ICA-NCUI OPEN ASIAN CONFERENCE ON COOPERATIVE CREDIT AND FINANCIAL MANAGEMENT

SOUVENIR

NATIONAL COOPERATIVE UNION OF INDIA

1 ADRAS

ICA-NCUI OPEN ASIAN CONFERENCE

ON

COOPERATIVE CREDIT & FINANCIAL MANAGEMENT

SOUVENIR

National Cooperative Union of India
56, NEHRU PLACE, NEW DELHI-110024

Edited & Published by C. D. Prasada Rao for National Cooperative Union of India,
56, Nehru Place, New Delhi-110024 and Printed by Pratibha Printing Agency
at National Cooperative Printing Press, 4/2 Kirti Nagar,
Industrial Area, New Delhi-110015. Phone : 587917

CONTENTS

Agricultural Cooperatives in India

Cooperation was introduced in India mainly as a defensive organisation for dealing with the problems of rural indebtedness. Cooperative credit societies came to be organised after the enactment of the Cooperative Credit Societies Act in 1904. For a long time since its inception, the impact of the cooperative movement on the rural economy was insignificant in the absence of any comprehensive plan for rural development. With the launching of the Five Year Plans 'Cooperation' came to occupy an important place in the national economic policy. The plans envisage Cooperation as a major form of organisation in many branches of economic activity, especially in agriculture, small industry, marketing and processing of agricultural produce, supply of agricultural inputs and distribution of consumer goods.

Approach to Cooperative Development

Systematic and integrated programmes for development of cooperatives in the field of agricultural credit, marketing and processing of agricultural produce and supply of agricultural inputs were included and developed in the Second and subsequent Five Year Plans on the recommendations of the All India Rural Credit Survey Committee (1954), which not only advocated but formulated in great detail an integrated approach to cooperative development including credit, marketing, processing and storage in the rural sector.

The basic principles of what is known as integrated scheme of rural credit suggested by the Committee are : Firstly, the State should participate in the share capital of various types of cooperatives at different levels to provide the initial momentum and strength to cooperatives. Secondly, credit alone is not an 'open sesame', but an important instrument of development which should be an integral part of an overall programme of marketing, processing and other allied economic activities. In other words, marketing, processing and other economic activities should be developed in the cooperative sector both for providing the cultivator with a better return for his produce and also to facilitate recovery of loans disbursed by credit societies and, thus provide support to the expanding volume of cooperative credit for agricultural production. Thirdly, the operational efficiency of the cooperatives should be improved by appointing adequately trai[ned] and efficient personnel responsive to the needs of the rural people.

The Industrial Policy Resolution of the Government of India adopted [in] 1956 also emphasised that the principle of Cooperation should be applied where[ver] possible and a steadily increasing proportion of the activities of the private sec[tor] developed on cooperative lines. This gave a new fillip to the development of [in]dustrial cooperatives. A significant feature of cooperative development under [the] plans is the extension of State support in various forms—financial, policy, and [ad]ministrative support—which has largely contributed to the accelerated pace of cooperative development in recent years.

Overall Record of Performance

The record of performance of the cooperative movement since the beginni[ng] of the First Five Year Plan has far exceeded its achievement during the preceding years, as is evident from the following figures :

		1950-51	*1960-61*	*1970-71*	*1973-74*
1.	No. of societies (thousands)	180	330	332	334
2.	Membership (in millions)	13.7	34.2	59.1	77.0
3.	Share capital (Rs in millions)	450	2,220	8,510	
4	Working capital (Rs. in millions)	2,700	13,120	68,100	96,479

Nearly 70 per cent of the total number of cooperatives are meant for servicing agriculture. These consist of societies for credit, processing and marketing of agricultural produce including dairy and other live-stock products and fisheries. Simultaneously, there has been a progressive diversification of activities of the cooperatives into urban credit, small industries, distribution of consumer articles, housing and other fields of economic activity. The number of such societies is now of the order of nearly 150,000. A healthy trend noticed in recent years is the establishment of national cooperative institutions for various activities in the cooperative sector—agricultural credit, marketing, processing, consumers and small scale and cottage industries.

Agricultural Cooperatives

Cooperatives provide various services and facilities to farmers for increasing production and income. The cooperative credit institutions give short-term loans for production purposes and also medium and long-term loans for developmental purposes like land improvement, sinking of wells, purchase of farm machinery, etc. The marketing cooperatives make available to farmers through primary credit societies, modern inputs like improved seeds, fertilizers and farm implements and also consumer articles. Marketing cooperatives undertake processing and marketing of agricultural produce of their members with a view to ensuring a better price for their produce. Processing units requiring large capital like sugar factories or spinning mills, have been organised as independent cooperatives.

Cooperative Agricultural Credit

There are two distinct cooperative agencies for provision of agricultural credit—one of short and medium-term credit and the other of long-term credit. The former is a three-tier structure consisting of State Cooperative Banks at State level, central cooperative banks at the district level and primary agricultural societies generally known as service cooperatives at the village level.

As on 30th June, 1974, there were nearly 1,54,000 service cooperatives in the country with a membership of 35 million. These societies cover 90 per cent of the villages and about 42 per cent of the agricultural population. The service cooperatives are affiliated to 341 district central cooperative banks, which, in turn, are affiliated to 26 State Cooperative Banks.

The service society is the king-pin of the agricultural cooperative movement. It is the service society which deals with the individual farmer. Besides providing short and medium-term credit, it supplies agricultural inputs, consumer articles and also arranges for the marketing of the produce of its members through the marketing society. For drawing its requirements of credit, a service society is linked to the central cooperative bank: for the purpose of obtaining supplies of fertilizers, consumer goods and also for marketing of agricultural produce of its members it is linked to the marketing society. Where there are large processing units like cooperative sugar factories, cooperative spinning mills (organised by cotton growers) etc., the credit society is linked to such processing units. Even for the purpose of long-term credit, the possibility of utilising the services of the service cooperatives is being considered. In other words, the whole approach is that, at the village level, the farmer should, as far as possible, deal with a single cooperative organisation which will provide integrated credit service to him.

For providing developmental finance for agriculture, there is a long-term credit structure consisting generally of primary land development banks of which individual agriculturists are members, and central land development banks at the State level consisting of primary banks. In a few States the cooperative land development banking is a unitary structure operating through its branches. There are 19 central land development banks in the country with nearly 1,500 primary banks and branches.

Cooperatives now constitute the major institutional agency for provision of agricultural credit. The following figures reflect the rapid expansion in their loaning operation in recent years :

(Rs. in million)

Year	Short & medium-term loans	Long-term loans
1950-51	229	14
1960-61	2,027	116
1970-71	5,778	1,189
1974-75	8,535	1,844

It was estimated that during 1974-75, 65 per cent of the total credit requirements of agriculture were met by institutional credit agencies ; cooperatives which continue to be the main institutional source for agricultural credit accounted for nearly 37 per cent and commercial banks nearly 29 per cent. It is significant in this context to remember that the cooperatives accounted for hardly 3 per cent of the total credit requirement of farmers in 1950-51.

The advent of Green Revolution has led to vast expansion in the requirement of agricultural credit and has also necessitated the re-alignment of the loaning procedures of cooperatives to suit the requirements of a progressive agriculture and particularly the needs of small farmers.

Cooperative Marketing

Marketing cooperatives as well as processing cooperatives undertake marketing of agricultural produce. The cooperative marketing structure consists of 3,278 primary marketing societies covering all important mandis in the country, 25 State federations and one national federation. Most of these marketing organisations were set up during the Second and Third Five Year Plans. The value of agricultural produce handled by these cooperatives in 1974-75 was of the order of Rs. 12.3 billion as against only Rs. 470 million in 1950-51 ; this is proposed to be stepped up to Rs. 19 billion in 1978-79.

Cooperatives in many States are substantially assisting the Government in procurement of foodgrains. The value of foodgrains handled by cooperatives in 1974-75 was of the order of Rs. 4.47 billion. It is significant to note that the procurement operations of the Government were earlier directed to mopping up foodgrains for equitable public distribution through fair price shops. The mechanism of procurement was more in the nature of civil supply operations inducing or requiring the farmer to part with his produce for the public distribution system. In contrast procurement operations on behalf of the Government are now directed to providing minimum support price to the farmer so that his incentive for larger production might remain unimpaired. The cooperatives are now playing an increasingly important role in ensuring a fair price to their members for the agricultural produce brought for marketing.

The National Agricultural Cooperative Marketing Federation and some of the State Marketing Federations are undertaking export of agricultural produce. During 1975-76, the value of agricultural produce exported by them was of the order of Rs. 215 million.

Cooperative Processing

Cooperative processing of agricultural produce helps farmers to obtain a better price for their produce. It also contributes to the development of agro-based industries in the rural areas. So far, over 2,100 processing units have been organised by farmers' cooperatives including 180 cooperative sugar factories, 76 spinning mills, 292 cotton ginning and pressing units and 148 oil mills.

The cooperative sugar factories in the country have an excellent record of performance. They now account for 45.7 per cent of the total production of sugar in the country as against only 1.4 per cent in 1955-56. All these sugar factories have generated a new confidence and evoked enthusiasm in rural areas. New agro-industrial complexes are springing around these factories. The setting up of a cooperative sugar factory has also acted as a nucleus for the socio-economic development of the areas around it, and has helped to develop a new class of rural entrepreneurs.

Cooperatives have also done well in the field of cotton ginning and pressing. They handle nearly 12 per cent of the total cotton production in the country. Cooperatives are now diversifying their activities to cover various other agricultural commodities and have also begun to extend their activities to secondary stage of processing like spinning mills, solvent extraction of oil etc. By the end of 1978-79, cooperatives are expected to handle 14 per cent of cotton production in the country, 5 per cent of oil-seeds and 5 per cent of paddy.

Supply of Agricultural Inputs and Distribution of Consumer Articles in Rural Areas

The marketing and the service cooperatives are playing a significant role in the distribution of agricultural requisites. Cooperatives have developed a net-work of about 51,000 retail outlets for distribution of fertilizers. Th value of fertilizers distributed by cooperatives in a year is now of th order of Rs. 8 billion as against only Rs. 218 million in 1960-61. Supply con-sumer articles in rural areas is undertaken through nearly 51,400 service c era-tives and 1,900 marketing cooperatives. The value of consumer articles di ited in rural areas by these cooperatives is now of the order of Rs. 4 billion.

Cooperative Fertilizer Projects

In recent years, cooperatives have entered sophisticated fields of pro ion including production of fertilizers. The Indian Farmers' Fertilizer Cooperative set up an Ammonia plant at Kalol in Gujarat with a designed output per day 10 tonnes, a Urea plant designed to produce 1,200 tonnes per day and an NPK at Kandla in Gujarat with a capacity of 1,200 tonnes per day. These plants in ng a capital cost of nearly Rs. 980 million, have already gone into production. O is also setting up another Nitrogenous fertilizer plant in Uttar Pradesh, a capacity of 1,200 tonnes per day of Ammonia and 2,000 tonnes per day a, at a capital cost of Rs. 1,850 million. Another cooperative fertilizer factory ng set up in Maharashtra.

Storage

For marketing of agricultural produce and distribution of agricultural ts envisaged in the 5th Plan, storage facility available with the cooperatives ng vastly expanded. The present level of storage capacity available with the coope es is of the order of 4.6 million tonnes. This is expected to be raised to nea .8 million tonnes in the next 2-3 years.

Dairy Cooperatives

Dairy farming is eminently suited to serve as ancilliary activity for incr ng the income of farmers, particularly the small farmers and other weaker secti of the rural community. The main objective of dairy programmes in the country is to develop dairy projects with emphasis on milk production in rural areas linked with processing and marketing of surplus milk in urban areas. Cooperatives are playing a very useful role in promoting dairy programmes by providing various services like provision of credit for production of milk, collection of milk, supply of cattle feed, processing and marketing of milk and milk products. The structure of dairy cooperatives consists of about 19,400 primary dairy cooperatives with a member-ship of 1.6 million. These cooperatives handle milk and milk products of the value of Rs. 960 million. The primary milk societies are federated into 154 milk unions. Recently a National Federation of Dairy Cooperatives has been organised. In the field of dairy cooperatives, the Kaira District Cooperative Milk Union at Anand in Gujarat State has carved out for itself an unrivalled reputation. The products of this cooperative are sold under the trade name 'Amul' which is a household name in the country. A new development is that funds from institutional agencies like the Agricultural Refinance and Development Corporation are being availed of for developing cooperative dairy programmes on project basis in select areas.

Cooperative Training and Education

Training facilities have been developed for the personnel working in the cooperative movement. The National Cooperative Union of Inida, which is the apex body of the Indian cooperative movement, and the State Cooperative Unions are mainly entrusted with the administration of the training programmes. The National Council for Cooperative Training set up by the N.C.U.I. in consultation with the Government of India, is operating a large complex of training institutions, comprising a National Institute of Cooperative Management and 16 Cooperative Colleges. The former caters to senior managerial personnel and the latter to intermediate personnel. The training institutes for junior personnel are generally run by the State Cooperative Unions. There is also a programme for providing training to members and elected office-bearers of cooperative institutions.

External Support to Cooperatives

The Central and State Governments, the Reserve Bank of India, the National Cooperative Development Corporation and the Agricultural Refinance and Development Corporation provide substantial support to cooperative organisations. The Central and State Governments provide legislative, policy and administrative support to the cooperatives.

Reserve Bank of India

The Reserve Bank of India is a major source of finance for cooperatives for financing the farmers for seasonal agricultural operations and also, to some extent, marketing of agricultural produce. Borrowings of the cooperatives outstanding to the Reserve Bank, as on 30th June, 1976 was of the order of Rs. 1.5 billion, which accounted for nearly 11 per cent of the total amount of Rs. 11.5 billion outstanding against the members of these cooperatives ; the remaining amounts were found by the cooperatives from their share-capital, reserves and other funds, and through deposits from members and the public. For seasonal agricultural operations, the Reserve Bank provides finances at 2 per cent below the Bank Rate. The Reserve Bank of India has also instituted a Fund called National Agricultural Credit (Long-Term Operations) Fund for providing loan assistance to State Governments to enable them to contribute to the share-capital of cooperative credit institutions. The total amount to the credit of this Fund is of the order of Rs. 4 billion. The Reserve Bank has also instituted the National Agricultural Credit (Stabilisation) Fund for conversion of short-term agricultural loans of cooperatives into medium-term loans in areas affected by natural calamities. The amount to the credit of this Fund is of the order of Rs. 1.45 billion. To advise the State and the Central Governments and to provide constructive supervision over cooperative credit institutions, the Reserve Bank of India has an Agricultural Credit Department with expert staff. The Bank has made significant contribution to the development of cooperative credit movement in the country.

Agricultural Refinance and Development Corporation

The Agricultural Refinance and Development Corporation was established in 1963 by a Statute of the Parliament. Its main object is to provide long-term developmental finance for agriculture. It provides assistance for schemes drawn up on project basis for specific areas for agricultural development. Upto 30th June, 1976, 2,903 schemes of agricultural development involving a financial outlay of Rs. 13.3 billion sanctioned by the Corporation of which its committed assistance was Rs. 11.5 billion. Each scheme is to be implemented over a period, generally, of 2-3 years. The total drawals from ARDC on 30th June, 1976 was Rs. 5.9 billion. The ARDC is a refinancing institution and its principal borrowers are cooperative land development banks, which account for nearly 90 per cent of the total loan commitments of the Corporation.

National Cooperative Development Corporation

The N.C.D.C. came into being in 1963 by a Statute of Parliament. It is a successor organisation to the National Cooperative Development and Warehousing Board which was established in 1956 in pursuance of the recommendations of the All India Rural Credit Survey Committee. The principal responsibility of the National Cooperative Development Corporation is to promote planned development of marketing, processing and storage of agricultural produce, and distribution of essential agricultural requirements of farmers through cooperative societies and, to this end, provide financial assistance to them. The total amount of financial assistance provided by the N.C.D.C. for various cooperative programmes up to 30-6-76 was of the order of Rs. 1.8 billion. This Corporation has made valuable contribution to the development of cooperative programmes for marketing, processing and storage of agricultural produce and supply of agricultural inputs, which have recorded rapid progress in recent years.

Overall Progress, Problems and Promise

The activities of the agricultural cooperative movement in the country have witnessed substantial expansion since the beginning of the last decade. A statement showing the broad achievements of these cooperatives is given at the Annexure. The overall context in which the cooperatives have been functioning has begun to change, and is fast changing. Thanks to rapid technological improvements the traditional agriculture characterised by static levels of productivity is fast yielding place to a modern and dynamic agriculture.

The new situation emerging in agriculture coupled with the fact that there are millions of farmers spread over thousands of villages, calls for an institutional framework for providing services and facilities to farmers for modernising their agriculture. For serving the farmer, there could be no better institution than the farmers' own cooperative. The basic objective of the cooperative being to help the small peasant, worker and artisan, reflects the goal of socio-economic policy of the State which has been expressed succinctly as "growth with social justice." Structurally, financially and administratively, cooperatives have to gear themselves up to fulfil the task that lies ahead of them, and be the principal instruments of economic development, specially in the rural sector.

The basic cooperative unit at the farmers' level is the service society. It should directly deal with all the requirements of the farmer and arrange for the facilities he needs for modernising his agriculture and for processing and marketing of his produce. The village society should essentially be a multi-purpose society, integrating within it credit and other services. As an economic institution the service cooperative should be a viable organisation, to be able to render prompt and efficient service to its members. The concept of viability is a dynamic one, depending on the nature of communications, types of services to be provided, etc. Nonetheless, the service cooperative will have to have a certain minimum potential of business turn-over in terms of essential services like provision of credit and distribution of inputs, etc., and for this purpose, certain minimum standards of viability have to be determined. Of the 154,000 service cooperatives in the country, there are quite a number of weak and un-economic units which are inherently incapable of providing efficient service to their members. A programme of re-organisation of these societies is already under way.

The service cooperative which constitutes the base of the agricultural cooperative movement is not a specialised institution; it is a "generalist" organisation. It has to be serviced by the specialised cooperative institutions for banking, marketing, processing, etc., at higher levels. In other words, to render the most efficient service to the farmer, the entire agricultural sector of the cooperative movement needs to evolve itself as a coordinated and inter-locked movement. There are also a number of public sector organisations in the agricultural sector of the economy. Cooperatives have already established working relations with these organisations; this will have to be further strengthened.

Processing and marketing activities in the cooperative sector, in the country, are of recent origin as compared to credit societies. Even so, their overall performance has been very encouraging. In the fields of makerting of foodgrains, distribution of fertilizers, processing of sugar and cotton, cooperatives have a commendab record to their credit. Efforts are afoot to intensify their activities in areas where th application of new technology in agriculture is yielding large surpluses Inasmu as the efforts of these cooperatives are directed to ensuring a better price to farmer for his produce, they have a vital role in sustaining and accelerating the tem of agricultural production in the country.

The vastly increased tempo in the activities of the cooperatives in recent ye has brought in its wake problems of management, which has two aspects--democ tic functioning consistent with competent professional management. To improve op tional efficiency, considerable attention is being paid to the formation of cadre technical and managerial personnel for cooperatives and to their training in mod techniques of management. A programme of training of office-bearers and memb of cooperatives has also been initiated to foster enlightened membership and be management of cooperatives. The welding of the elected management with p fessional management is a task which needs continuous attention and adjustment.

The objective underlying the agricultural cooperatives was to provide servi and facilities to the farmers for increasing production and income. These cooperati have a more important task ahead when agricultural growth is much larger in dimens and much more diversified in composition. Rural India needs for its economic grow a rural infrastructure of which the components are many and varied. One su element, the importance of which is far-reaching to the agricultural economy and th farmer, is inter-related system of cooperative credit, input supply, marketing, proce sing and storage of agricultural produce. The achievement of agricultural cooperativ in India, in the recent past, has been notable ; the promise it holds out for the futur in the context of the new situation emerging in agriculture, is even more exciting.

AGRICULTURAL COOPERATIVES IN INDIA

Record of Performance

Sl. No.	Programme	Unit	1960-61	1965-66	1971-72	1974-75
1.	Membership of primary agricultural credit societies	Million	17	26.1	32	36
2.	Coverage of agricultural families	Percent	30	40	41	42
3.	Short and medium-term loans advanced	Rs. in Million	2027	3420	6146	8535
4.	Long-term loans advanced	—do—	116	580	786.51	988.45
5.	Agricultural Produce marketed by cooperatives	—do—	1750	3600	8437	12149
6.	Cooperative Agricultural Processing Units	Numbers	1004	1500	1529	1586
7.	Fertilisers retailed by cooperatives	Rs. in Million	282	801	2882	6170
8.	Storage	Million tonnes	2.3	2.4	3.2	4.5
9.	Distribution of Consumer articles in rural areas	Rs. in Million	167	1980	1800	3500

Cooperative Credit— As I view it

A. P. SHINDE*

Eighty one per cent of the total population of India is rural and 70 per cent of the total working population is dependent on agriculture. Agriculture and allied activities account for nearly half of the country's national income. This is an index of the importance and crucial growth of agricultural development in national economy.

Birth of cooperative credit in the country could be traced to the Central Enactment 72 years back, mainly with the objective of dealing with the problems of rural indebtedness and counteracting the influence of money-lender. The object of the Credit Societies Act, 1904 as stated in the Preamble was 'to encourage thrift, self-help and cooperation among agriculturists, artisans and persons of limited means'. In its early stages the movement was entirely dependent on non-official leadership and its achievements in certain pockets where such leadership was available were indeed noteworthy. The progress was, however, slow. After nearly 5 decades of existence of the legislation, an assessment made by the All India Rural Credit Survey Committee (1954) revealed that the cooperative credit system could take care of only 3 per cent of the credit needs of the total population

With the introduction of planned economic development, the attention of the State aimed to be focussed on Cooperation as a suitable organisation for undertaking programmes of economic development including agricultural development. The cooperative movement was, therefore, given a crucial assignment in the economic policies and transformation of economic structure of the country. It was expected both as an end and means of economic planning. The First Five Year Plan set out that the principle of mutual aid, the basis of cooperative organisation and the practice of thrift and self-help which sustain it, generate a sturdy feeling of self-reliance which is of basic importance in a democratic way of life. The First Plan observed that 'Cooperation is an instrument which while retaining some of the advantages of decentralisation and local initiative will yet serve willingly and readily the overall purpose and directives of the Plan'.

*Minister of State for Agriculture and Irrigation Govt. of India.

A significant development during this period was the publication of the Report of the All India Rural Credit Survey Committee in 1954. The report made far reaching recommendations and gave a new direction to the cooperative movement in the country. The Committee emphasised that the problem of cooperative credit should be considered against the general background of rural economy exposed to powerful external influence of urban oriented trade and banking system. The Committee propounded an integrated scheme of reorganisation of rural credit based on the following three basic principles, viz. (a) State partnership in Cooperation at different levels ; (b) integration of credit with other activities, and (c) administration through adequately trained and efficient personnel responsive to the needs of rural people. The Committee also recommended the need for positive State association with a defined sector of commercial banking and for State initiative and State participation in the creation of suitable institutional means for the promotion of storage and warehousing on all India basis.

The Third Plan further stressed the importance of vigorous development of a large cooperative sector and succinctly described the role of cooperatives thus :

"Cooperation has the merit of combining freedom of opportunity for the small man with the benefits of large scale management and organisation as well as goodwill and support from the community. Thus, a rapidly growing cooperative sector, with special emphasis on the needs of the peasant, the worker and the consumer becomes a vital factor for social stability, for expansion of employment opportunities and for rapid economic development. Along with the growing public sector and private sector which function with responsibility to the community as a whole, the influence of Cooperation extends far beyond the particular activities organised on cooperative lines, and gives to the social structure and the national economy, balanced direction and a sense of value."

The Fourth Plan envisaged that the services which the farmers require should be institutionalised to the greatest extent possible and emphasised, in this connection, that it is only when the cooperative organisations embraced all activities from production to consumption and acted as an integrated system that they can fully discharge their social and economic responsibilities.

The objectives in the Fifth Plan are to consolidate and strengthen the cooperatives as a democratic and viable structure responsive to the needs of the peasants, the artisans, the workers and the consumers. The cooperative movement will be an important instrument for implementing the national policy of growth with justice.

Cooperatives continue to be the most important institutional source for agricultural credit. The cooperative credit structure can be divided into two categories: (i) short-term; and (ii) long-term.

The short-term cooperative credit structutre consists of the State Cooperative Bank at the apex level, Central Cooperative Banks at the district level and Primary Agricultural Societies covering a group of villages at the base and it meets the short-term and medium-term credit requirements. The long-term credit structure consists of the State/Central Land Development Banks operating either through branches or through primary land development banks at the district/sub-division/taluka level. Thus, the long-term credit structure is unitary in areas where apex bank operates through its branches.

The State and Central Cooperative Banks derive funds by raising deposits and by borrowing from the Reserve Bank of India and the Central Land Development Banks raise the required resources by floating debentures which are supported among others by the Life Insurance Corporation of India, Commercial Banks, Central and State Governments, the Reserve Bank of India and the Agricultural Refinance and Development Corporation.

The following data gives the major indicators of performance during the planned era of development :

Year	No. of societies (thousands)	Membership (millions)	% of agril. population covered	Short and medium term loans advanced	Paid-up share capital	Deposits	Working Capital
1	2	3	4	5	6	7	8
						(Rupees in millions)	
1950-51	105	4.4	9	229 0	76.1	42.8	372.5
1955-56	160	7.8	15	496.2	168.0	70.4	791.0
1960-61	212	17.0	30	2.027.5	577.5	147.5	2,739.2
1965-66	192	26.1	40	3,417.5	1,153.2	344.9	5,465.6
1968-69	168	29.2	43	5,039.7	1,673.1	568.4	8,122·2
1973-74	154	35.0	NA	7,616.7	2,711.0	893.0	15,131.5

It will be noted from the above table that while there were 105 thousand primary agricultural credit societies at the end of 1950-51, their number went upto 212 thousand in 1960-61 and this registered a decline to 154 thousand in 1973-74. This decline is mainly a result of the implementation of the programme of re-organisation and revitalisation of primary societies. The present approach envisages integrated rural development aiming at comprehensive development pertaining to all aspects of rural economy in covering rural population in the entirety with special emphasis on small and marginal farmers, landless agricultural labourers, village artisans, people belonging to weaker sections of the society which constitute the rural poor. In order to enable the farmer at the village level to obtain all his requirements viz., credit, both short/medium and long-term, agricultural inputs, essential consumer goods and agro-services such as custom hiring of agricultural machinery etc., and also technical guidance for agriculture from a single point, it is being ensured that the Primary Agricultural Credit Societies (PACS) at the base level are in effect multi-purpose societies providing a package of services. It is in this context that emphasis is being laid on organisation of Farmers' Service Societies (FSS) in areas having concentration of small and marginal farmers and other weaker sections of the community and Large-Sized Multi-purpose Cooperative Societies (LAMPS) in tribal areas.

The Expert Committee on Consumption Credit which has recently submitted its report has observed that any system that can effectively look after the rural mass of the people particularly the weaker sections has to be situated as close as possible to the borrower to facilitate his repaying in small amounts and over a period of time. The Committee has, therefore, expressed its firm view that the Primary Agricultural Credit Societies, reorganised into viable units, FSS or LAMPS each having a full time paid Secretary/Managing Director will be best suited to handle the business of providing production as well as consumption credit to the various categories of the rural community. It has often been complained that due to the strangle hold of vested interests in cooperative institutions, it has not been possible for members of weaker sections to join the cooperative credit institutions. It is essential to ensure universal membership in these institutions so that the benefits flow to all sections of the agricultural community particularly to those belonging to the weaker sections. Suitable legislative measures have already been taken by a few State Governments, by amending their Cooperative Societies Acts, providing for universal membership. More important, however, is the drive undertaken for enrolling members particularly those belonging to the weaker sections.

There has been considerable increase in the share capital, deposit mobilisation and loans advanced by the Primary Agricultural Credit Societies. The total paid-up share capital of PACS increased from Rs. 76.0 million during 1950-51 to Rs. 223.0 million in 1973-74. Similarly, their deposits and loan advances increased during the same period from Rs. 42·8 million and Rs. 229.0 million to Rs. 893·0 million and Rs. 7,616.0 million respectively. Significant progress has also been witnessed in the cooperative long-term credit. 19 State Cooperative Land Development Banks with a net-work of 631 branches and 847 Primary Land Development Banks affiliated to them operate in the country. The total loans advanced by them rose from Rs. 13·3 million in 1950.51 to Rs. 1,580.9 million in 1973-74.

In view of the commanding role given to the credit cooperatives, I would visualise the base level Primary Cooperative Credit Institutions functioning as the nerve centres of the socio-economic activities at the village level, capable of discharging multipurpose functions including provision of integrated credit, agricultural inputs, essential commodities, agro-services, collection of agricultural produce for marketing and health and family planning. Countries like Japan, offer examples of successful primary level credit institutions taking care of integrated needs of the farmer as envisaged above.

At the middle level, there is an urgent need for rehabilitation of weak Central Cooperative Banks. As on 30th June, 1975, out of 341 Central Cooperative Banks, 172, i.e., 50 per cent were identified as weak by the Reserve Bank of India.

During the Fifth Five Year Plan, the cooperatives are expected to provide Rs. 13,000 million as short-term credit. Rs. 3,250 million as medium-term credit and Rs. 15,000 million as long-term credit. In view of the recent measures taken by the State Governments for moratorium, discharge and scaling down of rural indebtedness of small and marginal farmers, landless labourers and rural artisans to non-institutional agencies, cooperatives are also expected to provide Rs. 1,150 million out of Rs. 1,700 million required to meet the consumption credit needs of this section of rural population.

To enable the cooperative credit institutions to function as effective instruments of national policy, a number of central sector schemes are being implemented. Under these schemes financial assistance is given to rehabilitation of weak Central Cooperative Banks in cooperatively weak States to improve their borrowing power. Assistance is also given to build up the Agricultural Credit Stabilisation Fund at the level of the State Cooperative Banks for the purpose of granting conversion of short-term loans to medium-term loans to loanees in areas affected by natural calamities. Besides, the Government also supports in the debentures floated by the State Land Development Banks.

Small, marginal and economically weak farmer continued to be the focus of attention. A number of measures such as reservation of 20 per cent of credit flowing from cooperative institutions, priority in the allocation of credit by cooperative institutions to small farmers and the creation of necessary infrastructure through special development agencies is being undertaken from the Fourth Plan onwards. As a result, it is expected that by the end of the Fifth Plan share of cooperatives in the total credit obtained by the rural families in the country would go up to 43 per cent under short-term and about 60 per cent of the medium-term and long-term credit requirements of the farmers. However, cooperatives need to be geared up to meet the agricultural credit needs of the farmers to the desired extent.

Strengthening the cooperative credit institutions and augmentation of their internal resources will go a long way in bridging the credit gap in the rural areas. The real solution lies in organising viable primary agricultural credit societies according to the national programme and launching a vigorous drive for reduction of overdues. Also, by amending the laws governing the cooperative societies, it should be ensured that majority of members on their committees of management belong to the category of small farmers, scheduled castes and scheduled tribes or weaker sections in general. This may ensure that the cooperative institutional framework is utilized in the interest of the vast majority and not for the few. This will also enable the weaker sections to have proper representation in the district central cooperative banks State level bodies and apex organizations. The Chief Ministers are requested to give the necessary administrative support and direction to make the programme a success. I am sure, the cooperative credit institutions will play an effective role in eliminating the exploitation by money-lenders and providing an alternative source of credit for the weaker sections of the community.

Role of Credit Cooperatives in Agricultural Development

Prof. B.N. CHOUBEY*

Introductory

Agricultural development is an integral part of overall economic development. Economic development is a process through which the people of a nation increase the efficiency of all their resources to achieve a sustained increase in their total income and per capita product, so as to provide for themselves desired goods and services, thereby increasing per capita levels of living and general well-being. The process of development is a dynamic one, involving constant change in the strategy, structures and procedures to achieve the same.

As most of the people in the developing countries are ill fed, ill clothed, ill housed, ill educated and in ill health---by the standards already accomplished in certain prosperous nations—the most important objective of economic development is to raise the average level of living of the human population. This in turn necessitates production of goods and services to expand more rapidly than the population.

The Indian economy comprises several important sectors which contribute to the total national product. But by far agriculture is the backbone of the Indian economy and prosperity of agriculture can significantly contribute to the general prosperity of the nation.

Contribution of agriculture to total national income amounted to about 53.8 per cent in 1960-61 which slightly declined to 47.3 per cent in 1971-72. About 70 per cent of the Indian work force depended on agriculture. Agriculture was the main source of raw material to India's leading industries, such as cotton and Jute textiles, sugar, tobacco, edible and non-edible oils, leathers, plantation industries, processing and preservation of fruits and vegetables. This sector provides.

* Professor of Finance & Banking, Vaikunth Mehta National Institute of Cooperative Management Poona.

a large market for industrial goods. Its contribution to India's export has been quite significant.

Although the long-term goal may be a balanced development of all the sectors of the economy, in view of its importance the development of agriculture holds the key to the overall prosperity of the nation. Thus in a rather fundamental sense, agricultural development may be considered as a pre-requisite for industrial development as well. In a true sense, industrial expansion cannot be achieved on a sustained basis without increasing agricultural productivity which must exceed the concurrent rate of increase in the demand for food. Increasing agricultural productivity may help to release part of its labour force for employment in other industries, while meeting the increasing food requirements of the non-agricultural sector. Increase in agricultural income pushes up the demand for industrial goods and may result in surplus rural savings available to finance industrial development. Lastly, it may enable agriculture to supply the major wage-goods (food) to industrial workers at prices conducive for industrial growth. In turn, industrialisation may accelerate the progress of agriculture in many ways.

It is in view of the above factors that Coale and Hoover came to the conclusion for India that "very substantial progress in that most backward part of the economy (agriculture) is a pre-requisite to successful development. If one sector limits the growth of the other, it is more likely to be a case of agricultural growth limiting non-agricultural than vice versa".[1]

Priority for Agricultural Investment

As regards the relative emphasis which agricultural investment should receive the opinion seems to be divided. One school agrees that efforts to increase food supply should receive top priority because of the high demand and great need for additional food or because the highest marginal productivity of capital lies in agriculture. The other school has emphasised on the priority of investment in industrialisation. However, the second approach is not considered desirable for over-populated backward and developing countries, particularly for the purposes of short-term planning to overcome a perpetual food deficit which may hamper the process of industrialisation. Thus it may be concluded that it may be economic to invest significant quantities of capital for agricultural development provided the marginal productivity of labour and capital can be constantly raised in the agricultural sector through appropriate technological changes.

---

1. Ansley J. Coale and Edgar M. Hoover, Population Growth and Development in Low-income Countries : A case study of India's prospects, Princeton University Press, Princeton, New Jersey, 1958 pp. 120-139.

Input-Output Relation in Agricultural Development with reference to Credit

Agricultural development may be the outcome of a number of identifiable and non-identifiable factors and inputs. These factors may be controllable or non-controllable. The contribution to productivity may be to some extent measurable in respect of some factors, while in respect of some others it may not be so due to the interplay of physio-biological factors and uncertainties inherent in agricultural operations. Agricultural credit is one of the following important inputs in agricultural production : (i) land area ; (ii) quality and fertility of land ; (iii) irrigation facilities of different types ; (iv) labour hours ; (v) quality attributes of labour ; (vi) mechanical power and quality of equipments ; (vii) live-stock and its quality ; (viii) seeds—type and quality ; (ix) rainfall ; (x) managerial and supervisory services : (xi) socio-economic institutional factors e.g., land tenure system, cooperation, credit availability, transportation, storage, marketing and processing facilities.

Variations in agricultural production may be due to any or all of these factors, which might vary from place to place and time to time. However, very few empirical studies are available to throw sufficient light on the production function in agriculture, so as to identify the relationship between output and various inputs. In particular, it is very difficult to precisely measure the impact of credit input on the agricultural production. Really, it is a matter for serious research. Nonetheless, it may be possible to have a sort of general study of the relationship that exists between the provision of agricultural credit, etc., by the credit cooperatives and the agricultural development that has taken place during the post-independence period. These, however, may be in the nature of "broad dimensional judgements."

Credit needs of Agriculture

Like any other industry, agriculture requires working capital finance in the shape of production credit. This type of need emanates largely from the marked contrast in the seasonality of production and consumption patterns on the farms. In addition, the farmers require intermediate and long-term financing in the shape of investment credit. The main purpose of this type of credit may be land improvement, bunding, reclamation, plantation, purchase of tools, equipments and machines, acquisition of live-stock or work-stock, creation of facilities, such as irrigation, fencing, storage, transport, farm-shed, etc.

The extent of credit needs is dependent on various factors but more importantly on the stage of agricultural technology and the credit-absorbing capacity of the farmers. The credit needs for modernisation of agriculture get superimposed over the financial needs of a traditional agriculture.

Agricultural development in India received proper attention only after launching of the First Five Year Plan in 1950-51 and credit came to be recognised as one of the important inputs. Prior to the All-India Rural Credit Survey (1951-54), no serious effort was made to assess the credit needs of agriculture and provide the same in a satisfactory manner. Mostly, the farmer was left to the mercy of the private money-lenders, "who supported him as the hangman's rope supported the hanged". Although the cooperative credit structure was launched as early as 1904, it played a very insignificant role in the development of agriculture. This was clearly revealed by the findings of the AIRCS report (1954). According to the survey about 70 per cent of the credit requirements of the farmers was met by the private money-lenders. The government and cooperative credit accounted only for about 3.3 and 3.1 per cent respectively in 1951-52. Whatever little cooperative credit was provided, a major part of it went to the big and medium cultivators. Paradoxically enough, a substantial part of even institutional credit was accounted for by household expenditure and very little was utilised for genuine agricultural development.

A part of low interest rate institutional credit was also utilised for repayment of high interest rate private loan. The main cause for this state of affairs appeared to be the chronic poverty of the peasants and the backwardness of agriculture in which credit was considered more as a matter of convenience than an important input for modernising and commercialising agriculture.

However, the post-independence era witnessed a number of epoch making events in the sphere of agricultural credit. One such important event was the launching of the "Integrated Scheme of Rural Credit" in 1954, as recommended by the AIRCS Committee. The main objective of the scheme was to gradually institutionalise agricultural credit through the development of a country-wide network of viable credit cooperatives with the active support and guidance of the State and the Reserve Bank of India. This became a major plank of the agricultural policy and the programme of development of the cooperative credit structure formed an important component of the strategy for agricultural development. The role expected of the credit cooperatives was defined in the Five Year Plans and targets of achievement were indicated. The table on the next page will give an idea as to the role assigned to them in agricultural development.

As compared to the position obtaining in 1951-52 (when planned development was ushered in), the credit cooperatives made tremendous progress by 1975-76 in quantitative terms. The loans advanced by them as short and medium-term approximately increased to Rs. 9,790 million by 1975-76 as compared to Rs. 229

Table-1

(Amount in Million of Rupees)

Plan	Short and Medium Credit		Long-term Credit	
	Targets	Achievements	Targets	Achievements
I Plan (1951-56)	1,250 (250 m)	496·2	50	28·6 1.i. (134·7) 1.o.
II Plan (1956-61)	2,100 (500 m)	2,027·5	250	116·2 1.i. (377·4) 1.o.
III Plan (1961-66)	5,300	5,039·7	1,500	1,481·6 1.i. (4,021·5) 1.o.
IV Plan (1969-74)	7,500	7,600·0	9,000	1,580·9 1.i. (9,145·3) 1.o.
V Plan (1974-79)	18,800 (5000 m)	8,535·4 (1974-75)	15,000	1,466.8 1.i. (9,140·7) 1.o. (1974-75)

N.B.: 1.i. = Loans issued
1.o. = Loans outstanding
m = Medium-term

million in 1951-52. In respect of investment credit, the long-term loans increased to about Rs. 2,300 million in 1975-76 as compared to Rs. 13.8 million in 1951-52. From a mere 3.1 per cent in 1951, the share of credit cooperatives has increased to about 40 per cent of the total requirements in 1975-76.

Other Services Provided by Credit Cooperatives

In addition to credit, the primary agricultural credit societies (PACS), provided a number of other services to the cultivators. The value of agricultural produce of members marketed through PACS amounted to Rs. 194.4 million in 1973-74. The total value of agricultural produce processed by them amounted to Rs. 37.4 million during the same year.

The position of farm requisites supplied by PACS to their members was as under in 1973-74 :

1. Seeds Rs. 125.9 million

2. Fertilizers	Rs. 1,777·6	,,
3. Pesticides	Rs. 128·8	,,
4. Implements	Rs. 38·9	,,
5. Others	Rs. 169·8	,,
Total :	Rs. 2,241·0	

Progress of Agricultural Production

The following table will reveal the progress of agricultural development during the five year plans.

Table-2

Production targets and achievements

Plan	Foodgrains (mill. t.)	Cotton (Thousand bales)	Jute (Thousand bales)	Sugarcane (mill. t.)	Oilseeds (mill.
I Plan					
Targets	62·6	410	540	6·4	5·6
Actual	66·9	400	420	6·1	5·7
II Plan					
Targets	81·8	650	550	7·9	7·7
Actual	82·0	530	410	11·1	7·0
III Plan					
Targets	100·0	700	620	10·2	10·0
Actual	72·0	480	450	12·0	6·4
Annual Plan (1968-69)					
Actual	94·0	540	290	12·8	6·9
IV Plan					
Targets	129·0	800	740	15·0	10·5
Actual	104·6	631	622	14·43	8·85
Fifth Plan					
Targets	132·0	800	770	17·0	14·0
Actual	101·06	708	449	14·31	8·36

*The share of cooperatives (including marketing cooperatives) in fertilizer distribution rose to about 60 per cent by 1974-75.

Growth rate in Agricultural Development

During the first phase between 1949-50 and 1960-61, the growth in agricultural development took place at the rate of 3.2 per cent p.a. During the second phase from 1960-61 to 1973-74 the growth rate was 2.1 per cent. Thus, the average growth rate over the 24 years of planned period was 2.7 per cent. Accordingly, the annual compound growth rate was 4.1 per cent in the I Plan, 3.1 per cent in II Plan, 3.3 per cent in III Plan and 2.2 per cent in the IV Plan.

It may also be observed that as compared to the poor growth of agriculture of 0·25 per cent during the first half of the 20th century, the growth during the Plan period was quite impressive. But in terms of the targeted rate, actual achievements and the needs of the country, the development leaves much to be desired. The wide fluctuations adversely affect the national income and necessitate large imports and raw-material.

It is estimated that a growth rate of 5.5 per cent in the country's national income, requires at least 5 per cent growth in agriculture. How to achieve it and what role credit cooperatives can play in accelerating the desired growth is a big question.

Impressive record of Achievements of Credit Cooperatives

As it has been indicated in the earlier paragraphs, the quantitative achievements of credit cooperatives as compared to aggregate targets set for them has been quite impressive and still there is great potential which could be exploited after removing certain constraints which hamper their growth and qualitative contents of their functioning.

But irrespective of future improvement in the quality of their performance, the credit cooperatives cannot hope to bring about any radical change in the nature of production function in agriculture, because credit is only one of the several inputs. Of course, fertilizer and irrigation inputs have been found to be quite significant besides land. According to an empirical study by Dr. S K. Mukhopadhyay of the University of Kalyani (West Bengal, India), the coefficients of the inputs of land, irrigation, fertilizers, tractors, education and labour, were found to be rather small in size. The sum of the coefficients indicated low elasticity of crop output with respect to their inputs. If the quantities of these inputs are doubled, output is likely to increase by only about 41 per cent.[2]

2. Sources of Variation in Agricultural Productivity by S.K. Mukhopadhyay (Macmillan Co of India, p. 60)

The credit cooperatives were by far the largest suppliers of credit and fertilizer inputs besides other farm requisites. The major part of the long-term credit supplied by cooperative land development banks was utilised for minor irrigation purposes. Thus credit cooperatives can take legitimate credit of having played a significant role in the development of Indian agriculture, although the same could not be measured in precise terms. They are capable of playing a still greater role provided they are able to overcome some of the constraints from which they suffer.

The main Constaints

Of course, some of their problems are inherent and no radical solution can be applied. These problems emanate from the physio-biological factors and vagaries of nature which dominate the scene of agricultural production. Policy problems arising out of inconsistencies in Government's agricultural credit policy as also their policy regarding organisational pattern of credit cooperatives, also adversely affect the efficiency of the cooperative structure.

In many parts of the country, the structure is still weak and suffers from constant shock of overdues which arise either on account of human failure or natural calamities. In view of this, the objective of universal coverage of the rural population has not been achieved. Although they are supposed to have covered about 92 per cent of the villages and about 42 per cent of the rural population, the effective coverage of villages comes to about 86 per cent and of borrowing members to about 35-40 per cent. The actual coverage has been affected due to high level of dormancy and mounting overdues. This has, therefore, adversely affected the process of institutionalisation of farm credit by the cooperative structure. However, the coverage was quite impressive in the States of Punjab, Haryana, Gujarat and Himachal Pradesh. The Statewise picture can be seen in the appendix. Then there is the problem of financing the small farmers and the weaker sections which represent the non-viable segment of the agricultural economy. This special responsibility cast on the credit cooperatives has vital bearing on their liquidity and solvency. All these factors act as roadblocks obstructing the free flow of fresh credit so essential to meet the ever increasing requirements of credit for modernising agriculture.

Besides, the growth of resources of the credit cooperatives has not been keeping pace with the growth of requirements. Although the deposits mobilised by them have shown a growth rate of 16 to 18 per cent p.a., in terms of absolute amount as compared to the estimated demand, have been far from adequate. This is more particularly true at the level of PACS.

Lack of management expertise has also been an important constraint. Thus, the paucity of financial resources and trained manpower has come in their way of providing integrated agricultural credit and services to the cultivators and the ideals of the "supervised credit" system have not so far been realised. The paradox of the situation is that cooperative credit is not only short of the requirement, but also that it is not most productively utilised. Consequently, the idea that cooperative credit will be self-generating, has not been realised to the desired extent.

All the same, there is no other agency potentially so strong and eminently so suited for agricultural development as credit cooperatives, particularly for populous developing countries like India, provided they are placed on a sound footing and their management and operational efficiency is constantly increased, so that they can effectively reach out to the cultivators in the far flung areas and serve their credit and other agricultural needs in an integrated manner.

Appendix

Coverage of Rural Population by Primary Agricultural Credit Societies as on 30.6.72

State/Union Territory	Total No. of societies	No. of dormant societies	No. of villages in the State	No. of villages served by societies	Population in the State (mill.)	Population served by societies (mill.)	Total membership of societies (000')	Members borrowing (000')
A. P.	15,054	2,355	27,084	24,765	35	29·8	2,299	798
Assam	3,069	2,056	21,295	17,467	13·3	08 6	389	24
Bihar	16,500	644	67,665	66,276	50	48·0	2,810	983
Gujarat	8,293	401	18,287	16,724	19·2	17·8	1,397	702
Haryana	6,244	118	6,670	06,670	8·3	08·3	694	397
Himachal Pradesh	2,537	53	16,920	16,920	3·2	03·2	454	180
Jammu & Kashmir	1,084	63	6,699	5,625	3·8	03·1	284	115
Kerala	2,084	235	1.635	1,635	18·2	18·2	1,794	731
M.P.	987	105	74,392	74,392	34·9	34·9	2,156	913
Maharashtra	19,973	199	35,851	34,501	34·6	25·3	3,199	1,342
Mysore	8,474	1,175	26,766	25,283	22·4	19·6	1,873	778
Nagaland	16	1	814	29	0·5	00·07	...	...
Orissa	3,476	357	48,822	46,466	21·7	19·0	1,476	312
Punjab	10,176	64	11,947	11,947	10·3	10·3	1,476	1045

Rajasthan	7,727	1,672	32,241	30,250	21.2	19·0	1,288	429
Tamil Nadu	5,562	641	15,735	15,735	29·2	29·2	3,351	803
Uttar Pradesh	24,559	2,419	1,12,624	11,624	67·4	67·4	5,749	1,471
West Bengal	11,118	2,815	38,465	38,645	26·4	22·4	1,037	292
Andaman & Nicobar	47	5	399	253	00·1	00·04	2	1
Chandigarh	28	...	17	17	00·02	00·02	4	2
Dadra & N. Haveli	12	2	72	67	00·07	00·02	2	...
Delhi	274	42	271	265	00·4	00·2	33	30
Goa, Daman & Diu	167	21	417	417	00·6	00·6	61	7
Laccadives	5	...	9	5	00·03	00·02	1	1
Manipur	527	60	1,947	1,323	01·1	00·9	75	15
Mizoram	85	28	...	129	0·3	00·2	5	...
Pondicherry	68	...	388	388	30·3	00·3	16	7
Tripura	420	122	4,932	1,284	01·0	00·4	84	23
Total	1,57,454	15,633	5,70,008	5,44,298	42·35	38·67	32,009	11,401

(Source : Statistical statements relating to cooperative movement in India—RBI)

Why Patronise

THE

BIHAR STATE COOPERATIVE BANK

1. It serves the largest number of agriculturists in the State through the 28 District Central Cooperative Banks and their affiliates.

2. The Bank's target of Rs. 130 millions for current Kharif financing exceeds the aggregate target fixed by all other Banks.

3. The Bank has special arrangements for financing agro-based industrial units working on cooperative lines.

4. Every rupee deposited with this Bank contributes to the maximisation of agricultural product by providing work to the largest number of cultivators in the State.

5. The Bank works under the complete Guarantee of the State Government and under the statutory control of the Reserve Bank of India.

6. It offers attractive rates of interest on deposits and provides all modern banking facilities.

7. The Bank has a strong financial position with a working capital exceeding Rs. 350 million.

Bihar State Cooperative Bank Limited

Diversification of Lending Activities of Land Development Banks

P.D. SHENOY, I.A.S.*

Introduction

Land Development Banks in the country have played a very significant role in the long-term credit structure for agricultural development in the recent past. A time has now come for the cooperative land development banking system to '*Diversify or Die*'. Almost saturation point is reached in some States in their traditional lending activities for financing for irrigation wells and I.P. Sets and thus a major buniness that has been feeding the banks with loaning activities is coming to a standstill. If the banks are to survive, develop and keep up the tempo of progress today, there is utmost need to find new avenues and channels of business for these banks. The question of diversification of business of land development banks has become a question of their future existence. If the long-term lending for agricultural development in Cooperative Movement in the country has to survive and the benefits of the rich experience and expertise that has been built by these banks in the course of their existence for several decades are to be reaped, they have to now jointly ponder and decide how their lending activities can be diversified to cover new avenues.

Debt Redemption

Land mortgage banks in the earlier part of this century were primarily meant to provide long-term credit to farmers for repayment of their prior debts, incurred with indigenous bankers. That was then the boiling problem of the day and so naturally received the top-most priority. Once fairly large number of farmers were freed from the clutches of non-institutional financiers, in keeping with the changing priorities, these banks had diversified their activities to meet long-term agricultural loans. The eligibility and the need for the loan was determined on the extent of land holding of the applicant.

*Managing Director, Karnataka State Cooperative Land Development Bank Limited.

Developmental Loans

During the decade from 1960 to 1970 these banks enlarged their lending activities from the traditional lending for debt redemption on the security of agricultural lands to loans for providing investment credits in agriculture, like irrigation wells, I.P. sets, land levelling and shaping in major irrigation project areas, Integrated Area Development Schemes, etc.

Agricultural Refinance Corporation

With the formation of Agricultural Refinance & Development Corporation and with its increasing activities during the latter half of the last decade, banks embarked upon implementing A.R.&.D.C. refinanced schemes and for development of horticultural and plantation crops also. Land mortgage banks by then truly changed themselves to be land development banks.

Dwindling Scope of Minor Irrigation

The major quantum of loans of land development banks has been given for development of minor irrigation purposes, specially for taking up of irrigation wells and providing wells with I.P. sets. With the limitations on the groundwater resources that is available in a few States the banks had to progressively reduce their lending to this type of activity in the recent past. Very soon minor irrigation schemes will be exhausted completely and so a major source of lending will be deprived for the banks. It has therefore become all the more urgent and necessary for all banks in the country to diversify their lending activities to other productive fields.

Agricultural Machinery

With the introduction of production-oriented system of lending in the first half of this decade, banks are able to increase their lending activities and are able to spread the net to a wider area and assist larger number of small holders who otherwise were not eligible for development finance. Loans for purchase of agricultural machinery and implements are given on increased scale in the recent past. Tractors and implements, power tillers, sugarcane crushers, sprayers, agricultural implements are more and more preferred by farmers from loans of land development banks.

Horticulture and Plantation Crops

As regards horticulture and plantation crops, the factors like favourable agro-climatic conditions/suitability of land and soil in respective States have been limiting factors for banks. Fortunately in Karnataka, agro-climatic conditions are most suited for several crops like areca, coconut, orange, grape, coffee, cocoa, cardamom, mango, cashew, mixed fruits, etc. and the land development bank has now embarked upon large scale lending for these horticulture and plantation crops. But not all States are in such favourable position from this angle and so in their cases need for finding new avenues is of utmost urgency.

Deepening of Wells, Bore Wells and Lift Irrigation

Need for deepening of existing wells by putting bores to augment availability of water is now felt on a larger scale by several famers. Advantages of surface bore-wells, inspite of higher investment, are catching the minds of more and more farmers Financing for lift irrigation, either individually or jointly, to make use of perennial water source from rivers and nallas by fixing pumps and construction of storage tanks, ... cement pipes is becoming popular in river basins and on river banks. The ... n encourage these activities for increasing their lending activities.

...hortage and Gobar Gas Plants

The acute shortage of power and fuel in the country has brought to front the ... for popularising the gobar gas plants in areas where cow-dung is available in ...y and which is now not being fully made use of. Depending upon the size of the ...ily and number of cattle heads, loans for construction of gobar gas plants of ...ious sizes can be considered so as to make productive use of the cow-dung to ease the problem of power and fuel in the rural areas.

Dairy, Poultry & Other Animal Husbandry

Development of dairy and poultry has very bright future in the country when we compare the per capita consumption of milk and eggs in our country with other developed countries. The majority of small and marginal farmers in our rural areas also need supplementary vocation and income. Dairy, poultry, piggery, sheep husbandry, etc., can be popularised depending upon the suitability of area If the State Governments were to undertake integrated dairy development project, just like the one undertaken by Karnataka State, with the aid of World Bank, this new avenue will enable land development banks with new business channels for some years to come.

Fisheries

In States where coastal and deep sea fishing industry is possible, enlarging these industries and its developmental activities can also be undertaken by banks. In-land fishing will also have scope for lending on a small scale.

Electricity

The State Electricity Boards, on account of financial stringency, have been delaying energising of the I.P. sets. Unless their capital resources are augmented, the Electricity Boards will not be in a position to take up large scale energisation of I.P. sets. The land development banks can come to the rescue of the Electricity Boards and provide the necessary finance. This is a good and sound source for land development banks for increasing their loaning activities. On behalf of each of these loanees who are given development finance for purchase and installation of I.P. sets, the land development banks can deposit with the Electricity Board amounts at the rate of Rs. 3,000 to Rs. 4,500 per connection repayable in annual instalments by the Electricity Board. In cases where the Electricity Board finds it difficult to bear the impact of the higher rate of interest to be paid by it, the State Government, normally steps in to make good the difference in the normal lending rate of the land development banks and the normal borrowing rate of the Electricity Board.

Share Capital Contribution to Cooperative Processing Units

More and more processing units like sugar factories, cotton ginning mills, oil mills, extraction units, and fruit processing units are coming up in the cooperative sector with active involvement of farmers. These units are required to collect from farmers share capital as a precondition to become eligible for term finance from N.C.D.C. Land development banks should come forward to finance farmers for purchase of shares of these units, either for single purpose loan or as composite loan along with other development requirements of the farmers.

Dry Farming and Farm Ponds

With the saturation point having reached in the lending for irrigation wells by exploitation of the ground water potential, the concentration should be now on development of dry farming to increase food production in the country. Financing for construction of farm ponds in dry farming areas has immediate demand.

Processing Units

Establishment of processing units near the production centres is to be encouraged to keep pace with the increased agricultural production in the country, so as to give the benefit of profits of these units to the growers themselves and so as to make the farmer involve himself in these processing units. We can think of establishing several new units in the cooperative sector. Formation of such processing units, forms part of agricultural development activity in the country and should be eligible for refinance from Agricultural Refinance and Development Corporation as processing is only a continual part of agricultural production and development.

There is a vast scope for establishing processing units, like rice mills, sugar factories, fruit processing and canning industries, cotton ginning and pressing factories, oil extraction units, etc. Financing of processing units should include purchase of land and machinery and financing for share capital also.

Land Reforms

The implementation of Land Reforms Legislations in several States in the country in the recent past has given one more vista for land development banks to enlarge their field of activities. Under the Land Reforms Acts, the State Governments are required to pay compensation to the landlords in respect of lands taken over from them. The tenant-owners are to pay the compensation amount in annual instalments to the Government. The land development banks can step in here and arrange to pay to the Government the amount due to the landlords by issue of loans to tenant owners for this purpose. With the active cooperation of the State Government machinery, it should be possible for land development banks to make use of this opportunity to augment its loaning and income.

Agro-Service Centres and Agro-Industries Corporation

The advantages and need for mechanisation of our agriculture is keenly felt in the recent days. In a country like cours consisting predominantly of small holders, they cannot afford to own themselves the required agricultural machines and implements nor it is economical for them to own them. Therefore, formation of agro-service centres in rural areas to undertake the farm mechanisation works on hire basis is to be encouraged to sustain the agricultural production growth in the country. Land development banks can encourage such agro-service centres started by individuals, societies and other associations by lending for purchase of agricultural machines and implements.

The credit needs of Agro-Industries Corporation are at present not met by land development banks. In fact the purpose and aim of Agro-Industries Corporations for which they are started qualify them for borrowing from land development banks. If the land development banks undertake financing their long-term financial requirements, it would give one more constant avenue for lending for land development banks.

Conclusion and Suggestions

The future survival and growth of land development banks specially rest on the diversification programme that they can undertake quickly and cautiously. Quickly because already in case of some banks the quantum of lending has come down and they cannot afford to wait any longer. Cautiously because new avenues and diversifications bring in certain problems and risks, and also cast on the land development banks additional responsibilities for undertaking supervised credit.

Norms fixed by the banks for arriving at loan eligibility based on the value of lands offered as security worked out in multiples of land revenue assessment enabled mostly large growers to avail the loans. Therefore small holders who are in majority in our country, are left out in several cases from the purview of land development banks. Now Land Reform Legislations are brought in force in several States. This enables several tenants to become eligible for availing loans from land development banks. Mostly these tenants becoming land holders under land reforms are small holders and our policies, programmes and norms for loan eligibility should largely meet the needs of the small land holders.

Land development banks should therefore boldly adopt production oriented system of lending. The priority given to age old landed security for determining the loan eligibility should give room for viability of the project determined on the increased income the investment will fetch. There should be far-reaching changes in the outlook of the banks to arrive at the loan eligibility. It should not be related to the value of the land owned by the applicant and offered as security, but based on the productive nature of the project, the repaying capacity after development etc. This revolutionary outlook in lending by land development banks calls for strengthening their technical personnel at all levels and making supervised credit a must to see the investment project turns to be fruitful and complete. The farmer should be given guidance, advice and assistance at every stage in completing the development project by the technical staff so as to eliminate the mis-utilisation of the loan amount for other purposes. Extension work and supervision over the credit should be the two tools for development credit in future. This approach and attitude on the part of banks will enable the majority of small farmers in our country to avail development finance through land development banks and thus improve their standard of living. In short, landed security should form only collateral security for the loans whereas viability of the scheme should be the main criteria for determining the loan amount and the eligibility.

When we decide and accept landed security it should be treated only as a collateral security. There is no meaning in continuing to fix margin of 50% for arriving at loan eligibility based on valuation of landed security. The whole concept of security needs fresh look.

The State and Central Governments instead of subsidising the investment credits of small farmers in S.F.D.A. and M.F.A.L. areas can well contribute the same money to a fund created by the financing banks to meet the losses that the banks may incur on account of their relaxing the security norms and incurring bad debts on the failure of the projects of small land holders.

The down payment condition is working hard in the case of several small farmers as they do not have the liquid resources to contribute the down payment

...ount. Down payment condition should be restricted to only large holders. In ...se of small holders it may be selective in cases where he can contribute the same by ...y of his own labour towards down payment.

The age old concept of floating debentures by land development banks should ... replaced by issue of loans by financing agencies like R.B.I., Agricultural Refinance ...d Development Corporation, State Governments, Life Insurance Corporation, ...mmercial banks, etc. The stipulation of the State Government guarantee for ...bentures to be floated appears to have lost much of its significance in the present ...ntext as the aims of all these agencies who provide resources to the land development banks are development of agriculture in the country. At best, State and ...entral Government, Reserve Bank of India can think of better control and supervi...on over working of land development banks to ensure efficient working of these ...stitutions by adopting sound financial policies.

...edium-Term Loans

Financing for dairy, poultry in some cases, requires land development banks ... consider grant of medium term loans also. The land development banks should ...so be permitted to issue medium term loans.

The implementation of several steps suggested above call for far reaching ...anges in the Acts, bye-laws and Trust Deeds of the banks, Agricultural Refinance and ...evelopment Corporation and Reserve Bank of India. The working of land development banks covers the ambit of all agricultural activities and so they need be aptly ...med and called 'STATE AGRICULTURAL DEVELOPMENT BANKS' to ...flect their true functions.

Cooperative Credit For Weaker Sections—Problems and Policies

DR. R.C. DWIVEDI*
S. CHANDRA**

Cooperation, in India, has touched almost all the spheres of economic activity. However, cooperative agricultural credit still holds its place of predominance in it. Of the 600 million population of the country 80 per cent live in rural areas of which 70 per cent are engaged in agriculture. Of these 70 per cent, 62 per cent own land holdings below 2 hectares and may be termed as small farmers. In addition to these 62 per cent, which also include the marginal farmers and sub-marginal farmers, there are the landless agricultural labourers and small artisans. All these represent the "left over people" known as weaker sections in the Indian agrarian economy. The scope of this paper is, therefore, limited to these "left over people" and cooperative agricultural credit.

The significance of the weaker sections in an agriculture-based economy stems from their population strength and the contribution they could make in revolutionizing the entire gamut of developmental activities. However, it is their weaknesses like very small holdings, low employment opportunities, poor wage income, functional idleness, etc., which have been responsible for their dismayingly retarded socio-economic conditions.

Cooperation was started in this country for the economic emancipation of the weaker sections. During the last over 70 years it has been providing credit to the farming community including the weaker sections. However, because of the magnitude of the problem of weaker sections it could touch only a fringe of it. After independence, more so after the implementation of the recommendations of the All India Rural Credit Survey Committee Report (1954), there was a marked expansion in cooperative agricultural credit. Since it was expected that this expansion will automatically cover the weaker sections also no specific schemes were started for them

* Executive Director, N. C. U. I.
** Joint Director (Agrl. Credit) N. C. U. I.

exclusively. It was the Rural Credit Review Committee (1968) which observed that, "Small farmers have not benefited in proportion either to their number or their needs from various programmes of rural development which have been under implementation during the three Plans. Our review of the record of cooperative agency confirms that this is also broadly true in regard to the availability of institutional credit for agriculture". The Committee recommended that special agencies should be created for raising the economy of the weaker sections to a surplus level. Since then special schemes were launched for providing agricultural credit to the weaker sections. Small Farmers Development Agencies, Agencies for the Development of Marginal Farmers and Agricultural Labourers were established to provide incentives to the lending agencies for financing the weaker sections. Reserve Bank of India fixed a target for cooperative agricultural credit institutions to disburse 20 per cent of the total credit advanced by them to weaker sections. Agricultural Refinance and Development Corporation, which is the refinancing body to all the institutions engaged in disbursement of medium and long-term agricultural credit, emphasized on the formulation of special schemes for weaker sections. However, all these efforts were not commensurate with the requirement of credit for weaker sections.

Economic stagnation of the "left over people" continued to puzzle the policy makers. Their increased dependence on private money-lenders, their incapacity to adopt the latest innovations in agriculture, their dismayingly low per capita income, left them in a state of utter distress. Realising their strength and immediate need for providing relief to the weaker sections Prime Minister, Smt. Indira Gandhi, included specific points for the emancipation of the weaker sections in the 20-Point Programme announced on 1st July, 1975. These points are, (i) distribution of surplus agricultural land to the landless ; (ii) bonded labour to be declared illegal ; (iii) scaling down/discharging of rural debts ; and (iv) national programme for the use of ground water.

Cooperatives, which were already providing credit and services to the weaker sections, of course, within their limited resources, got an added opportunity for providing credit to the weaker sections. Since scaling down/discharging of rural debt measures dried up non-institutional channels of credit to weaker sections, especially for consumption purposes, cooperatives also started distribution of consumption credit to them. However, many problems still confront the cooperative credit structure in providing credit and services to the weaker sections. A few of these problems are discussed below :—

Definition of Small Farmers

Many criteria like size of holding, income, organisation of the farm, degree of integration, etc., have been used to define a small farmer. However, no single criterion has yet been found adequately suitable to define a small farmer. Further, the

..ker sections in the rural areas comprise the small farmers, the marginal far-..rs, the sub-marginal farmers and the landless agricultural labourers. When we .. of weaker sections as a whole the problem of their classwise identification be-..es more complex in view of the fact that no uniform definition has yet been found ..able for even the most affluent of the above classes i.e. the small farmers. Certain ..rkable propositions have been adopted. Very small and small farmers are those ..ving ownership land holdings of up to 1 hectare and 1-2 hectares respectively or ..ual income therefrom. But the question of a suitable definition is still open ended.

Keeping in view the intricacies of the problem of having a uniform definition .. Committee on Financing Small and Marginal Farmers through Cooperative Credit ..ucture (appointed by the Govt. of Maharashtra) observed that the concept of small ..ners being a relative concept the definition "has of necessity to be arbitrary". .. Committee has suggested that a farmer whose credit eligibility is not more than ..1,000 may be called a small farmer.[1]

In a workshop held at the Michigan State University the definition suggested .. a small farm was as under :—

"Small farm agriculture comprises those farms where (i) bulk of labour force, ..agement and capital come from the same household ; (ii) production is either ..sumed on the farm and/or traded in local markets ; (iii) the decision making pro-.. is hampered by limited access to marketing and political institutions ; and ..) the farmers do not live much above culturally determined subsistence levels."[2]

In India the problem of having a suitable definition still persists. In all the ..ates a working definition has been adopted to ensure that the line of cooperative ..ricultural credit to weaker sections is not choked.

..gnitude and Diversity of the Problem

As indicated earlier 62 per cent of the 70 per cent rural population holds land upto two hectares. In addition there are landless labourers and small artisans. Further, due to a wide range of diversity in the socio-economic status the problems of the weaker sections are also diverse and each problem needs a different approach for its solution. The tribals, the harijans, the sub-marginal farmers, the marginal farmers and small farmers, the landless labourers and the small artisans cannot seek recourse to any uniform measure adopted for their economic emancipation.

Nature and Requirement of Credit

To meet the diverse requirements, credit too has to be available for different purposes, at different times in different quantities and for different periods. So far

1. Report of the Committee on Financing Small and Marginal Farmers Through Cooperative Credit Structure.
2. K. Harrison and K. Shwedel."Marketing Problems associated with Small Farm Agriculture".

agriculture is concerned in addition to production credit there is greater need of credit for capital formation so that the weaker sections of land holders may adopt the latest innovations in agricultural technology. In order to make the production credit easily available to them it has to be more production-oriented and less security-oriented. The period of repayment of credit for capital formation has also to be comparatively longer. Consumption needs being more pressing have to be met immediately. A part of the estimated credit needs for consumption of Rs. 170 millions has to be met by cooperatives out of their own resources. The production credit needs are also very heavy. Of the Rs. 25 billion short-term and Rs. 15 billion long-term estimated agricultural credit requirements even if a minimum 20 per cent is to be provided to weaker sections it comes to about Rs. 5 billion and Rs. 3 billion respectively.

In order to face the problems squarely and to ensure smooth flow of credit both for production and consumption purposes, action has been initiated by the cooperatives. Special concessions have also been provided to the weaker sections. These concessions are summarised below : —

For short and medium-term agricultural credit the cooperatives have adopted the following measures to facilitate greater flow of credit to the weaker sections of the community :

(i) Instead of insisting on the value of security cooperative credit institutions now advance credit to weaker sections on the basis of assessment of purpose for which credit is required.

(ii) Medium-term loans up to Rs. 2,000 for subsidiary occupations like dairy, sheep-rearing, etc., are provided without security of land.

(iii) Primary agricultural credit societies advance medium-term loans for purchase of tractors and power tillers in excess of Rs. 3500 without insisting on mortgage of land.

(iv) Medium-term loans up to any extent are advanced to the borrowers if legal provision exists for creating statutory charge.

(v) Medium-term group loans up to Rs. 4,000 are advanced without security of land.

(vi) The States Cooperative Banks are required to ensure that at least 20 per cent of the central cooperative banks' advances to primary agricultural credit societies during the year are issued for financing small, marginal and economically weak farmers.

(vii) Suitable legislative amendments have been made to remove impediments in the way of refinancing of loans to agricultural labourers for subsidiary occupations and to enable Reserve Bank of India to accommodate the credti requirements of the schemes for the development of fisheries, etc.

(viii) Cooperatives have started providing loans to tenants and share croppers.

(ix) Relaxations have been made in respect of share linking ratio in favour of weaker sections, with the additional facility of subscribing to share capital in instalments.

As regards long-term cooperative agricultural credit the following steps have been taken to ensure greater flow of investment credit to the weaker sections :

(i) Terms of repayment of loans have been suitably revised.

(ii) The amount of down payment to be made by the weaker sections has been lowered.

(iii) Facility for payment of share capital in instalments has been made.

(iv) Primary land development banks in SFDA areas are now eligible for full assistance from the apex land development bank irrespective of the percentage of their overdues.

(v) So far as security is concerned, the land development banks now take incremental income into consideration for assessing eligibility of loan rather than landed security offered for mortgage.

From the above it will be observed that most of the impediments hampering the cooperative credit structure to provide production and investment credit to weaker sections have been wiped off. These measures have given a fillip to the programme of financing weaker sections by the cooperatives and it is hoped that against the stipulated 20 per cent agricultural credit to be disbursed by the cooperatives to the weaker sections 30 to 40 per cent short-term and about 50 per cent long-term agricultural credit disbursed by the cooperatives will go to the weaker sections.

As already indicated above in pursuance of the 20-Point Economic Programme of the Prime Minister, many State Governments have passed legislation for moratorium, discharge/scaling down of debts incurred by small farmers, agricultural labourers and rural artisans from private money-lenders. These measures have resulted in drying up the credit line from non-institutional sources, particularly for consumption purposes. The Government of India appointed a Committee, headed by Mr. P. Sivaraman, Member, Planning Commission, to suggest alternate sources of institutional credit to the borrowers affected by debt relief measures. The Committee estimated the consumption credit needs of the weaker sections at Rs. 1700 millions. The Reserve Bank of India has issued guidelines for implementation of the recommendations of the Committee according to which cooperatives will be advancing consumption credit for the following purposes :

A. General consumption

B. Medical expenses

C. Educational needs

D. Marriage ceremonies

E. Funeral, births, etc.

F. Certain religious ceremonies.

In addition to the above purposes cooperatives also advance consumption credit to the weaker sections against security of gold and silver ornaments.

The Agricultural Refinance and Development Corporation, which reimburses 90 per cent of the amount of a scheme sanctioned under the aegies of SFDA/MFAL, had sanctioned 71 schemes of which 69 are being implemented through the cooperative land development banks and two by the state cooperative banks. These schemes covered a wide range of purposes like dairy development, land development, plantation and horticulture and fisheries. In order to facilitate the flow of finance to the weaker sections in the scheme areas the liberalised definition of small farmer beneficiaries has been made effective. The classification of farmers for different agro-climatic regions in the country has been communicated to the cooperatives. The definition has been made applicable to all the ARDC schemes including the on-going IDA projects. It is estimated that the number of small farmer beneficiaries accommodated under the ARDC schemes is between 50 to 60 per cent of the total number of loanees and the amount disbursed is 30 per cent of the total disbursement.

Thus it may be seen that the cooperative credit structure in India has taken up distribution of production as well as consumption credit to the weaker sections in a significant way and it is hoped that it shall succeed in performing the job satisfactorily. Here it may not be out of place to add that the cooperative credit structure was often accused of keeping the weaker sections out of its ambit. This is not true. The Committee on Financing the Small and Marginal Farmers Through Cooperative Credit Structure (appointed by the Government of Maharashtra) has observed that "There is little evidence to suggest that the very small and small farmers do not receive their due share in the total short-term credit dispensed through the cooperative structure. In fact, the very small and small farmers seem to receive more than their due share in comparison with the medium and large farmers". This trend is certainly going to continue particularly because of the renewed environment provided by the steps taken under the 20-Point Programme and legislative measures introduced to universalise the membership of cooperative credit societies and it may be safely concluded that with the present policies the cooperatives will succeed in ameliorating the conditions of the weaker sections.

Training Arrangements in India in the Field of Cooperative Credit

The National Council for Cooperative Training is in overall chaJge of cooperative training programmes in the country, including the training of personnel in cooperative credit, both short-term and long-term. A three-tier structure of eooperative training, operating under the Council, consists of National Institute of Cooperative Management, Poona for training senior and key personnel ; a net-work of 16 Cooperative Training Colleges for intermediate category (middle management level) personnel ; and lastly 66 Cooperative Training Centres to cater to the training requirements of junior personnel (lower management level).

The senior level personnel, under the scheme of training at the National Institute, Poona broadly include persons in-charge of direction and control of cooperatives in the State, divisional and district levels. The intermediate level personnel are generally those holding middle-supervisory positions in the State, regional and divi-al level institutions; managers/secretaries/accountants of bigger primary societies and sion junior category includes those in the lowest cadres such as supervisors, clerks, sub-accountants, etc. etc.

Vaikunth Mehta National Institute of Cooperative Management

The Vaikunth Mehta National Institute of Cooperative Management, Poona conducts a regular Post-Graduate Diploma Course in Cooperative Business Management extended to a full academic year. The Course is intended to develop conceptual and dicision making skills of young executives and departmental officers through constant exposure to modern scientific management concepts, methods and techniques. The programme divided into three semesters, suitably interspersed with campus and practical training, also provides specialisation in different sectors including 'cooperative banking'. The course has a capacity to train 30 persons in a year. Since its introduction in 1967-68, 254 persons have so far been trained under the course (upto March 1976).

The Institute also conducts a seven-week Cooperative Executive Development Programme, to develop conceptual, communication and decision making skills amongst the senior executives/officers of cooperative institutions and of the Department. The Course provides orientation in cooperative organisation, management and administration, cooperative development and socio-economic environment in which the cooperatives function. The Course (including the erstwhile senior officers' course) has, till the end of March, 1976, trained 1,150 persons of which 459 persons had come from the cooperative institutions, mostly from banks.

Apart from the above mentioned regular programmes, the Institute also conducts national/regional seminars/conferences etc., to expose the leaders and key executives to modern concepts of management and provide a forum to discuss managerial problems. Several short-term/ad-hoc courses are also organised to meet the needs. The Institute, during 1975-76, had organised a 2-week programme in 'credit planning' for the Bank Executives and 16 persons were trained. The Institute during 1974-75 had organised a 'National Seminar on Management for the Chairmen/Chief Executives of State Cooperative Banks, in which 61 persons participated ; and a programme in 'Credit Planning, Appraisal and Funds Management', which was attended by 56 persons. During 1976-77, the Institute has proposed to organise (i) a 6-day programme in Credit Planning in Cooperative Banks, (ii) a 2-week programme for personnel in Agricultural Credit Projects financed by World Bank, and (iii) a two-tier seminar for the Chairmen and Chief Executives of the State Cooperative Banks (6 days).

Cooperative Training Colleges

A specialised Diploma Course in Cooperative Banking conducted at two Cooperative Training Colleges, i.e., at Madras and Nagpur caters to the training needs of middle level personnel employed in the State and District Central Cooperative Banks in various States. This 16-week duration course provides for the teaching of the four theory subjects namely ; (i) Principles and Practice of Cooperative Banking (65 periods) ; (ii) Practical Banking (55 periods) ; (iii) Cooperative Banking—Accounts and Audit (60 periods) ; and (iv) Latest developments in the Cooperative Practice and Cooperative Laws (25 periods). The practical training provided in this course for 6 weeks is interspersed in two parts, i.e., 2-weeks of observation tour and 4-week on the job training including attachment with the cooperative and commercial banks. With 2 to 3 sessions of the course organised at each College, the course at present has got the capacity to train about 150 persons a year. At a new College opened recently, this Diploma Course is being taken up and about 75 to 100 bank personnel will be trained every year. A total number of 1, 153 persons has been trained till the end of March, 1976 in this Diploma Course since its introduction in 1963. During the year 1976-77 four sessions of this course are provided, which are expected to train about 120 persons.

A 15-week Diploma Course in Land Development Banking organised at present on regional basis at five Colleges, viz., Hyderabad, Indore, Kalyani, Lucknow and V.V. Nagar caters to the training requirements of intermediate level personnel working with the land development banks. The design of this course provides for teaching of three theory subjects, viz. (i) Rural Economy, Cooperation, and Long-term Credit (50 periods); (ii) Operational Aspects of Land Development Banks (50 periods); and (iii) Management and Accounts in the Land Development Banks (50 periods). The practical training under the course is provided for seven weeks which includes (i) Orientation in the A.R.C. Schemes, SFDA/MFAL and other Special Schemes (1 week), (ii) Study of practices and procedures of the working of Land Development Banks (2 weeks), (iii) Job-Orientation through field attachment (2 weeks), and (iv) Survey training (2 weeks). Till the end of March, 1976, 3,626 persons have been trained in this Diploma Course at various Colleges. During the year 1976-77, 13 sessions of this Diploma Course have been provided at five Colleges and about 390 persons are expected to be trained in this basic course in long-term finance.

In addition to the above mentioned two regular Diploma Courses, short-term functional and job-oriented courses are also offered and organised at Colleges to meet the specific training needs of the personnel working both under short-term and long-term credit. Certain ad-hoc courses are also taken up by the Colleges as per the specific need and requirement of the banks. The projection of courses issued by the National Council for Cooperative Training, has identified 40 areas for which short-term courses are being organised at present. A list of these courses is furnished at Annexure. During the year 1975-76, 25 courses in this sector were undertaken, wherein 750 persons were trained, 488 persons in the short-term credit sector and 262 persons in the long-term credit sector.

In addition to the above specialised training programmes exclusively in the field of cooperative credit, the personnel from the cooperative credit sector also avail of training programmes under other courses organised at the Colleges. Mention here may be made about the foundation course called Higher Diploma Course in Cooperation (36 weeks), which provides basic training in Cooperation. This course deals in some depth various aspects on organisation and working of cooperatives and is problem and practice-oriented, providing practical training through study and field-placement tours. The course design meets the needs of the personnel in credit cooperatives also. Till the end of March, 1976, a total number of 15,877 persons had been trained under this Course, of which 3,225 persons were from cooperative institutions, mostly cooperative banks.

Cooperative Training Centres

Like the basic course (H.D.C.), a basic course of 24 weeks duration is also organised at the Cooperative Training Centres to meet the training requirements of junior category personnel. The course caters to the training needs of the junior personnel working with primary agricultural credit cooperatives, district cooperative banks and land development banks. Till the end of March 1976, as many as 1,34,517 persons had been trained in this basic course, of which 74,296 had been trained, from the cooperative credit institutions.

In addition, some of the States like Maharashtra and Rajasthan are also organising special banking courses for junior cooperative personnel. The State of Maharashtra, during 1974-75, organised special 8-week courses for the employees of Urban Cooperative Banks/Salary Earners' Cooperative Societies. Rajasthan, another State of Indian Union, conducted special courses of 8 weeks' duration, in the field of Cooperative Banking, for the junior personnel. Similarly, another State, namely, Madhya Pradesh organised a 12-week duration course, for the Secretaries of Primary Agricultural Credit Cooperatives. Gradually more and more States are attempting to follow this approach.

Training Under the Aegis of National Bank of the Country

The Reserve Bank of India has been running a College of Agricultural Banking at Poona which offers a regular course in agricultural credit for the executives of commercial and cooperative banks of the country. Similarly, other nationalised commercial banks and the State Bank of India have taken up training programmes for orientation of their officers in agricultural financing. Thus not only in the field of cooperative credit, but also in commercial banking training arrangements have been evolved in the field of "Agricultural Finance".

Annexure

TRAINING COURSES FOR THE PERSONNEL WORKING IN THE FIELD OF COOPERATIVE CREDIT

I. Cooperative Credit and Banking

Code No.	*Name of the Course*	*Duration*	*Capacity*
B-I	Diploma Course in Cooperative Banking	16 weeks	40
B-II	Refresher Course for Ex-trainees of Diploma Course in Cooperative Banking	2 weeks	15
B-III	Functional Course for Accountants of Central Cooperative Banks	2 weeks	15
B-IV	Functional Course for Cashiers of Central Cooperative Banks	2 weeks	15
B-V	Functional Course for Bank Inspectors/ Supervisors of Central Cooperative Banks	2 weeks	15
B-VI	Functional Course for Branch Managers/Agents of Central Cooperative Banks	2 weeks	15
B-VII	Functional Course for Superintendents of Administration Section of Central Cooperative Banks	2 weeks	15
B-VIII	Short-term Course in Banking Regulation Act with reference to Cooperative Banks	2 weeks	15
B-IX	Short-term Course in Deposit Mobilisation by Cooperative Banks	2 weeks	12
B-X	Short-term Course on Industrial Financing by Cooperative Banks	2 weeks	15
B-XI	Short-term Course on Credit Appraisal	2 weeks	15
B-XII	Short-term Course on Financial Analysis	2 weeks	15
B-XIII	Short-term course on Budgeting for Cooperative Banks including performance Budgeting	2 weeks	15
B-XIV	Short-term course on Bank Inspection	2 weeks	15

B-XV	Short-term course on Cash Management	2 weeks	15
B-XVI	Short-term course on Cost Reduction Techniques in Cooperative Banks	2 weeks	15
B-XVII	Short-term course on Internal Check and Internal Audit of Cooperative Banks	2 weeks	15
B-XVIII	Short-term course on Recovery of Cooperative Loans	2 weeks	15
B-XIX	Short-term course on Development Planning in Credit Cooperatives	2 weeks	15
B-XX	Short-term course for the Personnel of Urban Cooperative Banks	2 weeks	15
B-XXI	Short-term course on Negotiable Instruments Act with special reference to credit instruments	1 week	15
B-XXII	Short-term course on Banker-Customer Relationship	1 week	15
B-XXIII	Short-term course for the employees of Salary Earners' Cooperative Societies	2 weeks	15
B-XXIV	Short-term (Evening) course for the Employees of Credit Cooperatives in the Non-Agricultural Sector	24 weeks	15
B-XXV	Induction course in Branch Banking	8 weeks	15
B-XXVI	Short-term course for personnel of Farmers' service societies	2 weeks	15
	Ad-hoc Courses		
———	Induction Course in Branch Banking	10 weeks	30
———	Special Course for Lower Division Assistants in Cooperative Banks	5 weeks	30
———	Functional Course for Accountants and Clerks of Central/State Cooperative Banks	4 weeks	20

II. Long-term Finance

T-I	Diploma Course in Cooperative Land Development Banking	15 weeks	30
T-II	Refresher course in Land Development Banking for Ex-trainees of Diploma Course in Land Development Banking	2 weeks	15
T-III	Functional course for the Accountants of Land Development Banks	2 weeks	15
T-IV	Functional course for Legal Assistants of Land Development Banks	2 weeks	15

T-V	Functional course for Managers of Primary Land Development Banks/Branch Managers of Land Development Banks	2 weeks	15
T-VI	Functional course for Supervisors/Bank Inspectors of Land Development Banks	2 weeks	15
T-VII	Short-term course on Financial Management in Land Development Banks with special reference to investment of funds	2 weeks	15
T-VIII	Short-term course on Long-term lending with special reference to valuation, repaying capacity and the Incremental Income	2 weeks	15
T-IX	Short-term course on Financial Planning by Land Development Banks with reference to Resource Mobilisation	2 weeks	15
T-X	Short-term course on Project Planning and appraisal with reference to World Bank Loan	2 weeks	15
T-XI	Short-term course in ARC Schemes with reference to State/States concerned	2 weeks	15
T-XII	Short-term course in Branch Banking with reference to Land Development Banks	2 weeks	15
T-XIII	Short-term course on Accounting System in the Land Development Banks	2 weeks	15

Finance Management in Credit Cooperatives

DR. C.D. DATEY*

Financial management in a financing or resource cooperative must concern itself with mobilization of resources and the deployment thereof. A private or commercial type of financing agency will operate in such a way as to raise the resources as cheaply as possible and deploy them as dearly as can possibly be done so as to maximize its profits. The profits made are distributed in the form of dividend and the percentage of dividend declared is taken as an index of an undertaking's efficiency. A cooperative financing agency must also try to raise the needed resources as cheaply as possible particularly when a substantial portion thereof is from those who are not its members. But the efficiency of a cooperative need not necessarily be judged on the basis of the quantum of profits made or the rate of dividend declared by it especially when the benefit of the credit facilities provided by it is derived primarily by its members for, by and large, it is immaterial whether the institution earns higher profits by lending at a relatively high rate of interest and then passes on the benefit of the profits in the form of patronage dividends in proportion to the interest paid by them or whether it charges initially a lower rate of interest and earns relatively small profits and declares no patronage dividend or rebate at all. The grant of patronage dividend to the constituents means in the final analysis a lower rate of interest on the loans. At the same time, care has to be taken to see that a fair return on the capital is provided, for it is possible that not all who have contributed to the capital will take advantage of the credit facilities extended by the cooperative financing agency or that the credit obtained is less in proportion to the capital contributed.

Resources

The resources of a cooperative financing agency should strictly speaking be *derived entirely from its members, for a cooperative is expected to* have *dealings with* its members only. In such a situation, the funds derived may fall in two broad

*Executive Director, Reserve Bank of India.

categories, share capital and reserves and deposits, for the liability in respect of the latter has precedence over that to the shareholders who are entitled to receive, in the event of liquidation, only the balance after meeting the liability towards the depositors fully. While it will be certainly ideal for a cooperative not to have any dealings with those who are not its members, it may not be desirable and seldom practicable for it to do so. In most developing countries of Asia, Africa and Latin America, the base level organization for credit, marketing, processing or supply is expected to play a role which goes beyond its membership and embraces the community at large which for some reason or the other chooses to remain outside its fold. A primary agricultural credit society, for instance, may be regarded as an instrument of economic development in the rural areas and as such asked to undertake the responsibility to stock and supply inputs of agriculture or essential consumption goods which are in short supply, to everyone without looking into whether he is a member or a non-member, although the latter may not be supplied any goods on credit.

State Partnership

When it is a question of resources, the constraints arising from deriving these only from members become obvious. By and large the general body of membership of the primary cooperative operating in a rural area consists of people of small means and it is seldom possible for them to contribute all the capital required to enable it to command the needed funds. It may not be possible for them to raise even the minimum amount of capital from its members right from the beginning. The weakness of a cooperative in this regard vis-a-vis a private or public undertaking is generally accepted and if, therefore, a cooperative is asked to raise the needed capital itself, the progress of cooperative enterprises may be slow or such enterprises may not be able even to come into existence. The responsibility of the State in this regard has been recognized, because it is only the State which can possibly lend its support to the weaker sections of the community. Thus, for instance, the production credit associations which were organised in U.S.A. under the Farm Credit Act of 1933 started with 100 per cent capital provided by the Government. It took almost 40 years for the entire farm credit system which was established in pursuance of the Act of 1933 to retire the Government capital completely.

It was in recognition of the difficulties involved in the weaker sections of the society raising an adequate capital base that the All India Rural Credit Survey Committee (1954) strongly recommended State partnership in the cooperatives. The observations and the recommendations being very relevant are quoted below :

> 'The failure of cooperative credit is explicable in terms of the total impracticability of any attempt to combine the very weak in competition with the very strong and expect them by themselves to create conditions, firstly for

their emancipation from the interests which oppose them, and secondly for their social and economic development in the context of the severe disadvantages historically imposed on them by a structure of the type described. The problem is not one of reorganization of cooperative credit as of the creation of new conditions in which it can operate effectively and for the benefit of the weaker. The prevailing conditions cannot be transformed by the very persons who are oppressed and rendered weak by their existence. The forces of transformation have to be at least as powerful as those which are sought to be counteracted. Such forces can be generated not by cooperation alone but Cooperation in conjunction with the State.'

The recommendation was accepted and is an important feature of the schemes of economic development through the cooperatives under the Five Year Plans of India. To facilitate partnership of the State in the cooperatives, the Reserve Bank of India Act was amended to establish the National Agricultural Credit (Long-term Operations) Fund to which appropriations are made annually out of the Bank's profits.

While State partnership may be inevitable for strengthening the capital base of the financing cooperatives, the State should not enjoy any special rights or privileges in the matter of dividend on the capital provided or control over the management vis-a-vis the other shareholders. The association of the State should be regarded as a partnership among equals and not used as a lever to intervene in the affairs of the cooperative and reduce it to the position of a department of the Government. At the same time, the cooperative should not forget the importance of self-help and, therefore, require its members to contribute to its share capital in proportion to the benefits they receive from it. It is a universally accepted practice in a financing cooperative to make a member contribute 5 to 10 per cent of what he borrows from it towards its share capital. Further contributions are expected if he obtains credit year after year until the capital held by him reaches a given proportion, say, 20 per cent of what he borrows. In this manner and with the accretion to the reserves the cooperative may attain self-sufficiency and retire the Government capital that may have been provided to it initially.

Federations of Credit Cooperatives

A financing cooperative cannot possibly meet the needs of its members depending on the capital raised from them and contributed by the Government. The capital resources have to be supplemented substantially in several other ways through deposits of various types and subscriptions to bonds and debentures issued by it. The point for consideration is whether the cooperative should confine itself for the funds to its members and tap the wider sphere outside its membership. Alternatively, there may be special institutions established which are not owned and managed by the cooperatives, but are created to meet their requirements primarily. Further, it is clear that if a cooperative taps deposit and other resources from members and non-members, but confines itself to a limited area, which is the case with the base level primary credit society, the scope becomes very limited and the savings in the area that could be tapped may be insufficient to meet the needs of its membership entirely. Consequently, it may be advantageous for the primaries to federate at a district or regional level and for the latter organizations to again federate themselves into an apex body so that the federations would not only act as balancing centres for the lower level affiliates, but also have an access to the savings of the community in general and also to the money market of the country. This is the reason for the emergence and continuance of the three-tier structure in the cooperative credit agencies providing short-term and medium-term credit in countries like India and Japan. In India, each of the States has a state cooperative bank at the apex, a central cooperative bank at the district or intermediate level and a primary society serving individuals directly in a village or group of villages or in a town or city. In Japan, there are base level multipurpose or single purpose cooperatives which are federated into prefectural federations for credit for each one of the 46 prefectures. At the apex level is the Central Cooperative Bank for Agriculture, Forestry and Fisheries Cooperatives.

Position in Japan and the U.S.A.

The point was raised whether a cooperative financing agency should borrow in the form of deposits only from its members or loans from the higher level financing cooperative federations which themselves act as mere balancing centres in the sense that the surplus funds of one unit are lent to another which is in need of loans. Much will depend upon how extensive and intensive is the coverage of the cooperatives at the base level and the savings potential in the area in which they operate. At one end is the picture of the cooperative financing institutions in Japan which derive their deposit and other resources almost exclusively from their members. Over four-fifths of the deposits of the prefectural credit federations and the Central Bank for Co-operatives are derived from the agricultural and other cooperatives. Such degree of self-reliance is somewhat unparalleled and the Japanese cooperatives deserve all the praise in achieving it over a period of years through sustained efforts and firm determination. At the other end is the arrangement obtaining in the U.S.A. in which the two Federal Intermediate Credit Banks provide loans to the Production Credit Associations for short-term and medium-term agricultural production purposes ; the 12 Federal Land Banks provide support to Land Bank Associations and the 13 Banks for cooperatives accommodate the cooperatives engaged in marketing and processing of agricultural produce, the production and distribution of agricultural produce, the production and distribution of agricultural inputs. The 37 Banks of the farm credit system in the U.S.A. raise the funds needed by floating bonds and debentures in the money market. The 12 Federal Intermediate Credit Banks, the 12 Federal Land Banks and the 13 Banks for Cooperatives float bonds at regular intervals to meet the maturing bonds liability or to raise additional funds, through a common fiscal agent operating from New York, on their joint and several liability and supported by the collateral security of the loans advanced by them. The bonds do not carry the guarantee of the Government.

The Position in India

In between the two extremes of almost complete self-reliance in the matter of funds and substantial reliance on funds derived from outside the movement obtaining in Japan and the U.S.A. respectively, is a system obtaining in India. All the cooperative credit institutions mentioned earlier, viz., the primary credit societies, the central cooperative banks and the state cooperative bank in each of the States of the Indian Union are permitted to accept all types of deposits from the public and in fact the banks are subject to the statutory control of, and inspections by, the Reserve Bank in the same manner as the commercial banks. The sources of funds of the co-operatives at all the levels are their respective owned funds, deposits from the public and borrowings from the higher level financing institution. However, these prove inadequate and are being supplemented to a very small extent by funds provided by the Government and to a large extent by the borrowings from the Reserve Bank of India. Such borrowings constitute roughly 40 per cent of the short-term and medium-term agricultural loans provided by primary agricultural credit societies. The refinance from the Central Bank of the country on a somewhat liberal basis is unique and has been in operation for over 25 years now. In the sphere of long-term agricultural credit operated by a separate wing of cooperative credit institutions called the state cooperative land development banks working through affiliated primary land development banks or their branches, almost all the funds are derived from outside the movement through the issue of ordinary, special or rural debentures which carry the guarantee of the respective State Government for the payment of interest and repayment of the principal. The ordinary debentures are subscribed by the Life Insurance Corporation of India, the commercial and cooperative banks, the Central and State Governments, the Reserve Bank of India, if necessary, and the general public. The special development debentures receive contributions from the Agricultural Refinance and Development Corporation (an autonomous corporation established by the Government of India for refinancing long-term investment in agriculture, horticulture, fisheries and forestry with majority shareholding by the Reserve Bank) and from

10 to 25 per cent from the State Government concerned. The rural debentures are intended for individuals in the rural areas and are issued to them and the Reserve Bank only.

Mixed Arrangement Suitable

The financial position and operational efficiency of the cooperative credit institutions in the South East Asian countries being what it is at present, it will be unrealistic to expect them to reach the position of self-sufficiency as the cooperatives in Japan or that of the cooperatives in the U.S.A. where the resources are raised mostly from outside the movement, but without any financial backing of the Government, although with the general supervision provided by the Farm Credit Administration established by the Government. For many years to come probably the cooperative credit agencies in the region may have to rely to a substantial extent on the support of the Government or Government-sponsored institutions. However, the objective should be to make them independent of direct or indirect financial support by raising resources needed by them from their members or from the general public through deposits and bonds issued on the strength of the institutions themselves and not that of the Government. If they are to raise funds through deposits it is clear that they must provide all the banking facilities and services needed by the depositors and must carry on continuously an aggressive campaign to compete with the other sector of banking which is generally known to be quite aggressive and successful in the mobilization of the savings of the people. The cooperative banks will have to emulate the example of the commercial banks in this respect and open a wide network of their branches and improve in every manner their image in the public. One of the measures which is expected to help them in this behalf is the facility of insurance of their deposits. In India, the Deposit Insurance Corporation which was established initially to insure the deposits in the commercial banking system is prepared to extend its cover to the deposits in the cooperative banks under certain conditions. The image of these banks in the eyes of the public can improve also if the Government recognizes them for the deposit of funds of public corporations, local bodies and other Government and semi-government bodies. At the same time, disincentives to borrow have to be built into the system where substantial funds are derived from the Government or Government sponsored credit agencies. Thus, for instance, financial accommodation from the Reserve Bank of India is limited to four times the owned funds of a central cooperative bank. Further, under a scheme recently introduced, the rate of interest on the accommodation from the Bank is linked with the efforts at deposit mobilization of the concerned central cooperative bank.

Measures to Cheapen the Cost of Funds

It was mentioned that a financing bank should raise funds as cheaply as possible and lend as dearly as possible so as to maximize the profits, although in a cooperative it is immaterial whether it makes large profits by charging relatively high rates and declares a high rate of dividend or makes low profits by charging a lower rate of interest, because the beneficiaries in either case are mostly the same. The attempt should, however, be to keep the cost of the funds as low as possible. In the arrangement prevailing in the U.S.A., the sale of bonds on the consolidated security of the Federal Intermediate Credit Banks or the Federal Land Banks or the Banks for Cooperatives, as the case may be, through a fiscal agent throughout the country ensures funds at the wholesale rates. Where deposits from members and non-members are the main or an important source of funds, the average cost of the deposits can be lower where the proportion of current or savings deposits is fairly high as compared to the time or fixed deposits, because while the current deposits generally do not carry any interest, the interest on fixed deposits rises progressively as the period of the deposits is longer. To this must be added the administrative costs of managing the deposit accounts which may be even 3 per cent of the deposits raised. The average cost of the funds can be lowered to some extent if funds raised through borrowings from higher financing agencies are charged a lower or even a concessionary rate. In India, for instance, the financial accommodation from the Reserve Bank for seasonal agricultural operations is provided to a state cooperative bank at 2 per cent below the Bank Rate. The Bank Rate being 9 per cent in November 1974, the effective rate was 7 per cent to the state cooperative bank and as the latter banks generally operate on a margin of ½ per cent, the central banks get the funds derived from the apex bank at about 7½ per cent, which works out to a saving of about 1 per cent, as the cost of deposits inclusive of the administrative expenses comes to about 8½ per cent.

Long-term Funds

Long-term funds generally cost more on account of the much higher rates of interest on the long-term deposits. The economic lending rates on the long-term loans thus should be higher than on the short-term loans. But then the burden of the interest may be beyond the capacity of what the traffic can bear thereby affecting adversely long-term investment in agriculture or industry. It is necessary, therefore, to see that funds are raised at rates which are lower than the deposit rates. In Japan, the Agriculture, Forestry and Fisheries Finance Corporation which was established by the Government arranges loans for long-term investment at relatively low rates out of funds derived from Government sources. In India, the main source of funds for the cooperative land development banks is the debentures carrying Government guarantee. The rates of interest on Government securities or Government guaranteed bonds and debentures have been deliberately kept low. The rate on bonds/debentures with a maturity of 10 years comes to 6¼ per cent whereas the rate on fixed deposits with banks for periods exceeding five years now is 10 per cent per annum. It is not uncommon for the Government to subsidize directly or indirectly the rates on long-term funds for the cooperatives for promoting long-term investments in agriculture and industry.

Rates of Interest on Loans

Loan policies and procedures are an integral part of financial management representing the demand side of funds. Firstly, one has to consider the question of the rates of interest on the loans. It is obvious that the average rate of return on the funds invested in the loans primarily and other investments to a limited extent for maintaining a certain degree of liquidity, statutory or customary, should be such as to meet the cost of the funds, all the administrative and operational costs including those on supervision over the end use of credit and leave a surplus to build up statutory and other reserves and pay a minimum rate of dividend on the capital. It does not mean that all the loans should carry the same rate of interest. As a guiding principle one may suggest that loans for productive purposes and those that reach the ultimate borrower through one or more intermediaries, e.g., a central cooperative bank and a primary credit society should be lower than on the loans for financing trading or manufacturing activities where the turnover of funds is larger and the loans are made directly to the beneficiary. It is possible to introduce interest rate differential not only for the borrowers for the different purposes, but also in respect of borrowers for the same purpose. Thus, for example, some cooperative banks in India have recently introduced lower rates of interest on the loans to small farmers than on the loans to medium and big farmers. A cooperative is not only a business organization, but has to subserve moral and social objectives and hence differential rates can be justified not only on economic or business considerations, but also on grounds of social justice to the weaker sections of the community.

Other Aspects of Loans

The beneficiaries of the loans, the quantum, the duration and security are the other aspects of the loans which may be considered next. While the funds may be derived by a cooperative financing agency partly or substantially from outside the movement, the beneficiaries of loans must necessarily be its members. Among the beneficiaries again the financing bank may determine its priorities. Thus, for instance, the first priority may be accorded to those who are engaged in production, the second to those who handle the inputs or raw materials of production, the third to those who trade on finished products and the last to those who would use the facility for consumption. Even among the beneficiaries of loans for the different purposes, priority may be accorded to the persons of small means because it is to serve their interest that a cooperative is generally brought into existence. The quantum of credit will depend upon the activity to be financed. Thus, in agriculture, the quantum should in no case exceed the cost of inputs of agriculture including in seasonal operations, his labour charges and the repaying capacity of the farmer assumed at a certain proportion of the gross value of agricultural produce. In the case of investment agricultural credit the repaying capacity should be determined with reference to the incremental income generated by the investment. In an urban credit society, the quantum may be related to a borrower's annual income from salaries and wages. In a trading or manufacturing cooperative, the quantum should depend upon its annual turnover so far as working capital requirements are concerned. The loans for fixed assets have to be only up to a proportion of the cost—say, 50 to 60 per cent. The duration of the working capital or seasonal loans should not generally be more than one year. Loans for durable or fixed assets should not exceed the life of the asset. In determining the total long-term loans, the financing cooperative has to take care to see that such loans are within its term resources. It is a sound banking principle that a bank should not borrow short and lend long. The life of the investment and the repaying capacity both justify a loan for, say, 10 years or more and if the institution does not have resources to correspond such a loan, it will be advisable to require the borrower to turn to another financing agency even outside the cooperative sector for the needed funds. In India, for instance, cooperative sugar, oil or spinning mills or cooperative fertilizer factories have been accommodated by the Industrial Finance Corporation of India or the Life Insurance Corporation of India, both of which are public sector undertakings. The Industrial Development Bank of India also provides long-term loans to big-sized industries in the cooperative sector like the Indian Farmers Fertilizer Cooperative.

Security for Agricultural Loans

The cooperative credit movement was founded in a way by Raiffeisen and in the societies organised on his model, the emphasis was on honesty, integrity and industry of an individual, i.e., on personal qualities rather than on tangible security which the individual could offer. At the individual level, the security in a cooperative should be more personal than tangible and, therefore, the eligibility and the quantum of credit should be determined with reference to his productive activity and not the security offered. The system of lending should be not security, but production-oriented. This does not mean that tangible security should not be taken even where it is available. In fact, in such cases it should be insisted upon for, then one is sure that the borrower may, in all probability continue to be in the business for which a loan has been taken and that he will not try to raise another loan on the same security and get his position over-extended. The idea is that a loan should not be denied to an individual merely because he cannot give tangible security and that it may not be given merely because he gives tangible security. The purpose of the loan and the personal character of the individual should be more important than the tangible security provided. A higher financing agency accommodating the base level primary credit society should not refuse to refinance the loans advanced by the latter to those who had not given tangible security, provided it is satisfied that the purpose and the personal character of the individuals have been duly looked into. To safeguard its own interest, the financing bank may reimburse not 100 per cent of the loans for a given purpose, but only a proportion so that the involvement of the primary from its own resources serves as a margin of security for its advances.

Security for Loans to Trading and Manufacturing Cooperatives

The security considerations in financing the trading, processing, manufacturing or supply societies should be as if these were private or public sector undertakings. A special dispensation is not called for or warranted merely because it is a cooperative business undertaking and the financing bank is a cooperative. The risk of price fluctuations and managerial inadequacies are more or less common and measures have to be taken to provide safeguards against them. For instance, loans for meeting block capital needs of cooperative manufacturing units may be provided by maintaining a debt-equity ratio of 1:1 or at the most 1.5:1. The debt servicing burden consisting of annual payment of interest and of instalment towards the repayment of the principal may go beyond the capacity of the unit, if the equity base is smaller than what has been indicated above. A trading cooperative may be accommodated against hypothecation or pledge of the commodities traded with appropriate margins. The margins in the former case are higher than in the case of accommodation against pledge, as in the latter situation the commodities are in the physical custody of the lender while in the case of hypothecation credit, the commodities remain in the possession of the borrower, although the lender has a right to take possession of the goods any time. It is needless to say that the goods pledged or hypothecated will be properly stored and adequately insured. The margins prescribed in India are generally 15 to 25 per cent for loans against pledge of goods and 25 to 40 per cent for advances against hypothecation of the goods in trade. Generally, accommodation on a clean basis is not recommended where limits have been sanctioned against the hypothecation or pledge of goods for that would dilute the margins for the other types of credit facilities. Even in determining the size of the limits in trading cooperatives, not the security of the goods, but the turnover should be the guiding consideration, as otherwise the credit facilities provided may lead to an unwarranted inventory building. Credit should no doubt be timely and adequate to sustain the production or trading activity, but should not be so facile as to make the borrower somewhat extravagant and unmindful of its judicious use.

Arrangement for Stabilisation of Agricultural Credit

In the sphere of agricultural credit the inherent advantage of a primary credit society is well recognized all over the world. 'Where larger production is the aim, the moneylender's credit is obviously unsuitable. The alternative is institutional credit, private or other, but this tends more than ever to confine itself to the bigger cultivators if it is not channelled through some form of cooperative association of the borrowers (All India Rural Credit Survey, 1954 Vol. II-P. 372). Consequently, the cooperatives are already handling a sizeable portion of the total credit provided for agriculture and where this is not so the attempt is to improve their significance. Since agriculture is susceptible to the vagaries of nature and since large areas in every country of the South-East Asian region are exposed to droughts or floods, the institutions dealing in agricultural credit have to meet situations arising out of natural calamities which adversely affect the repaying capacity of the farmers and consequently their own ability to honour their obligations to the depositors and other creditors. To overcome this difficulty, the All India Rural Credit Survey Committee recommended the establishment of Agricultural Credit Stabilization Funds at the levels of the central and state cooperative banks and at the national level in the Reserve Bank. The cooperative banks are required to contribute a given proportion of their net profits to the Fund to which the Government contributes amounts in excess of the dividend of 3 per cent on their capital in the institutions. Besides, ad hoc contributions are made to the Fund out of outright subventions and long-term loans from the Government carrying a low rate of interest, as the appropriations out of the profits of the institution can only be meagre in relation to the requirements. The National Agricultural Credit (Stabilisation) Fund which is maintained by the Reserve Bank receives contributions out of its annual profits. When a situation arises in which damage due to natural calamities affects the crop yields by more than 50 per cent, the short-term loan taken at each level, viz., the individual farmer, the primary society, the central cooperative bank and the state cooperative bank is converted into a medium-term loan for 3 to 5 years by drawing on the Stabilization Funds. As a result, the individual is assured of adequate credit for his next year's operations and the institutions are able to meet their obligations. Otherwise, a situation like this would have caused a severe strain on their liquidity. In Japan also there is Natural Disaster Rehabilitation Fund to which contributions are received from private funds, agricultural cooperatives and banks. Loans at concessional rates are provided to farmers who suffer damages on account of natural disaster like typhoons, floods, earthquakes, etc. State and local bodies provide an interest subsidy to the lending institution to enable the latter to charge a lower than its economic lending rate. These bodies also stand guarantee for these loans and compensate the institutions in case of default. The examples of India and Japan point out to the need for specific funds to take care of situations arising out of natural calamities so that the liquidity, stability and efficiency of the cooperative financing institutions are not impaired.

National Cooperative Development Corporation

Background

The genesis of the National Cooperative Development Corporation is to be traced to the Report of the All India Rural Credit Survey Committee (1954). The Report not only advocated, but formulated in great detail, an integrated approach to cooperative development. The basic feature of this approach is that credit alone is not an "open sesame", but an important instrument of rural development which should be an integral part of an overall programme of marketing, processing and other allied activities. In other words, marketing, processing and other economic activities should be developed in the cooperative sector, both to provide the cultivator with a better return for his produce, and to facilitate recovery of loans disbursed by credit institutions, and thus provide support to the expanding volume of cooperative credit for agricultural production. For implementing the integrated system of rural credit, the Committee suggested division of responsibility at the all India level ; between the Reserve Bank of India on one hand for cooperative credit programmes and the Government of India on the other, for marketing, processing, storage and other allied economic activities. The Government of India established a statutory organisation called the National Cooperative Development and Warehousing Board for planning and promotion of various programmes relating to cooperative marketing, processing, distribution of inputs and also warehousing.

In 1962, the Government of India decided to separate the warehousing function from the NCD & W Board and to form a separate National Cooperative Development Corporation, making the Central Warehousing Corporation an independent organisation. Accordingly the NCDC was set up at New Delhi in 1963 as a successor to the erstwhile NCD & W Board, under a separate Act, viz., National Cooperative Development Corporation Act, 1962.

Functions

Under the National Cooperative Development Corporation Act, 1962 as amended upto March, 1974, the functions of the Corporation are to plan and promote programmes, through cooperative societies, for :

(i) the production, processing, marketing, storage, export and import of agricultural produce, food-stuffs, poultry feed and notified commodities ;

(ii) the collection, processing, marketing, storage and export of minor forest produce.

For discharging the above functions, the Corporation is specifically empowered :

(a) to advance loans or grant subsidies to State Governments for financing cooperative societies and for employment of staff for implementing programmes of cooperative development ;

(b) to provide funds to State Governments for financing cooperative societies for the purchase of agricultural produce, food-stuffs and notified commodities on behalf of the Central Government ;

(c) to plan and promote programmes through cooperative societies for the supply of seeds, manures, fertilisers, agricultural implements and other articles for the development of agriculture ;

(d) to provide loans and grants directly to the national level cooperative societies and other cooperative societies having objects extending beyond one State ;

(e) to provide loans to cooperative societies on the guarantee of State Governments or in the case of cooperative societies in the Union Territories, on the guarantee of Central Government ;

(f) to participate in the share capital of the national level cooperative societies and other societies having objects extending beyond one State.

Promotional Role

Since its inception, the NCDC has been playing the role of an effective promotor, coordinator and financier for the development of cooperative programmes relating to marketing, processing, storage of agricultural produce and supplies of agricultural inputs. The NCDC not only associates itself at the all-India level with the formulation of policies, but also guides the State Governments in the formulation of programmes. It maintains close liaison with the State Governments and other organisations through its Regional Offices located at Chandigarh, Jaipur, Bhopal, Patna, Poona, Bangalore, Calcutta and Gauhati. At the all-India level, the NCDC maintains contacts with the various agencies of the Central Government in order that due weight is given to the cooperative sector, and due consideration to its problems in the formulation of its policies and programmes. The NCDC also serves a useful purpose in placing the financial requirements of cooperatives before institutions such as Industrial Finance Corporation, Life Insurance Corporation, Industrial Development Bank of India.

To facilitate the organisation of agro-based processing units, the NCDC has drawn up model blue-prints for various types of processing units of different sizes, indicating specifications of machinery, economics of minimum viable units, to serve as broad guidelines. The NCDC has also built into its normal structure expertise in the fields of Management, Refrigeration, Oilseeds, Paddy Processing, Fruits & Vegetables and Textiles. These experts assist the concerned cooperatives in the preparation of feasibility reports in respect of new projects; scrutinize projects received in the NCDC and provide technical guidance to the processing units during construction as well as operation. Where necessary, the NCDC provides 100 per cent assistance to the cooperatives towards the cost of preparation of project reports through consultancy firms.

In order to improve the operational efficiency of cooperatives, the NCDC has been assisting the national, inter-State and State level federations in the organisation of technical and promotional cells under which they appoint experts in various fields such as financial management, marketing, processing of different commodities, storage, distribution of fertilizer and other inputs, dairying, poultry farming, etc., according to the local needs. These experts of the federations give technical support and guidance to cooperative marketing and processing programmes of their constituent member societies.

Training of personnel is an important element in the overall development of cooperative programmes The training arrangements for cooperative programmes are made by the National Council for Cooperative Training (NCCT) through its various institutions in the country. The NCDC has been associating itself with the NCCT in evolving arrangements for training of the marketing personnel. For the technical and managerial staff employed in various marketing/processing activities in the cooperative sector, the NCDC has also formulated a scheme according to which it provides 100 per cent cost of specialised training.

In order to review the progress and problems in the fields of cooperative marketing, processing, storage and supplies, the NCDC organises conferences and seminars. It also holds regional meetings to critically review the implementation of its programmes. The Research and Development Division has recently been set up in the Corporation with a view to making a critical assessment of the impact of the programmes being promoted and financed by the Corporation.

Financial Role

The financial role of the NCDC stems from its promotional functions. The Corporation maintains the NCDC Fund which consists of a corpus of funds inherited on its inception, borrowings from the Central Government under Plan schemes, grants-in-aid given by the Central Government and borrowings from the market through issue of bonds. With the help of funds under the Plan schemes, the

Corporation has been financing a number of programmes relating to cooperative marketing, processing, storage and supplies. The NCDC provides assistance to cooperatives through the State Governments and in certain cases, through the State Cooperative Banks. Its direct assistance is restricted to National and Regional level federations and to cooperatives located in Union Territories. Till the end of 1975-76, the NCDC had provided a total assistance of Rs. 1,700 million.

Types of Lending

Broadly, lending by NCDC is restricted to the following types:

(a) loans to State Governments/State Cooperative Banks for giving loans to, or investing in, the share of cooperative institutions;

(b) for participating in the share capital of and providing loans and grants to the national and regional cooperative institutions;

(c) providing finance/re-finance to other types of cooperatives on the guarantee of the State Governments concerned and for providing grants to State Governments for cooperative programmes; and

(d) for providing grants to State Governments for cooperative programmes.

Achievements

With the establishment of the Corporation, considerable progress has been recorded in the field of cooperative agricultural marketing, processing, supplies and storage with which it is concerned.

During the Fifth Five Year Plan, the NCDC is expected to play a far more effective role in relation to development of various programmes under its purview.

For assisting the State Governments/cooperatives in the implementation of various programmes, the NCDC is likely to be provided funds of the order of Rs. 779.70 million under various plan schemes during the Fifth Five Year Plan.

In addition, accruals to the extent of Rs. 200 million to the NCDC Fund would also be available for promoting and financing various cooperative programmes under the purview of the Corporation.

National Agricultural Cooperative Marketing Federation of India Ltd.

The National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) which was established at New Delhi on October 2, 1958 is the National level federation of the country's marketing cooperatives. NAFED aims at assisting its constituents in the fields of agricultural production, procurement, processing and marketing of agricultural and allied products within the country and outside, besides arranging for supplies of agricultural inputs, machinery and consumer articles. These functions are carried on through its net-work of 20 offices located in all the major port towns and terminal markets.

Membership & Constitution

The membership of NAFED which consisted of State level Cooperative Marketing Federations only until October 1976 has now been broad-based to cover all marketing and processing cooperatives having a turnover of Rs. 10 lakhs and above. The Board of Directors comprises one representative from each of the State Cooperative Marketing Federations, NCDC, NCUI, State Bank of India, 3 representatives from the Government of India and 7 representatives elected from primary marketing cooperatives. There is provision for including representatives of other sectoral national federations on a reciprocal basis.

Business Operations

NAFED undertakes the following types of business :

(i) Internal trade,
(ii) Foreign trade,
(iii) Marketing of fresh fruits & vegetables,
(iv) Distribution of agricultural machinery etc. for the benefit of farmers,
(v) Supply of agricultural inputs and packing requisites.

Internal Trade

The internal trade in agricultural commodities by NAFED comprises marketing activities through the network of marketing cooperatives, movement of goods from surplus to deficit States, stock building during the harvesting season for market intervention during lean periods which serves as a price stabilisation measure for protecting the interests of growers and consumers. The volume of internal trade which was of the order of Rs. one million in 1969-70 reached the level of Rs. 464 millions during 1974-75.

Exports

The export of agricultural commodities through cooperative marketing sector has developed on a large scale only after establishment of NAFED. The volume of exports by NAFED which was of the order of Rs. 2,01,000 during 1959-60 has reached the level of over Rs. 250 million in 1975-76 thereby exceeding the export target of Rs. 150 million by 78-79 as laid down in the 5th Five Year Plan. The range of commodities exported by NAFED includes pulses of all types, spices, forest produce, preserved fruits, chillies, ginger, cardamom, turmeric, jute manufactures, fresh fruit & vegetables, etc.

Stabilisation of Internal Prices

NAFED has demonstrated its ability in maintaining the internal prices of the commodities exported by it. The Government of India therefore canalised export of pulses through NAFED in 1967 and export of onions in February, 1974. In December, 1975, export of potatoes was also canalised through NAFED. After NAFED became the agency, export of onions has been increased from the level of 69,000 m. tonnes in 74-75 to 1,10,000 m. tonnes in 75-76 and export of potatoes has increased from 5,600 m. tonnes in 74-75 to 50,000 m. tonnes in 75-76. In respect of these two commodities, NAFED has been able to pay the producer higher returns, increase the quantity exported and also maintain internal prices. NAFED paid nearly double the normal price to potato growers as compared to previous year and also succeeded in maintaining the off-season consumer prices at much lower levels than during previous years, by undertaking buffer stock operations.

India is one of the three countries, which have registered zero rate of inflation during the past year. The role played by NAFED in maintaining the consumer prices has been recognised by the Government of India also. Its performance has created a greater sense of confidence in the minds of the general public about the potential of cooperatives, not only in ensuring better returns for the farmers, but also in maintaining price-line and protecting the interests of the consumer.

Marketing of Fruits and Vegetables

The NAFED took up marketing of perishables like apple, onion, potato, ginger, etc. four years ago. It has now emerged as the leading marketing agency in this field also. The first achievement was abolition of the secret auction system and introduction of open auction in the Delhi market to the benefit of apple growers. The Federation will handle 200, 000 cases of apple produced in Jammu and Kashmir and Himachal Pradesh during 1976 as against 25,000 cases in 1973-74. These fruits are now marketed all over the country through its offices and State Federations. The Federation has brought within the scope of its operation areas in Manipur, Meghalaya, Mizoram, Karnataka, Tamil Nadu, Madhya Pradesh, Gujarat, Maharashtra, Assam, Punjab, Haryana and West Bengal States.

Agricultural Machinery

NAFED has done pioneering work in introduction of harvesting combines in the Indian fields in the States of Punjab, Uttar Pradesh, Haryana, Rajasthan and Bihar by importing from German Democratic Republic. These combines have proved successful in Indian field conditions and are able to save grain to the extent of 10-15 per cent, which is otherwise lost in traditional harvesting. NAFED has been distributing HMT and other tractors in the Union Territory of Delhi and to Ex-Army personnel throughout the country since 1969-70.

Agricultural Inputs

NAFED supervises despatches of Pool Fertilisers on behalf of State Cooperatives of Haryana, Punjab, Orissa, Karnataka and also Andhra Pradesh Agro-Industries Corporation and has been able to bring down transit shortages appreciably. The Cement Corporation of India have been persuaded to appoint 56 cooperatives in the States of Andhra Pradesh, Delhi, Karnataka, Madhya Pradesh, Maharashtra, Uttar Pradesh and West Bengal as cement stockists.

Cold Storage & Processing Factory

NAFED has set up a cold storage and an ice factory in Delhi. Its fruit processing factory adjacent to the cold storage is in an advanced stage of completion. Another large fruit processing complex involving an investment of Rs. 60 million is being constructed in the North Eastern Region in collaboration with G D.R. for developing cooperative marketing in this region. A cold storage, warehouse, dal mill-cum-packing unit are also coming up in Greater Bombay. There are plans for setting up a food processing complex in Okhla Industrial Area in Delhi.

Jute Mill

NAFED has entered into collaboration with the Industrial Development Corporation of Orissa for setting up of a large sized jute mill in Orissa State, involving an investment of about Rs. 75 million for improving the supplies of packing material to the cooperatives as also to expand inter-cooperative trade and export trade in packing material on a stable basis.

NAFED aims at ensuring that :

(i) the farmer is assured of the marketability of his surplus produce at the most advantageous price and higher agricultural production results in a corresponding increase in his income and has incentive to increase output ;

(ii) the price spread between the producer and the ultimate consumer is kept at the lowest possible level as compared to other channels of marketing ;

(iii) market oriented production practices are adopted for building up internal and foreign marketing channels on a long-term basis ;

(iv) chances of avoidable scarcity and glut are eliminated ; and

(v) healthy inter-cooperative relationship is developed between NAFED and trading cooperatives abroad.

National Cooperative Consumers Federation

The National Cooperative Consumers Federation (NCCF) came into existence in 1965 with the object to assist, aid and counsel its member-institutions and to facilitate their working and generally to act as spokesman of Consumer Cooperative Movement in India. It also assists in the promotion of consumer cooperative institutions. It is the national level federal organisation of the consumer cooperatives in the country, with 14 State Federations of Consumers' Cooperatives as its members. Its commercial operations and promotional activities serve directly and indirectly, in varying measures, the interests of 14 State Cooperative Consumers' Federations 450 Central Cooperative Wholesale Stores with their 2,250 branches, 150 department stores, about 14,000 primary stores and 5 million families of consumers. To broadbase the Federation its membership has now been made open to : other State level cooperative organisations which have distribution of consumer goods as one of their objectives ; Central/Wholesale Consumer Cooperative Society dealing in consumer goods from each Union Territory which may be approved by the concerned Registrar of Cooperative Societies as the apex level organisation for the consumer sector and consumer cooperative societies having a membership of 1500 or above and turnover of Rs. 5 million per annum or above in consumer articles.

Business Activities

NCCF deals mainly in textiles, grocery and general merchandise. In addition to this it has been assigned an important role in the distribution of controlled cloth, imported consumer goods and confiscated goods. With a view to having a healthy impact on the market and to discourage speculative trading in the essential consumer goods, NCCF deals in all grocery items like pulses, spices, gram, cereals, etc. In order to help the deficit areas, it also undertakes export of cereals and other grains from surplus States of the country on cooperative to cooperative basis. Through the net-work of consumer cooperatives spread all over the country, NCCF also takes the controlled cloth to the vulnerable sections of the community, including far-flung areas. Similarly, the distribution of HMT watches is undertaken through the channel of consumer cooperatives, Besides this, other consumer articles like paper, soda-ash, razor blades, soap, detergent, salt, utensils, etc., are also dealt with by it. Recently with a view to helping the Delhi Administration, NCCF has also entered into sugar trade.

The trading operations of NCCF have been increasing steadily. As against the sales turnover of Rs. 60 million in the year 1971-72, it increased to Rs. 115 million during the year 1972-73 which further went up to Rs. 286 million in 1973-74. The turnover further increased to Rs. 574 million during the year 1974-75.

Consumer Industries

NCCF is already running two processing units; one at Hissar (Haryana) and the other at Nagpur (Maharashtra) for conversion of gram, toor etc., into "dal". More processing units and oil mills are being set up at Bhiwani (Haryana), Delhi and Nagpur (Maharashtra). It has already purchased land for setting up several consumer industries for manufacturing consumer articles like stationary, utensils, wool tops, blankets, etc. Work on various projects has already been taken in hand on turnkey basis.

Possibilities of arrangements between NCCF and selected State level consumer cooperative federations for the setting up of mechanised bakery units, with technical and managerial collaboration of Modern Bakeries are also being explored. Various other proposals for manufacture of consumer articles of mass consumption by consumer cooperatives are under different stages of consideration, viz. dal mills, jeera processing, stationary units, utensil manufacturing, etc.

Promotional and Developmental Activities

While mainly functioning as a national level business organisation of consumer cooperatives, and handling bulk purchase of certain key consumer commodities, NCCF did not forget its promotional role, even when it was in its infant stage. In 1967, the NCCF set up a management services department to increase and improve the managerial and organisational efficiency of consumer cooperatives. Initially, it concentrated its attention on evolving a management accountancy system suitable to the consumer cooperatives and obtained the services of an ILO Expert, Mr. R. Staermose in 1968, for the purpose.

In the year 1971-72, the NCCF decided to establish a full fledged Consultancy and Promotional Cell for providing advisory services to the consumer cooperative organisations in the country. The Cell has been strengthened with foreign experts deputed by the ILO under the programme for providing technical assistance for development of consumer cooperatives, with the assistance of the Swedish International Development Agency. The basic functions of the Cell are :

(i) to draw up operational and business procedures and administrative and organizational guidelines and norms, as national projects for country-wide adoption ;

(ii) to undertake study of individual institutions and prepare blue-prints for streamlining their operations and further development of viable institutions ;

(iii) to conduct diagnostic analysis of the working of weak and sick consumer cooperatives and suggest remedial measures ;

(iv) to assist the wholesale stores in adopting management accounting system, evolved by the NCCF.

The Consultancy and Promotional Cell has set up 5 teams comprising international experts and their Indian counterparts with specialisation in particular in the following main fields :

(i) Planning, Organisation and Research ;

(ii) Inventory and Sales Management (including assortment, layout and display);

(iii) Management Accountancy System and Administration;

(iv) Member Education and Staff Training;

(v) Wholesale and Purchase Procedures.

The Consultancy and Promotional Cell has also added an Architectural Wing for preparation and formulation of building plans and layouts of the furniture and fittings, particularly, for the large and small department stores and large sized retail outlets. The NCCF will expand its commercial activities, by including a wider range of goods for distribution through consumer cooperatives, and by establishing more processing and manufacturing units in various parts of the country. The NCCF has also decided to set up a management cadre by recruiting and training managerial personnel whose services would be available to the State Federations of Consumer Cooperatives and Wholesale Stores for manning their management positions. The NCCF will also expand its Consultancy and Promotional Cell for the Eastern region at Calcutta, and in course of time, will establish such regional units for other regions.

Publicity

NCCF publishes a monthly magazine 'Indian Consumer Cooperator' which, besides giving a review of the operations of NCCF, contains valuable news and views pertaining to cooperative movement in the country.

It also brings out special publications on commodities and cooperative activities and helps the consumer stores and State Federations

Besides, the section helps in organising seminars, meetings and other public relation activities to build up the image of NCCF.

Indian Farmers Fertilizer Cooperative Limited

PAUL POTHEN*

The advent of national planning placed an emphasis on the development of cooperatives. The movement which is among the oldest and the largest national cooperative movements in the world has demonstrated its ability to cover a wide facet of activities and serve a major socio-economic purpose, particularly in the field of agro-industries and services to the agricultural sector. The influence of the cooperatives is pervasive and massive. But a fine industrial expression of the vitality of the movement is in the creation of the Indian Farmers Fertilizer Cooperative Limited—a massive investment in fertilizer manufacture.

IFFCO is perhaps the largest cooperative industrial venture in Asia with a present investment in excess of Rs. 1000 millions and a prospective growth to about Rs. 3000 millions by the year 1979-80. It is unique in its conception and cooperative barticipation. Presently, its activities in the field of fertilizer marketing cover 10 States, put the coverage will increase to 14 States by the end of the Fifth Plan. Except the States of Kerala, Jammu and Kashmir and the Eastern States including Assam, all other States are expected to be covered.

Presently, IFFCO has two plants in operation at Kalol and Kandla. The capacity of the Kalol Plant is about 4,00,000 tonnes of Urea. The capacity of the Kandla Plant is 4,00,000 tonnes of NPK fertilizers. A third plant at Phulpur with a capacity of 5,00,000 tonnes of Urea is under construction and is expected to be completed by early 1979. Other prospective steps for growth to cover the farmer's requirements are under consideration. The objective is to form a strong industrial base for the cooperatives in the agro-input industries.

Ever since the identification of fertilizer in its key role in agricultural development, the cooperatives have been present in the distribution picture in a substantial way. On the average, more than 60 per cent of the fertilizer sold have passed through cooperatives. The operation of the credit system and the wide distribution of village

*Managing Director, IFFCO.

cooperatives make it possible for cooperatives to claim themselves as an unequalled channel for the distribution of such vital inputs.

The position of fertilizers has, over the years, seen many cycles of glut and shortage. Institutional agencies, particularly the cooperatives, have been on shortage cycles seriously affected by lack of supplies, while at times of surpluses, they are used as a convenient holder of stocks. The only way for them to escape from this pattern of working which was sapping their financial strength was to have access to their own sources of production, with the distribution of products entirely under their own control. The sudden growth in fertilizer consumption in the wake of the Green Revolution also was the period when the seed of the IFFCO idea was planted. After preliminary studies in which the American cooperatives played a leading role, IFFCO was formed in 1968. The marshalling of resources for such a massive investment was the earliest problem that was to be solved. A structure was evolved by which participation of various levels of cooperative societies from the national to the village level was written into the Bye-laws and a membership campaign of major magnitude was started. Considering that each society is a corporate body with its own norms of making investments decision, the effort of gathering more than Rs. 100 millions as share capital from this spread out source was a colossal task which can be looked upon with equanimity only now that it has been achieved. The cooperatives demonstrated their overall strength by actually exceeding the target of Rs. 90 millions and subscribing about Rs. 106 millions by the time the share capital requirements of the new project arose. For the new project, an investment of Rs. 220 millions is expected to be raised from the cooperative sector. The task is no easier but is being faced with confidence in view of prior experience.

The steadfast support of the Government of India and the substantial contribution of share capital by it to the extent of Rs. 180 millions was the rallying point around which the entire cooperative strength was marshalled. The Government of India continues to be the major contributor to the share capital and a general guarantor of all foreign loans. They are expected to subscribe Rs. 312 millions to the share capital of the new project at Phulpur, presently under construction.

The membership of IFFCO at present consists of over 26,000 cooperative societies at all levels. As of today the share capital contribution from the cooperatives stands at about Rs. 160 millions. Apart from the original States of Uttar Pradesh, Punjab, Gujarat, Haryana, Rajasthan, Madhya Pradesh, Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu, the States of West Bengal, Bihar, Orissa and Himachal Pradesh are joining the membership of the Society. The effort of raising Rs. 210 millions from the cooperatives is presently being undertaken. At the conclusion of the Phulpur Project, the equity capital base will be Rs. 220 millions by cooperatives and Rs. 312 millions from the Government of India. The capital investment in the

Kalol and Kandla projects totals to Rs. 940 millions and the Phulpur Project will require a total of Rs. 1670 millions.

The Kalol and Kandla Projects went into commercial operation in the first-half of 1975. The Plants have completed performance tests and are producing at high levels of production. The raw material for Ammonia manufacture at Kalol is Natural Gas supplemented by Naphtha. The Plant was built by M.W. Kellogg of U.S.A. and demonstrates the benefits of the most experienced technology in the line. The Urea Plant has a capacity of 1200 tonnes per day and is based on the Stamicarbon process and was constructed by M/s. Humphreys & Glasgow of U.K. The product of this Plant has been recognised as a high quality Urea, much preferred in the market.

The Kandla Plant, situated within the Kandla Port Trust area, is the largest NPK Plant in the country and has a capacity of 1200/1800 tonnes per day of NPK fertilizer according to the grades manufactured. The Plant uses imported raw materials like Phosphoric Acid and Potash supplemented by Ammonia sent from Kalol. The Plant consists of two granulation trains and all auxiliaries required for the processing of large volumes of product.

Marketing Operations

The special feature of the structure of IFFCO is that its production is to be distributed to the various State cooperatives in proportion to the total share holding of the cooperatives in each State. The cooperatives are thus taking back from the Plant their rightful share of the production Since the quantities are prefixed and are discussed with the Federations well in advance, the quantities that are available are known and the planning of the Federation can be done more systematically than has hitherto been possible. By arrangement with State Marketing Federations, despatches are evened out as far as possible so that problems of logistics and storage are minimised.

The marketing operations of IFFCO are quite distinctive. In the first place, the Society has adopted the methodology of concentrated efforts in selected areas for popularising its products. For this purpose, it has selected 85 districts out of a total of 242 districts in its, till then, ten shareholding States. The selection has been made on the basis of fertilizer consumption potential of the districts and the adequacy of supporting cooperative structure in them. This method has created a powerful impact in the 'target' areas in favour of the product.

Secondly, IFFCO has built up a cadre of highly proficient, motivated and efficient Field Representatives, who are agricultural graduates, and who operate in selected districts, after a continuing and intensive training programme in agronomical practices and improved methods of agriculture including balanced use of fertilizers.

Thirdly, the field organisation of IFFCO does not merely aim at popularising its special brand of fertilizers among farmers but lays special stress on selling to them improved farm technology and the superior 'cooperative ideology'. Field Representatives of IFFCO, therefore, serve both as dedicated soldiers of the army of 'Green Revolution' and the task force of the 'cooperative movement'.

IFFCO is at present managed by a representative elected General Body comprising 452 delegates, a Board of Directors and an Executive Committee. The Managing Director is the Chief Executive of the Society.

Phulpur Project

Currently under construction with World Bank aid is the Phulpur Project. This Plant which is based on Naphtha from the Barauni Refineries will produce 5,00,000 tonnes of Urea per annum. Contracts have been awarded to recognised consultants for the design of Ammonia and Urea Plants and off-sites and procurement of individual items is being handled by IFFCO staff working with the Consultants' offices. Field work has also started and substantial procurement commitments have already been made. According to the project schedule, this Project is to be completed by March, 1979.

It is also proposed to construct a Phosphoric Acid Plant at Kandla. This Plant will have a capacity of 1,00,000 tonnes of P_2O_5 per annum and is expected to meet the bulk of the requirements of the Kandla Plant.

The prospects for the growth of IFFCO are good and the pattern that has been chartered out is ambitious, but with the growing demand for fertilizers and associated products, the utility of the cooperative system will be vastly augmented by the contribution that this institution can make.

1. AHMEDABAD, Gujarat State.
The Ahmedabad District Cooperative Bank Ltd.
Membership : 3,091 ; Share Capital... Rs. 28 million ; Reserve...Rs. 33 million ; Deposit...Rs. 359 million ; Loans outstanding...Rs 317 million ; Working Capital...Rs. 431 million. Chairman : JashbhaiUmedbhai Patel.

2. The Gujarat Industrial Cooperative Bank Ltd.
Membership : 4,285 ; Assets...Rs. 3 million ; Loans outstanding...Rs. 60 million ; Working Capital...Rs. 240 million ; Reserves : Rs. 5 million. Administrator : K. M. Desai.

3. AKLUJ, Maharashtra State
Yeshwant Sahakari Sakhar Karkhana Ltd.
Membership : 3,711 ; Assets : Rs. 36 million ; Turnover...Rs. 104 million ; Working Capital...Rs. 20 million ; Reserves :...Rs. 21 million ; Chairman : M.G. Doshi.

4. AKOLA, Madhya Pradesh.
The Akola District Central Cooperative Bank Ltd.
Share Capital and Funds...Rs. 20 million ; Deposits...Rs. 103 million ; Finance to small farmers...Rs. 25 million ; Working Capital...Rs. 171 million. Chairman : Dr. W. R. Korpe.

5. ALLEPPEY, Kerala State.
The Alleppey District Cooperative Bank Ltd.
Membership...505 societies; Assets... Rs. 93 million ; Loans outstanding...Rs. 70 million ; Working Capital...Rs. 100 million ; Reserves... Rs. 3 million. General Manager : K. Gopalakrishnan.

6. BATALA, Punjab State.
The Batala Central Cooperative Bank Ltd.
Membership...829 ; Assets...Rs. 45 million ; Loans outstanding...Rs 33 million ; Working capital...Rs. 45 million ; Reserves...Rs. 4 million.
Manager : O.P. Goyal.

7. BELGAUM, Karnataka State.
Belgaum District Central Cooperative Bank Ltd.
Membership : 1500 ; Assets...Rs. 177 million ; Loans outstanding... Rs. 143 million ; Working Capital... Rs. 177 million ; Reserves...Rs. 9 million. President : V.B. Patil.

8. BHAUSAHEBNAGAR, Maharashtra.
Niphad Sahakari Sakhar Karkhana Ltd., Pimplas
Manufacturers of white Crystal Sugar Niphad Distillery. Chairman : Madhavrao Boraste; Vice Chairman: Madhavrao More, Managing Director : Colonel N.P.P. Thorat (Retd.)

9. BIJAPUR, Karnataka State
The Bijapur District Central Cooperative Bank Ltd.
Membership : 1263 ; Assets...Rs. 10,28,890 ; Loans outstanding...Rs. 86 million ; Working Capital...Rs. 104 million ; Reserves...Rs. 4 million. President : B.K. Gudadinni, M.L.C.

10. BOMBAY, Maharashtra State.
The Bombay Mercantile Cooperative Bank Ltd.
Membership : 35,614 ; Assets...Rs. 293 million ; Turnover/Loans outstanding

...Rs. 104 million ; Working Capital... Rs. 313 million ; Reserves...Rs. 12 million. Managing Director : Z. G. Rangoonwala.

11. BURDWAN, West Bengal State.
The Burdwan Central Cooperative Bank Ltd.
Membership : 891 ; Assets...Rs. 105 million ; Loans outstanding...Rs. 70 million ; Working Capital...Rs. 100 million ; Reserves...Rs. 5 million. Chairman : P.K. Banerjee, IAS.

12. COONOOR, Tamil Nadu.
The Coonoor Cooperative Urban Bank Ltd.
Membership : 25,453 Assets...Rs. 3 million ; Turnover...Rs. 40 million ; Loans Outstanding...Rs. 7 million ; Working Capital...Rs. 9 million ; Reserves...Rs. 1 million. President : M.P.K. Nambiar ; Secretary : M. B. Raman.

13. DEORIA, Uttar Pradesh.
The Deoria Kasia District Cooperative Bank Ltd.
Membership : 595, Assets . Rs. 109 million ; Loans outstanding—Rs. 100 million ; Deposits : 40 million ; Working Capital : 121 million ; Share Capital...Rs. 13 million ; Reserves...Rs. 3 million; Owned funds...Rs. 17 million; Chairman : Shrimati Malti Pandey. Secretary : Chandrika Pd. Gupta.

14. DHARAMSALA, Punjab State.
The Kangra Central Cooperative Bank Ltd.
Membership : 1982 ; Assets...Rs. 113 million ; Loans outstanding...Rs. 15 million ; Working Capital...Rs. 113 million ; Reserves...Rs. 8.5 million. President : Prem Chand Sharotri.

15. DHULIA, Maharashtra State.
Dhulia District Central Cooperative Bank Ltd.
Membership : 1,847 Societies ; Loans outstanding...Rs. 108 million ; Working Capital...Rs. 153 million; Reserves Rs. 11 million. Chairman : Shivajirao Patil, M.L.A.

16. FEROZEPUR CITY, Punjab State
The Ferozepur Central Cooperative Bank Ltd.
Membership : 1,290 ; Assets...Rs. 20 million ; Loans outstanding...Rs. 41 million ; Working Capital...Rs. 61 million ; Reserves...Rs. 6 milllon. Administrator : T.C. Katoch.

17. GODHRA, Gujarat State.
The Panchmahals District Cooperative Bank Ltd.
Membership : 1,646 ; Assets...Rs. 34 million ; Loans outstanding...46 million ; Working Capital...Rs. 84 million ; Reserves...Rs. 3 million. Chairman D.J. Naik.

18. GUDIWADA, Andhra Pradesh.
The Gudiwada Cooperative Urban Bank Ltd.
Membership : 14,352 ; Assets...Rs. 13 million ; Loans outstanding...Rs. 8 million ; Working Capital...Rs. 12 million ; Reserves : Rs. 577,000. President : V.B. Adinarayana.

19. GUDIYATTAM, Tamil Nadu.
The Cooperative Urban Bank Ltd.
Share Capital...Rs. 7,38,000. Reserves...Rs. 282,000 :Loans outstanding...Rs. 2.9 million : Working Capital ...Rs. 3·5 million. President : E. A.

Munirathina Mudaliar, Secretary : M.S. Radhakrishnan.

20. GURGAON, Haryana State.
The Gurgaon Central Cooperative Bank Ltd.
Membership : 981 ; Assets...Rs. 8 million ; Loans outstanding...Rs. 40 million ; Working Capital...Rs. 60 million ; Reserves...Rs. 5 million ; Managing Director : Hoshiar Singh.

21. HIMATNAGAR, Gujarat State.
Sabarkantha District Central Cooperative Bank Ltd. ;
Membership : 1,027 Deposits...Rs. 136 million ; Loans outstanding... Rs. 178 million ; Working Capital... Rs. 234 million. Chief R.M. Patel.

22. HOSHIARPUR, Punjab State.
The Hoshiarpur Central Cooperative Bank Ltd.
Membership : 2,014 ; Assets...Rs. 106 million ; Loans outstanding... Rs. 39 million ; Working Capital Rs. 108 million ; Reserves...Rs. 3.5 million. President : S. Ajit Singh ; Managing Director : S. Sarup Singh ; Manager : S. Gurcharan Singh.

23. JUNAGADH, Gujarat State.
Junagadh District Central Cooperative Bank Ltd.
Membership : 894 ; Assets...Rs. 0.5 million...Loans outstanding...Rs. 178 million ; Working Capital...Rs. 217 million ; Reserves...Rs. 15 million ; Manager: Nagindas Vanmalibhai Desai.

24. KHARGONE, Maharashtra State.
Barwani Cooperative Central Bank Ltd.
Membership : 70,200 ; Assets...Rs. 63 million ; Loans outstanding...Rs. 52 million ; Working Capital...Rs. 62 million ; Deposits .Rs. 17 million ; Reserves...Rs. 5 million Chairman Subhash Chandra Yadav.

25. LAKHIMPUR-KHERI, U.P.
The District Cooperative Bank Ltd.
Membership : 286 societies ; Assets... Rs. 58 million ; Loans outstanding... Rs. 33 million ; Working Capital... Rs. 55 million ; Administrator : N. S. Chopra.

26. MOGA, Punjab State.
The Moga Central Cooperative Bank Ltd.
Membership : 566 ; Loans Outstanding...Rs. 13 million ; Working Capital ...Rs. 43 million ; Share Capital... Rs. 10 million ; Reserve...Rs. 6 million. Administrator : Abdul Majid Kureishy.

27. MUZAFFARNAGAR, U.P. State
Muzaffarnagar Distt. Cooperative Bank
The Government of U.P. is a share holder (Rs. 1.45 million) ; Loan available from R.B.I. at low interest rate ; the Head Office and many branches have their own buildings; offers attractive rates of interest ; special recurring deposit scheme for future of children. Chairman : Devi Singh ; Secretary R.P. Sharma.

28. NADIAD, Gujarat State
The Kaira District Central Cooperative Bank Ltd.
Membership : 3,628 : Assets...Rs. 3 million ; Loans Outstanding...Rs. 243 million ; Working Capital...Rs. 315 million....Reserves ... Rs. 22 million. Chief : K.M. Pathak.

29. NEMMARA, Kerala State
Nemmara Cooperative Urban Bank Ltd.
Membership ; 2578 ; Assets...Rs. 1.6 million ; Loans outstanding...Rs.

990,000 ; Working Capital : Rs. 1.5 million. Reserves...Rs. 100,000; President : Ghaffar Khan Sahib ; Secretary: P. Govindan Kutty Nair.

30. ONGOLE, Andhra Pradesh.
The Ongole Cooperative Bank Ltd.
Membership : 6,470 ; Assets – 4 million ; Loans outstanding—Rs. 2.4 million ; Working – Capital – Rs. 4 million ; Reserves --- Rs. 2,30,000. President : Mohd. Khasim Sahib.

31. PATAN, Gujarat State.
Patan Nagrik Sahakari Bank Ltd.
Membership : 7,800; Assets...Rs. 2.5 million ; Loans outstanding...Rs. 11 million ; Working Capital...Rs. 13.5 million ; Reserves : Rs. 1.7 million. President : Bhaichandbhai G. Patel; Managing Director: Kantilal N. Patel.

32. POLLACHI, Tamil Nadu.
Pollachi Cooperative Urban Bank Ltd.
Share Capital—Rs. 757,000 ; Assets : 10 million ; Reserves—Rs. 678,000 Loans outstanding— Rs. 7 million ; Working Capital— Rs. 10 million ; Profit for 1975-76— Rs. 267,000. President : K. Arumugham ; Secretary : V. Sabanayagam.

33. RAJAHMUNDRY, Andhra Pradesh.
Aryapuram Coop. Urban Bank Ltd.
Membership : 12,129; Assets : Rs. 9.9 million ; Turnover...Rs. 2.5 million ; Loans outstanding...Rs. 6.8 million ; Working Capital...Rs. 8.7 million; Reserves...Rs. 412,000; President : Majji Swamy Naidu.

34. SANGLI, Maharashtra State.
Sangli Urban Cooperative Bank Ltd.,
Membership—5260 ; Assets—Rs. 22.7 million ; Loans outstanding—Rs. 27.3 million ; Working Capital : Rs. 50 million ; Reserves—Rs. 3.5 million. Chief : L.Y. Lagoo.

35. TARNTARAN, Punjab State
Tarn Taran Central Coop. Bank Ltd.
Membership : 858; Loans outstanding...Rs. 49 million ; Working Capital ...Rs. 63 million ; Reserves : Rs. 15 million ; Chairman : Harbans Singh Sohal. Managing Director : Gurdip Singh Shaheed.

36. THANJAVUR, Tamil Nadu.
The Central Cooperative Bank Ltd.
Membership ; 613, Assets...Rs. 109 million ; Loans outstanding...Rs. 89 million ; Working Capital...Rs. 109 million ; Reserves...Rs. 5 million ; Special Officer : M. Ganesan.

37. TIRUPATTUR, Tamil Nadu.
The Tirupattur Town Coop. Bank Ltd
Membership : 4343 ; Assets—Rs. 4 6 million ; Loans outstanding—Rs. 3.2 million ; Working Capital—Rs. 7.5 million; Reserves—Rs. 508,000. President : S.V. Sankaran ; Vice-President : S.A. Ashraf.

38. VAIKOM, Kerala State.
Vaikom Cooperative Bank Ltd.
Membership : 2,746 ; Assets : Rs. 2.5 million. Loans outstanding...Rs. 1.8 million ; Working Capital : Rs. 2.4 million ; Reserves : Rs. 209,000 ; Secretary : N. Purshothaman Nair.

39. VILLUPURAM, Tamil Nadu.
The Villupuram Cooperative Urban Bank Ltd.
Membership : 13,436 Assets—Rs. 7.6 million ; Loans outstanding— Rs. 5.2 million; Working Capital – Rs. 7.6 m; Reserves : Rs. 685,000. President : P. Lakshminarayana Reddiar, B.A.

INTERNATIONAL COOPERATIVE ALLIANCE

SOME ICA PUBLICATIONS

Agricultural Cooperation

Farming Guidance Activities of Agrl Cooperatives	Rs. 10/-
Agricultural Cooperative Credit in SE Asia	Rs. 20/-
Amalgamation of Primary Cooperatives—The Japanese Experience	Rs. 15/-
Amalgamation of Primary Agricultural Cooperatives in the Rep. of Korea	Rs. 12/-
Role of Cooperatives in Agricultural Development	Rs. 5/-
Agricultural Cooperative Marketing—Report of Regional Seminar	Rs. 3/-

Cooperative Education

Cooperative Education—Progress or Perish	Rs. 3/-
Manual for Study Circle Leaders	Rs 10/-
Education for Agricultural Cooperatives in SE Asia	Rs. 3/-
Communication and the Cooperative Teacher	Rs. 20/-
Report of the Regional Seminar on Coop. Member-Education and Communication	Rs. 15/-
Report of the Regional Conference of Principals and Teachers of National Cooperative Training-Institutions	Rs. 10/-

Consumer Cooperation

Consumer Cooperation in South-East-Asia	Rs. 25/-
Readings in Consumer Cooperation	Rs. 20/-
Sale a Profile—An Introduction to Sales Management	Rs. 20/-
Business Switcn—An Introduction to Business Management	Rs. 20/-
Key to Household Economy	Rs. 3/-
Study of Personnel Management in Selected Cooperative Super Markets in India	Rs. 12/-
Economics of Consumer Cooperatives	Rs. 5/-

Cooperative Law

Indian Cooperative Laws Vis-a-Vis Cooperative Principles	Rs. 40/-
A Model Cooperative Societies Law	Rs. 3/-
Cooperative Principles	Rs. 5/-
The Effect of Cooperative Law on the Autonomy of Cooperatives	Rs. 7-50

State and Cooperation

State and Cooperative Development	Rs 20/-
Forms of Government Aid and Cooperative Democracy	Rs. 5/-

Others

International Cooperative Trade in SE Asia	Rs. 3/-
Cooperative Trade Directory for SE Asia, First and Second Supplements	Rs. 20/-
Readings in Cooperative Housing	Rs. 20/-
Report of the Asian Top Level Coop Leaders Conference	Rs. 40/-
Cooperation in the United States of America	Rs. 15/-
Balanced Diet	Rs. 12/-
Cooperation and Social Justice	Re. 1/-

Terms

In India publications are supplied per VPP. Advance payment will mean free postage. Payment should be made by M.O. or Bank Draft payable to "International Cooperative Alliance", New Delhi.

Address your orders to :

The Publication Section,

INTERNATIONAL COOPERATIVE ALLIANCE

'Bonow House' 43-Friends Colony,

New Delhi-110014. (INDIA)

13499
19279

ACHIEVEMENTS OF MADHYA PRADESH STATE COOPERATIVE LAND DEVELOPMENT BANK AND 45 DISTRICT BANKS IN DEVELOPING SMALL IRRIGATION UNDER THE NEW ECONOMIC PROGRAMME

★ Disbursed Long-Term Loans of Rs. 869 million
★ Disbursed Rs. 80·80 millions amongst 15,250 small farmers
★ The loans helped irrigate additional 400,000 acres of land
★ A loan of Rs. 10·04 million to the M.P. State Electricity Board for energising 2,142 pumpsets.

For Irrigation and Land Development

★ Constructed 1,31,825 new wells
★ Repaired 4,897 wells
★ Bored 1,099 tube-wells
★ Gave loans for installing 42,383 diesel and electric pumpsets.
★ Gave loans for purchase of 4,439 tractors.

N.C. Pandya	**Neeraj Jain**	**Tarachand Aggarwal**
Managing Director	*Vice-President*	*President*

THE DELHI STATE COOPERATIVE BANK LTD., NEW DELHI

in

DEDICATION to the Service of the Farming Community and the Weaker Sections of the Society and in implementation of

THE PRIME MINISTER'S

Economic Development programme

PROVIDES financial assistance for :—

(a) Short Term Agricultural production purposes in kind and cash.
(b) Long Term Developmental loans for minor irrigation, farm mechanisation, improvement of land, threshers etc.
(c) Industrial loans to workers and men of small means through Industrial Cooperative Societies.

SERVES you with 11 branches spread throughout Union Territory including all block centres.
SOLICITS your Deposits as your support:—

* will strengthen the implementation of the PRIME MINISTER'S PROGRAMME
* will bring comparatively higher yield in interest at rates ranging from 3.25% to 10.50%
* will bring you numerous facilities of collection and clearance of cheques & drafts at other centres, temporary Overdrafts, Efficient Service, etc.

Attractive Terms for Cash Certificates and Recurring Deposit Schemes

Lockers Available at Head Office

Get into Touch with

IQBAL SINGH	K.L. ANAND
Administrator	*General Manager*
Tel : 278894	Tel : 270375