, his salaries and emoluments may be raised suitably. This will attract proper talent for the job.

1.5.3 Regarding flow of credit to SF/MF the group recommended that 60% of the credit should be earmarked for SF/MF and loans be granted to them at differential rate of interest at all points.

One of the important suggestions made is that involvement of SF/MF in cooperatives should not be confined to local level only but they should be represented also at district and apex level organisation. A proper system of representation could be worked out if one accepts this in principle. To have real benefits from such participation, the

cooperative organisation at suitable level should in collaboration with extension agents organise suitable training and education programme for small farmer.

1.5.4 Representation of SF/MF and cooperative in local self Government

Ensuring the participation of SF/MF in cooperative is only one way of institutionalising them for economic benefits. From sociological point of view it is essential that SF/MF get proper representation even in Panchayat Samiti (village level local govt. organisation).

Similarly, the newly formed District Rural Development Agency (DRDA) should have at least two representatives of SF/MF.

1.6 Coordination at local level

Due to multi-agency approach and multiplicity of programmes, inter-agency coordination of activities was not being achieved properly. To ensure proper coordination in the functioning of various financing agencies and cooperatives at block level, the group suggested for the formation of credit coordination committee consisting of representatives from financing institution, PACS, and SF/MF. The BDO should act as convener and should meet at least once every month.

1.7 Involvement of cooperative in planning process

Reviewing the planning process at the state level the group came to the conclusion that the district and block planning continued to be merely a tentative and experimental measure in which cooperative played a very insignificant role. Various physical and financial targets to be achieved under various programmes and the relative share of cooperative in it was generally super imposed on them. For greater consistency of the district level plan with the state level plan the group recommended that the objectives and targets of the state plan should be fixed after considering various district level plans. Likewise the district level plans should be based on the block level plans the responsibility of which should be that of DRDA. At all the levels cooperatives must be given an opportunity to contribute effectively.

In fixing the target for cooperatives proper assessment must be made of what the cooperative could possibly achieve rather than what cooperative must achieve.

1.8 Monitoring and evaluation

The present system of monitoring and evaluation under various programmes practically does not go beyond providing stereotype progress report. For proper monitoring and evaluation of development projects for SF/MF the group suggested monitoring and evaluation at three stages by involving people at various levels.

- (i) Monitoring at local level (block level) consisting of VLW representatives of SF/MF and representative or local level cooperative or other service organisation and the BDO.
- (ii) Monitoring at district level - For this purpose monitoring and development cell be created at DRDA with suitable supporting staff and proper system of reporting.
- (iii) Monitoring and evaluation at the state level.

Group - II

2. Summary of Conclusions & Recommendations of Group - II on Financial Institutions to ensure the Flow of Credit to SF/MF.

2.1 Availability of credit to SF/MF

In the present institutional framework there is no serious problem with regard to availability of credit but the bottleneck is in respect of eligibility of individual SF/MF and individual society. The financing at present is largely security oriented. A large number of SF/MF face problem as they do not have adequate land base to be eligible for adequate development credit from financing organisation.

2.1.1 The cooperative should advance loan on the hypothecation of movable assets.

2.1.2 Suitable changes be effected in the loaning procedure to ensure that non-defaulter members are not deprived of the loan.

2.2 Credit at one contact point

As far as possible all requirements of the SF/MF (both physical and financial) should be met at one point of contact. There should be a uniform code of practice among different institutions offering credit as far as practicable.

2.3 Bringing the SF/MF into cooperative fold

A large number of SF/MF are still not members of cooperative, though Governments accepted policy is to bring them in cooperative fold. Special member education efforts should be made to bring the SF/MF into cooperative fold.

2.4 Ensuring timely supply of credit

In order to ensure timely supply of credit the credit plan be prepared not for one year but for three years so that the time lag is reduced. Each society should prepare a calendar of operation to ensure timely supply of credit.

2.5 Elimination of risk faced by SF/MF

The SF/MF face three types of risks i.e. Production Risk, Marketing Risk and Institutional Risk. The Govt. and the service organisation should evolve in-built system to take care of these risks. In order to encourage the financing by cooperative Land Development Bank, the contribution to risk fund by SFDA be increased from 2% to 5% with a matching contribution by the LDB. In order to encourage investment by SF/MF it is essential to ensure proper return. Group insurance scheme for SF/MF could go a long way in eliminating the risk factor. Recently (Nov. 1981) the Bihar Government has introduced Group Insurance Scheme in respect of 100 blocks for SF/MF & other weaker sections.

2.6 Formal and informal groups of beneficiaries

The financing organisation particularly the cooperatives should evolve suitable method to encourage the formation of formal and informal groups to ensure two way communication.

2.7 Representation of SF/MF in Managing Board of cooperative

In order to ensure the control of their environment the SF/MF should have adequate representation in the Managing Board of Cooperatives.

The representation should be based on the total number of small farmers in the membership. The SF/MF should have representation in the Branch Committee of the LDB also.

2.8 Supervision of Credit

At present the supervision relating to utilisation of credit is extremely weak and lax and needs effective check. Once loans have been granted and assets have been created a cent - percent check should be made by the prescribed agency of the financial institutions. Involvement of SF/MF in this process could be very effective.

2.9 Rural Development consultancy cell at District level to assist service organisation

In order to promote the diversification of activities of service organisation in the larger interest of SF/MF, a consultancy cell should be established at the district level with personnel drawn from various agencies. Diversification of activities will mean formulation of new projects in new areas. The service organisation could approach the District Consultancy cell for project formulation on commercial lines. Such a cell at district level is essential as each financial institution can hardly afford to maintain a cell for this purpose.

2.10 Flexibility in terms of repayment

The terms of repayment of loan in respect of SF/MF need flexibility. The financial institutions often fix unrealistic rigid norms incompatible with the production process which is essentially biological. The repayment schedule should follow the fluctuations in the production process.

2.11 Monitoring and evaluation cell at institutional level.

Monitoring should be organised not only at the headquarters of the service agency but at the regional and sub-regional levels also. Whenever an evaluation team intends to visit a field situation, it should coopt a few SF/MF beneficiaries of that area as members of the team.

Group - III3. Summary of Conclusions and Recommendations of Group-III on Cooperative Intervention and Strategy3.1 Mobilisation of Resources by SF/MF

The experience in this respect could be classified into two categories. So far as Maharashtra is concerned, there are instances where even poor farmers have made contribution from their own meager resources for establishing lift irrigation cooperatives. On the other hand there are also instances in which extreme poverty of farmers prevented them from buying the share capital to become members of cooperative. However, it is extremely necessary to promote and mobilise savings among them.

3.1.1 As different groups of SF/MF in the village have different economic activities and they required different kind of follow-up, supervision and monitoring, it is preferable to have independent cooperative for each economic activity. Such an approach is also desirable in view of the fact that certain activities earn more profit while others do not. Hence the problem regarding the distribution of surplus could be overcome. However, depending on the local situation, possibilities may be explored to include such sub-groups following different activities into one cooperative. Part of the surplus earned by a sub-group could be set aside to be utilised for general development.

3.1.2 In a situation like Bihar, the Govt. may consider granting margin money to the small farmers (in the form of loan at 4% interest). This money will help the SF/MF in the purchase of more share capital in the society.

3.1.3 Further, labour of small farmers may be utilised by the society for the services of common benefit and providing infrastructural facilities.

3.1.4 The cooperatives in order to ensure social viability may organise the SF/MF in sub-groups depending upon their occupations and social priorities. These sub-groups may have common means of production. Formation of such groups could be motivated if certain financial

accommodation and other facilities are ensured on priority basis and with some concessions.

3.2 Special treatment to SF/MF

Cooperatives must give special treatment to SF/MF. The share capital in respect of SF/MF may be fixed at 5% of the loan and this amount should not be deducted from the credit sanctioned. Members should contribute this from their own resources. Concessions to pay this should be given in the form of 4 annual instalment i.e. 2 per cent first instalment and three instalments of 1 percent each. Wherever possible SF/MF may be allowed to pay this in terms of labour.

3.3 Formation of new cooperatives or sub-groups

Wherever there is a situation for a group to form a cooperative, the group should formulate its own objectives and also decide the ways of its management. The above principle should also apply in such cases where sub-groups are formed within a society. The promoting agencies should help them as their guide in determining these objectives.

3.4 Ensuring usefulness and profitability of cooperative

To ensure faith of members in the working of the cooperative/sub-group, it is essential to undertake such activities which have got quick returns. To attract the enthusiasm of members even the distributive surplus may be enhanced.

However, surplus going to members is linked with the long-term profitability of the society. For this it is essential to diversify its activities particularly in the field of mobilisation of small savings.

3.5 Supervision and control

At present supervision and control is being handled by the financing agency and government officials. The best method of effective supervision and control lies in the involvement of members in this task. For this the SF/MF group members as also other members will need education and training. Short training courses, periodically organised workshops and similar other measures may be undertaken with the help of

cooperative training centre and cooperative training college. In the area of supervision and control the change agent could play important role as coordinator.

3.6 Eliminating vested interest

It is the common experience that self interest of village elites has influenced and distorted the functioning of village cooperatives. However, the remedy to such malady does not lie in outsiders checking these factors but in organising and adequately preparing the poor villagers for taking effective steps to prevent such factors blocking the progress of village cooperative. Here the 'Development Agent' could play crucial role. In this respect the policy approach should not precipitate a class feeling by separating small farmers from others in the village. The more sensible approach would be to educate the small farmers about the privileges available to them in the cooperative. Simultaneously efforts should be made to bring in a change in their attitude.

3.6.1 The long-term perspective of cooperative development should provide for incorporating cooperative philosophy into the overall education system. Not only this, vocational training at appropriate level could also be thought of by suitably incorporating the cooperative aspect of a given vocation. Along with this cooperative education and training projects should be encouraged. It has to be accepted that the problem of vested interest is not confined to cooperative sector only and there is no ready-made solution to it which could achieve miracles. The remedy lies in changing the opinion and attitude and making the SF/MF aware and responsive to cooperative efforts. In this respect appropriate measures should also be taken to impart training to leaders and executive cadre.

3.7 Research and Planning

At present the research and planning activities conducted by the Govt. agencies, academic institutions etc. are quite substantial. However, the knowledge so generated has not been properly disseminated in many cases. In other cases the research confined itself to the researchist. There are still many areas about which adequate knowledge is not available.

The State Cooperative Banks may undertake research and planning for SF/MF development in the following areas:

- a) Identification of needs of SF/MF in different regions and in different situations and measures to fulfil it and make it self sustaining.
- b) Ways and means of organising SF/MF for cooperative group action in respect of different types of activities.
- c) Examining the impact of capital subsidy - identification of appropriate ways and means to use the subsidy as a tool to promote different cooperative group action etc.

3.8 The frame-work of cooperative policy

Credit assistance or assistance in the form of modern inputs and technical know-how or subsidy are not the only measures or even sufficient measures to help small farmers. The cooperative policy frame-work at the state and central level should be formulated in a way conducive to the development of SF/MF. Marketing, warehousing, price policy, transport, crop insurance are some of the important areas which is of great importance to SF/MF. Land reforms must be implemented as a time bound programme to generate sense of security to SF/MF among whom a large number belong to the category of 'tenant at will'. Cooperative group action will gain a great boost from such measures.

3.9 Role of voluntary agency & development agent

The experience of the working of voluntary agencies has revealed that the first step towards the SF/MF is to safeguard them from exploitation and misery. This has been successfully achieved by organising SF/MF and training them in traditional skills already with them. However, the success is closely related with the quality of 'development agent' working on behalf of the development agency.

3.10 The main characteristic of a development agent could be summarised as follows:^{*}

3.10.1 Essential characteristics of an Intervening Agent and the steps of intervention

- Must avoid associating himself with those persons that come forward to meet and greet a stranger.
- Must not antagonise the other influential people but must have contacts with them once he has won the confidence of the poor.
- Must go to the farmers as a servant and not as a 'Saheb' (big boss).
- His attitude must be that of learning. For this he must be aware of his own personal convictions, desires to help, and basic assumptions and be open to see, listen and understand what is actually happening.
- Through repeated contacts (even spending nights with the people) he will be able to gather a world picture of the SF/MF. At this stage he will neither draw any inferences nor seek for answers.
- Thus he will be able to identify who actually are the SF/MF. Each and every SF/MF will have his own needs, relationships, experience of success and failure and his own vision of the future.
- By starting with two friends one can gather a small group and have discussions which can be formal or based on a topic of interest.
- By this time he will win the confidence of the poor people.
- Now he shifts his main attention to the other big farmers whilst still with the SF/MF or in a room in their locality.
- A certain amount of concern, interest and informal dialogue will create an atmosphere of trust. However, repeated contacts through discussions, playing with the children of the rich farmers he will gain respect from these big landlords. The point under consideration is that whilst he does not show that he is a friend of the rich farmer he still does not antagonise them and make them his enemies.
- With the landlords, traders etc., on his side he will be able to contact the leaders, Govt. and other officials.

* Based on the supplement submitted by Fr. S. Pinto, Director of Social Centre, Ahmednagar, at one of the Workshops.

- These group of officials are used to people who are either : (a) Rich : who buy their services or demand their services, (b) Poor : who are ever cursing them.
- The intervening agent may follow various strategies at this stage:

3.10.2 Persuasive Strategy

- (a) Appreciate the work and efforts done by the official. Find out his interest. He needs someone to talk to his grievances. Appeal to the good side of his conscience.
- (b) Certain functions can be arranged by the SF/MF group and the official invited. Keep out all requests for help.
- (c) Let the group now come to the official and draw up a programme of development. They must be told not to accuse anyone.
- (d) If the official refuses to cooperate and open up to the group then the next strategy.

3.10.3 Pressure tactics strategy

- (a) Invite high officials to the place for a visit and arrange a cultural programme. At this programme the needs of the people, their problems can be exposed.
- (b) Two things can happen:
 - i. either the official will ask his subordinate what is being done for these people, or
 - ii. if he too is a friend of the subordinate, he will by-pass the whole issue.
- (c) No requests, proposals, complaints are placed before the visiting officer.

This will serve as a warning to the local official. Even after this if he does not move then :-

- The agent should take up a small project with the help of some funds preferably gathered from the people or from the bank. Once again invite the higher up official. This time at a meeting make the people place before him the objectives, still without putting the blame on anyone. He may agree to take action but in practice may do nothing about this. If so then:
- (d) Ask the group to make periodic visits to the officials and, simultaneously to maintain and strengthen the group, take up small projects financed by some bank. Make this group to go to the taluka and district level and seek for fair deal. The intervening agent will put the group in contact

with the bank of that area and begin to invest small sums of money. Small loans may be taken but much work done. This will prove to the group that much work can be done in the cooperative way. The bank officials need to be appreciated - especially the ones who are at the lower rung or who may have been demoted. Training and forming leaders in the group will enable the intervening agent now to move at a distance. He must check whether dependence on him has grown and whether he has inadvertently worked towards glorification of his ego.

The intervening agent must see to it:-

- that the group meets regularly trying to avoid routine. Invite bank officials and government officials for such meetings,
- every member must be given voice at these meetings,
- check for the disruptive voice. He may have something valuable to say. It is possible that the group may be going in a wrong direction and his intervention may be beneficial for the entire group,
- train the group to be positive.

3.10.4 How to find such a field worker

Choose 10 boys not much trained. There are a lot of boys who have studied upto SSC or failed in SSC. Also there are many unemployed young boys in the villages.

Place these boys in various villages and ask them to stay either in a poor man's house or in a room which is in the locality of the SF/MF. He has to be given a stipend. He will record the primary data available. From the data collected and his impressions and experience of living with the poor could form a basis on which decision can be taken as to which boys are suitable as field workers.

Group - IV

4. Summary of Conclusions and recommendations of Group - IV on Policy issues for SF/MF development

4.1 This group identified the following lacuna in the existing delivery system of services:-

- (i) It serves the greedy more than the needy;
- (ii) There is lack of preparedness on the part of all the delivery systems, cooperatives and as well as others;

- (iii) There is no up-to-date land records or cultivation register available at the village level (Bihar) for farmers much less the small and marginal farmers and as such the target group does not appear duly identified, and their needs remain unfulfilled. Govt. decision of enrolling the small and marginal farmers as members of the Cooperative Societies has not been implemented though share capital @ Rs.10/- each has been provided by the Govt. ;
- (iv) Credit limit statements are not prepared in time by the Cooperative , Commercial Banks too do not have any advance planning based on the production need of the small and marginal farmers in the area;
- (v) There is managerial deficiency in as much as all the re-organised PACS do not have a full-time paid managers. Even though the number of the Departmental Supervisors is adequate there is absence of supervision for want of clear cut responsibility fixed for them;
- (vi) The resources of the primary agriculture credit societies are limited due to incidence of heavy overdues comprised with lack of local resources in the form of deposits;
- (vii) The Commercial Banks have not been able to make a dent mainly due to paucity of trained field functionaries;
- (viii) The Regional Rural Banks have no clear cut demarcated operational area;
- (ix) There is complete lack of effective coordination amongst the various systems of delivery of services; and
- (x) Consequently timely and adequate delivery of services to the target group is conspicuous by its absence.

4.2 To ensure coordination amongst the connected development activities on the one hand and amongst the various incidental agencies on the other, it is imperative to ensure the following:

- (i) In the long run the man has to be identified and a pass book issued to him with all requisite details. For the time being the cultivation register should be made up-to-date on the basis of informations available with the Revenue Officials and credit limit statements be prepared once for three years.

- (ii) No objection certificate should be obtained from the cooperatives by the member intending to borrow from other financial organisations, so long multi-agency approach is in operation. In the long run farmers should get all types of services under one roof - the primary cooperatives - other agency should supplement the resources.
- (iii) There should be exchange of informations amongst the different delivery system at the local level on day to day basis.
- (iv) At the district level there should be centralised system for monitoring and appraisal of the performance of the various developmental functionaries. The District Development Officer should be incharge of formulation, execution and appraisal of all the development plans.
- (v) The development function should be clearly demarcated from the administrative function and the responsibility should be assigned to D.D.C.
- (vi) Before taking up any scheme in the area, thorough preparedness with regard to supply of inputs, infrastructure and marketing facilities be ensured.
- (vii) Appropriate action should be taken to reduce the element of risk factors in favour of the SF/MF.

4.3 Package of measures for planning from below should consist of:-

- (i) Perspective planning at village level, the Panchayat and the cooperative to ensure this.
- (ii) Block Development plan should assimilate village cluster plans.
- (iii) The aggregate of the Block Developmental plans should form the district plan.
- (iv) Representatives of the cooperative societies, Panchayats and identified voluntary agency must be associated with the planning at all the levels and implementation thereof.

4.4 Planning, adoption of the plan and implementation as well as appraisal should be participative at all levels, the small and the weaker section of people must have due representation on these bodies. The system of performance budgeting has to be introduced to ensure PACC involvement.

4.5 Awareness can be created among the identified target group through ensuring proper information and communication systems. It is, therefore, necessary that:-

- (i) The small farmers should unite themselves into group on voluntary basis and there be periodical meetings to discuss the related problems and possible solutions.
- (ii) The Gram Panchayat must hold their meeting atleast twice a year as required under the statute and the small farmers should have their representatives in such meetings. Likewise the cooperatives should hold meeting frequently.
- (iii) Hand book of information of services and avenues available and procedures should be made available to the identified groups and the field functionaries at the grass root level.
- (iv) Training and extension camps should be organised both by the financing institutions and the development agencies periodically.
- (v) The cooperative training college in collaboration with the Public Relation Department and the financing and development agencies should prepare literature in hand books form on development schemes meant specially for the small and marginal farmers and other identified groups, in vernacular.

4.6 The concept of subsidy is laudably needed. The implementation, however, is fraught with serious misuse and as such it is necessary that the subsidy for group action should in due course, replace subsidy for individual actions. To minimise the misuse, interest subsidy instead of capital subsidy be encouraged for individual actions. The cooperatives are by far the best form of group activities, for the emancipation of the poor, and the subsidy schemes should be routed through cooperatives generally.

4.7 Administrative set-up needs re-orientation. Planning must start at the village level and for that a Gram Vikas Karta should be made exclusively responsible. At the block level the Block Development Officer and at the Sub-Divisional Level Additional Development Commissioner should be in-charge of formulations, implementation and appraisal of developmental plans and programmes. In the selected districts for intensive development the Block Development Officer should be from Indian Administrative Services. At the district level the District Development Officer should be exclusively in-charge of developmental functions and

the post should be manned preferably by an officer senior to the District Magistrate. The district authorities should have freedom in sanction of developmental schemes.

4.8 Creation of suitable environment for SF oriented developmental policies require:-

- (i) A qualitative improvement in the field functionaries.
- (ii) Recognition of the work by the people and the Govt.
- (iii) Freedom and liberty to the functionaries in selecting and executing the schemes.
- (iv) Enrolling the SF/MF/AL as the members of the primary cooperatives and meeting their needs on priority basis.
- (v) Proper representation of the SF/MF/AL in the management of the service system.

4.9 The components of action programme for small farmers development through cooperatives should be :-

- (i) Involvement of SF/MF in cooperatives, particularly in its management.
- (ii) Adequate and timely flow of credit for identified purposes for the target group.
- (iii) Timely and adequate supply of input.
- (iv) Diversification of traditional occupation of the target group. Proper opportunities and intervention by development agency to promote group.
- (v) Development of subsidiary occupations to ensure additional income both for repaying the loan and subsidies. The cooperatives should also diversify their activities mainly to cater the needs of the target groups.
- (vi) Proper opportunities and intervention by development agency to promote group actions by SF/MF.

4.10 Cooperatives has not^{to} be judged as a mere business organisation but as an organ of social transformation; a way of life in the longer interest of the society.

State Level Workshops - Group AssignmentsGroup - IFunctional and Administrative Group

1. The group is requested to recommend a practical definition of SF/MF and a suitable system of keeping the list up-to-date. The present problems of identification may be highlighted.
2. Improvement required in the selection of beneficiaries and implications of the procedure adopted for administrative efficiency.
3. Methodology to be adopted for the choice of schemes for SF/MF in relation to the needs, credit absorption capacity and delivery system of services. What should be given higher priority, development initiatives, on-the farm or off-farm income generating activities. How to assess the sort(s) of cooperative organisation and services the SFs would require under these priorities?
4. How to bring the services close to the door steps of SF/MF. How to bring in close interaction between the beneficiaries - development officials and the service agencies. The group is requested to give an outline of the methodology which are practicable in operation. (more than one alternative could be suggested).
5. What steps are taken by agencies in order to create suitable environment for SF oriented development policies (Economic, Political, Administrative and Legal). What approach is being adopted by the development agency to negotiate and intervene with public authorities to create a favourable environment for their own functioning etc. How the present situation could be improved?
6. What ways and means are needed in which the cooperatives are not merely a passive agency concerned with fulfilling certain targets set from above but are really involved in the development efforts of the government and the people. In this connection, please suggest an outline of action programme for small farmers development through organisation fitting the particular state situation. Participants should bring out general elements about methodology and type of cooperatives to be promoted. The concept of cooperative organisation is broadly conceived. It comprises small informal cooperative groups, pre cooperatives, single or multipurpose cooperative societies, area based cooperatives or combination of any of these.

7. If the group considers that the existing methodology of coordination at various levels is not suitable or productive, a more practical method could be suggested to achieve coordination:
 - a) between various government agencies and officials at the Block level,
 - b) between various financing agencies at the local level in general and cooperatives in particular,
 - c) between beneficiaries vis-a-vis the project official and the service organisation.
8. In the light of the fact that the present system of extension service is not effective what methodological changes are needed in approach. What part the service organisation in general and cooperatives in particular could play. (Please suggest an outline of the approach of implementing effective extension service for SF/MF.
9. Are the objectives which rural development agencies (IRDP/DPAP/ etc.) pursue consistent and compatible with the targets set and objectives pursued by district or state level planning authorities.
10. Do the agencies (organisations to which the participant belongs) have a formal monitoring and/or evaluation system? If so :
 - a) How is it organised?
 - b) Which are the indicators used for measuring effectiveness.
 - c) Are these indicators suitable under field situation?
 - d) Who are person involved or responsible of doing monitoring/evaluation? Are they trained and competent.
 - e) If there is no monitoring and evaluation system, would it be worthwhile investment?
 - d) Suggest methodology to organise this.

Group - II

Institutional Credit Group

The financial institutions have to play crucial role within the limiting factor of :

- a) a given land tenure structure the production relation under which is largely in favour of these with better resource base. The structural changes though absolutely essential would take its own time depending upon the socio-political factor. Could the financial institution wait till such changes take place to their advantages?

- b) the majority of the population who needs assistance belong to SF/MF, landless agricultural labourers, artisans etc., who have little capital asset to offer as security.

In the light of these constraints the Institutional Credit Group is requested to discuss the following issues:

1. Identify functional and procedural problems with regard to access, adequacy and timely supply of credit input. Please suggest the methods to reduce the time span in delivery of credit. How to bring the SF/MF from a marginal credit system into the mainstream of banking.
2. Please suggest ways of improving resource mobilisation for schemes that would benefit the SF/MF with more economical use of resources. In this connection ways and means of strengthening and improving financial arrangements may be suggested through which the delivery system could meet the farmers need at one point of contact.
3. Are the objectives pursued by the agencies to which participants belong consistent and compatible with the nature of services and assistance SFs would require for their survival and development? If not, suggest changes needed in the present approach.
4. Are the objectives which rural financing agencies are pursuing consistent and compatible with the targets set and objectives pursued by district (zilla parishad/District Board) or state level planning authorities.
5. How to ensure effective interaction between the financing institutions and the beneficiaries. What coordinated efforts by the financial institutions, particularly by the cooperatives could be visualised to promote peoples participation in action programmes through a change in the financing procedure in which farmers could be assured of help according to their felt needs if they organised themselves for group action. In this connection methodology of effective coordination between the financing institutions and project staff may also be suggested.
6. There is considerable amount of overlapping of efforts under the multi-agency approach which, apart from other problems, create confusion for the farmer. Procedure of financing also differ from one agency to other. Commercial banks, though in better financial situation do not enjoy grass root organisational set up. Cooperatives though weak have the grass root organisational set-up. What are the possibilities of better coordination of efforts among the two to exploit the strong elements in them to the advantage of the rural poor.

In this connection present system of inter-institutional coordination be examined with particular reference, to demarcating areas of operation or by allocating credit disbursement targets and highlighting the causes of institutions not operating together where they should?

7. The existing system of supervised credit is almost non-existent in the absence of effective extension service linked with credit. Please examine the possibilities and suggest methodology to provide credit to SF/MF linked with extension and supervision by the lending organisation.
8. Taking into account the viability of existing schemes the possibility of introducing new schemes as visualised by the financial institutions may also be examined. In this connection the main components of an action programme for SF development through cooperative action and organisation fitting this particular situation in Maharashtra/Bihar may please be indicated.
9. Do the institutions have a (formal or informal) monitoring and/or evaluation system? If so,
 - a) How it is organised for measuring effectiveness?
 - b) Are they suitable?
 - c) Do the system allow for direct or indirect participation by the beneficiaries?
 - d) How the system is related to the on-going activities and the preparation of new initiatives?
 - e) If there is no monitoring and evaluation system, would it be worthwhile investment? How should it be organised?

Group - III

Cooperative Intervention & Strategy - Group

3.1 In promoting cooperative organisation within the milieu of the target population. What consideration should be given by change agents to the following elements:

- (i) Resource input from group members (in the form of money, labour or land)
- (ii) Social viability of the group (cooperative), viz. mutual choice and acceptance as partners in development action.
- (iii) Profitability of cooperative action on a short-term for each of the members as opposed to profitability on a long-term.
- (iv) Determination of objectives of cooperative organisation by group members as opposed to determination of objectives by promoting agencies.
- (v) Development of cooperative organisation at a pace commensurate to the group members' capacity for self-administration as opposed to 'accelerated development' imposed and organised by change agencies and their agents in order to meet planned targets.

- (vi) Development of rules and pattern of organisation by group (cooperative) members as opposed to model rules and patterns imposed by agencies.
- (vii) Emergence and used of local leadership for administration and management through group sessions and discussions.
- (viii) Relation between internal control (control from within) and external supervision (from 'without' the group of members) as a check on possible misuse of power by local leadership and staff.
- (ix) Effective means to counteract and neutralize obstruction from a self-interested village elite.

To what extent do the views expressed by the participants on the strategy follow correspond with the actual promotional practices of development agencies?

3.2 The rural development agency should be organised in such a way that the right type of persons are attracted, their motivation kept up at high levels and that cooperative groups and societies are given the appropriate backing-up. How should the following key-services be organised and interrelate:

- (i) Manpower management, in particular in respect of first-line development workers, short-titled CAs (Change Agents).
 - a. Qualifications of CAs (generalists or specialists?) and recruitment procedures.
 - b. Place of CAs in the agency's organisation and their participation in determining policies.
 - c. Monitoring of CAs performance.
 - d. Terms and conditions of service; career perspectives.
 - e. In-service training facilities.

CAs normally are full-time employed by their agencies and sent into the villages to work at grass roots level. Is there an alternative to the use of professional CAs, for example part-time para-professionals selected from the village population and especially trained for their task?

- (ii) Education for small farmers
 - a. Learning by doing or learning by formal educational sessions, or a combination of both?

- b. What should be the contents of a cooperative educational programme? Should it be separately organised or be part of a general educational programme? How to avoid 'sermonizing' in cooperative education?
- c. How to ensure SFs getting access to the necessary information whereas they can take part in decision-making?

(iii) Training of leaders and executive cadre

- a. Skill training for administrators, secretaries, book-keepers, technicians. How should it be organised?
- b. How to avoid the un-intended side effect of enlarging the social distance between the trained and the non-trained? (leaders and cadre are equipped with knowledge which they often use to strengthen their positions of power instead of strengthening the serviceability of the cooperative organisation).

(iv) Technical assistance

- a. What kind of assistance do SF oriented cooperative organisations require in fields of management, book-keeping or other technical skills?
- b. Should agencies promote different economic activities (as in response to SF needs) or concentrate on a few for being able to assist effectively?

(v) Financing

- a. Should the functions of financing cooperative organisations and their promotion be carried out by separate agencies or integrated within one agency?
- b. The limited self-financing capacities of coops and cooperative groups is seen by some as one of the inherent weaknesses of the cooperative system. How could self-financing be stimulated? How to avoid undue dependence of SF development on (cooperative or non-cooperative) institutions which are not SF oriented, let alone SF controlled? Are common funds, jointly administered by SF oriented cooperative groups (coops) a feasible proposition?

(vi) Research and Planning

- a. A vast amount of research has been done (in India) on cooperatives. What has been the impact? What use has been made of it by planners and practitioners?
- b. What should be the strategy in respect of the organisation of research and planning for cooperative development? Should research (and planning?) be undertaken by independent research institutions, or by research and planning sections belonging to the development agencies themselves?

(vii) Inspection

- a. Should the agencies have its own inspectorate?
- b. Is there a need for an external supervisory authority,
 1. To supervise the functioning of cooperative groups and societies?
 2. To supervise the functioning of the rural development agency?

To what extent do the views expressed by the participants correspond with the actual situation?

Group - IVPolicy Group

1. Please identify the existing lacuna in the delivery system of services with regard to :
 - a) Preparedness and the morale of the delivery system;
 - b) System of monitoring and performance appraisal.
2. How to achieve coordination in respect of inter connected developmental activities on the one hand and coordination of activities among various institutional agencies on the other.
3. Please suggest a package of measures for planning from below indicating ways and means of increasing the involvement of cooperatives in the planning process and its implementation, as also the role of zilla parishad/District Boards and voluntary agencies.
4. Please suggest appropriate methodology of intervention through which the needs of the recipients of benefits finds proper place in the whole system of development, assuming that poor are not a homogeneous group. In this connection please also indicate the methodology through which the needs of the indetified groups could be reflected in the Block Plan.
5. How to create awareness and group action among the identified target group to ensure efficiency in transactions and bringing in adequate pressure on delivery service system by the beneficiaries.
6. What changes are needed in the concept of subsidy which could make it more advantageous for productive activities to the SF/MF and minimise the scope of its proper utilisation. In this connection the group may consider the possibilities and methodology of using the subsidy to promote cooperative efforts.

7. What changes are required in the administrative set-up at the implementation level so that they do not work merely as a 'system supporting agent'. What policy and administrative changes may be suggested in which the concept of 'regulatory administration' could be effectively implemented with clear cut demarcation between development and other works. This means vertical and horizontal linkage with various government department, service organisation, the project personnel - voluntary agencies and the farmers.
(Please examine these in the light of the administrative set-up and linkages suggested under the IRD).
8. What steps could be suggested for the development agencies in order to create a suitable environment for SF oriented development policies? (economic, political, administrative and legal). In other words, how do they approach, negotiate and intervene with public authorities to create a favourable environment for their own functioning, the cooperative organisations and small farmers economies?
9. What should be the main components of an action programme for SF development through cooperative action and organisation fitting the particular situation in Maharashtra/ Bihar.
Participants should bring out the generalizable elements in respect of methodology, type of cooperative organisation to be promoted and the strategy to be adopted for such promotions.
(The concept of 'cooperative organisation' is broadly conceived. It encompasses small informal cooperative groups, pre-cooperatives, single or multipurpose cooperative societies, village based or area based cooperative societies or combination of any of these).
10. What strategy and policy is required to be evolved in duplicating/multiplying the projects to make it suitable for macro application? How do we overcome the desire to multiply these projects globally, thus ignoring the advantages of micro level target group oriented approach?

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