

**\*\* CHAPTER - II \*\***

**NEED FOR AGRICULTURAL CREDIT & CO-OPERATIVES**

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## C H A P T E R - II

### NEED FOR AGRICULTURAL CREDIT AND Co-OPERATIVES:-

#### II.1 NEED FOR CREDIT :

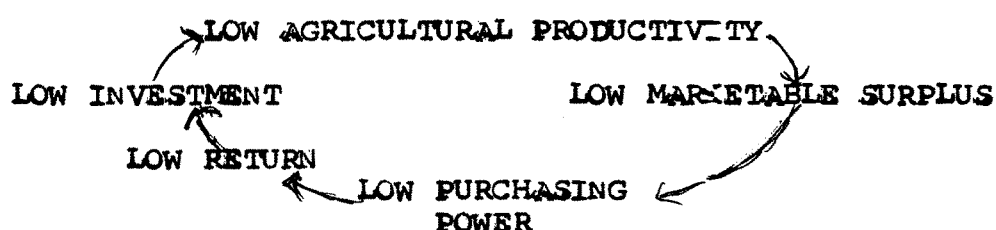
Agriculture plays a crucial role in India. It is the backbone of our country. <sup>15</sup>80 per cent of the people depend for their living on agriculture directly and indirectly. Whereas in developed countries of the world, the proportion of people dependent on agriculture varies from 5 to 20 per cent. It contributes about 44 per cent of the National income in India. Development of Industry depends upon agriculture also. Industries get their raw materials from this sector. Besides, the means of transport and communications will expand when agricultural goods are to be transported to various places. In India's export trade, agricultural goods assume importance. Increased marketed surplus of food-grains leads to a net saving of foreign exchange. Under developed countries need large amount of capital for the development of infrastructure and basic industries., capital can be provided by increased marketable surplus of agricultural goods. Increase in income of rural people improves ~~the~~ rural welfare.

Like other producers the farmers also require finance. For the Indian cultivators loans are very essential. Most of them have to depend on borrowing because of peculiar conditions under which ~~his~~ business farming is conducted.

The size of holding is very small and his income from such holdings is meagre. He already suffers from heavy indebtedness incurred in the past. There is <sup>75</sup>lack of finance. Nearly 80% of the farmers depend on the rainfall which is uncertain and irregular. Therefore, there is uncertainty of crops. There is long interval between harvesting and marketing of crops. These features of agriculture force the farmers to borrow money. 'The problems and demand for credit arise largely from the seasonal cycle of agricultural production which is superimposed on a largely perpetual and steady pattern of continuous consumption' 1.

'Cyclical, seasonal and annual fluctuations are more marked in agriculture than in any industry. Increase in agricultural productivity is one of the prime objectives in economic development plans in practically all countries of Asia.' 2.

One of <sup>the</sup> very important reasons for low productivity of agriculture in India is that an average farmer is poor. The vicious circle of poverty in agricultural sector is shown below.



SOURCE: JAIN P.C. PROBLEMS & POLICIES OF AGRICULTURE  
P.12

Credit is needed for .. ✓

- 1) To liquidate the old debt.
- 2) To safeguard the interest of the farmers i.e. to remove from the ~~rust~~ clutches of money lenders.
- 3) To face natural calamities.
- 4) Price behaviour is inelastic in agriculture.
- 5) To make agriculture a business.
- 6) In agriculture there is a time gap between the investment and return. *say investment has such gap.*
- 7) To make permanent improvement on land.
- 8) To increase productivity of land.
- 9) To institute subsidiary farming like ~~d~~<sup>h</sup> ~~arying~~, poultry etc.
- 10) To convert small <sup>f</sup> farmers into viable.

#### Classification of Credit :

Credit can be classified period wise, purpose wise, security wise and creditor wise. The term of period of the loan is the most commonly accepted classification.

#### Short-Term Credit :

Short term loans are generally given for 12 months. They are given for purchasing seeds, manure and fertilizers, or for meeting labour charges, etc. They are to be repaid after the harvest.

Medium-Term-Credit :

They are given, for a period ranging from over 12 months to 5 years for purposes such as reclamation of land, building and other land improvements, purchase of live-stock, machinery and other implements, Sinking of wells, construction of Pucca drains in the field etc.

Long-Term Credit :

It is given for a period ranging between 5 to 20 years. Main purposes are redemption of land, liquidation of debt, purchase of tractors and land and improvements of a permanent nature in land.

just reclamation?

II.2 NEED FOR INSTITUTIONAL AGENCY :

Money lenders occupy a dominant place among the private financing agencies in the provision of agricultural credit. An agriculturist money lender was defined as one whose major profession is agriculture and whose money lending business is comparatively of minor importance. There is a need for adequate credit facility to break through this Vicious Circle of Poverty.

which

When credit is so essential, it is important to study its meaning, nature and character. Credit has been defined as 'a device for facilitating the temporary transfer of purchasing power from those who have surpluses of it, to these who are in need of it'.<sup>3</sup>

Credit depends upon savings of the people. Incentives to save such as rate of interest, safety of the savings and creditworthiness of the borrower are some of the essential elements of credit. The process gives rise to two distinct classes. Viz the controllers and the users of credit. The Controller is known as the lender and user as borrower. Lending and borrowings are the main operations of business credit.

Credit has also been regarded 'a condition which enables a person to extend his control as distinct from ownership of the individual'<sup>4</sup>. The borrowing capacity depends upon the borrower's capacity to repay at a future date.

"The category of professional moneylenders was defined to include all those who earned a substantial part of their income from moneylending and who could not be classified as agriculturist money lenders"<sup>5</sup>.

The following table shows the position of non-institutional credit in 1951-52.

TABLE 1.1  
CREDIT AGENCIES IN 1950s.

Source	Proportion in the borrowings (per cent)
Professional moneylenders	45
Agricultural moneylenders	25
Relatives	14
Traders and commission Agents.	5
Government Agencies	3
Co-operatives	3
Consumers	1
All other sources	4
	<u>100</u>

SOURCE: RBI, All India Rural Credit Survey 1954  
Vol. I P.2

In 1951-52, the Rural Credit Survey Committee revealed that non-institutional credit agencies accounted for 92.7% of the cultivators borrowings. The most important of these was the professional moneylenders who contributed 45% of the total.

It is interesting to note a number of reasons for the popularity of money lenders.

- a) Moneylenders supply credit to farmers for all purposes productive as well as unproductive.
  - b) They provide both short term and long term credit.
  - c) They maintain a close and intimate contact with the borrowers and are easily accessible.
  - d) Their methods of business are simple and elastic.
  - e) They are well-acquainted with the village farmers and they know the credit worthiness of farmers.
  - f) They occupied an important place in the economic and social life in Indian villages.
  - g) ~~Illiterate~~ farmers have to approach moneylenders due to absence of organised financial agencies. *Why only illiterate?*
- The most common malpractices are as under.

- i) They charge ~~the~~ exorbitant rate of interest.
- ii) They do not keep the accounts properly.
- iii) They also grant loans for unproductive purposes. *Not a practice*
- iv) Moneylenders do not give regular receipts for money received.
- v) They very often combined trading with their banking. This has introduced an element of risk in their business.
- vi) They are unorganised.

Mr. Eric Jacoby says 'He (money-lender) seldom cares about the use of money he lends out and frequently encourages his



clients to continue borrowing as long as they could give additional security".6. Therefore, the importance of institutional credit was recognised to cater to the needs of the farmers. Due to the development of institutional agency, the relative position of money lenders was declined. This is clear from the following table.

TABLE 1.2

CREDIT AGENCIES IN 1960s

-----		-----
Agencies	Proportion of amount borrowed to	
	total borrowing of cultivating	
	families( %) 1961-62	
-----		-----
Government	..	2.6
Co-operatives	..	15.5
Relatives	..	8.8
Landlords	..	0.6
Agricultural Money lenders		36.0
Professional money lenders		13.2
Traders and Commission Agents		8.8
Commercial Banks	..	0.6
Others	..	13.9
		-----
		100.0
		-----
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SOURCE: Report of All India Rural Credit Review Committee. 1964.

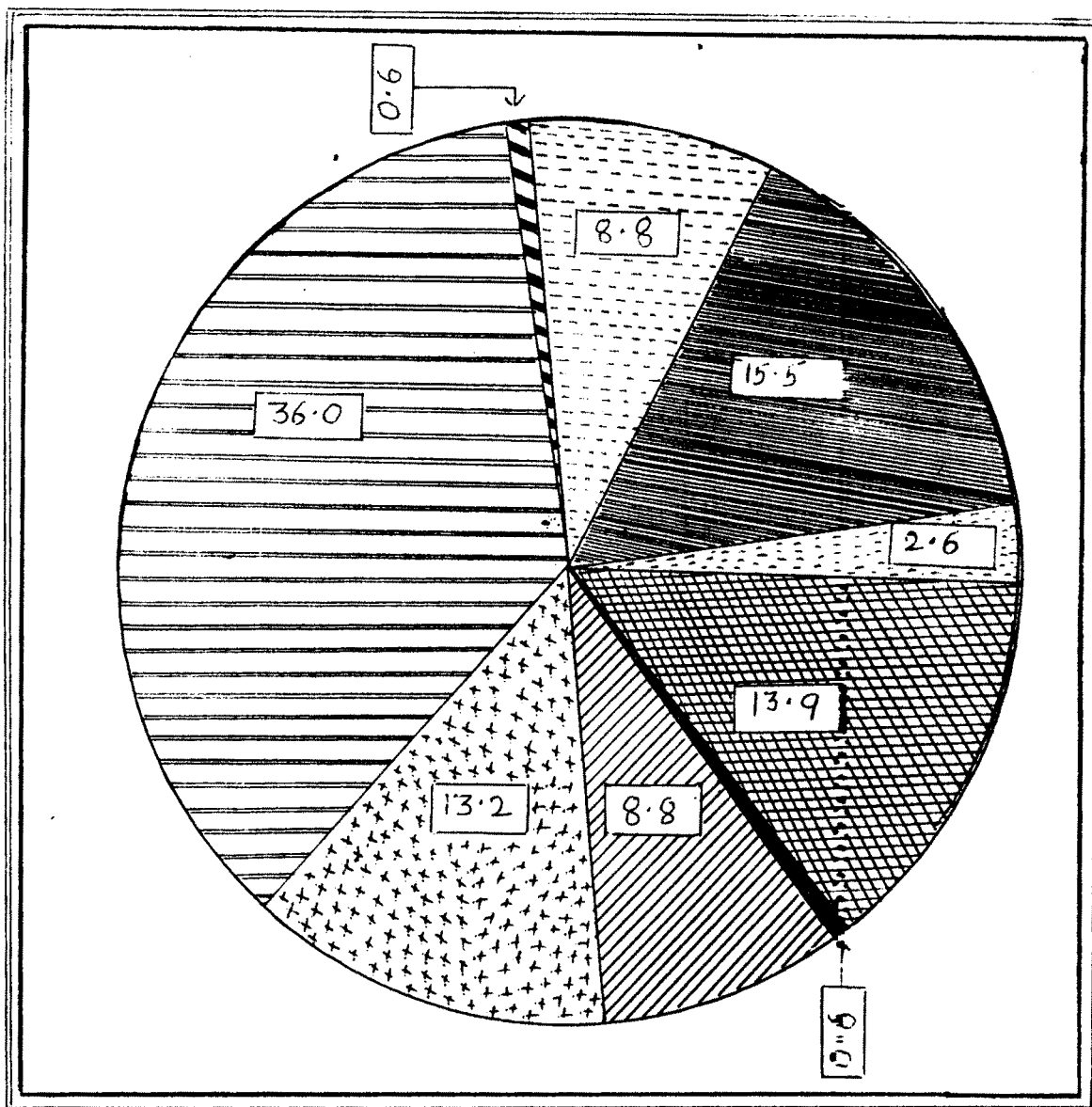
The most significant change has been that the professional money-lenders supplying 45% in 1951-52, accounted for only 13.2 per cent of the borrowings in 1961-62. The role of Co-operatives increased greatly. The proportion of borrowings from it to the total had increased from 3.1 per cent in

March 1950 to 1959

by chart

Graph No 1  
Table No 1.2

# CREDIT AGENCIES IN 1960s



1951-52 to 15.5 per cent in 1961-62. The proportion of institutional agencies supplying 7.3 per cent in 1951-52 increased to 18.7 per cent in 1961-62.

1951-52 to 15.5 per cent in 1961-62. The proportion of institutional agencies supplying 7.3 per cent in 1951-52 increased to 18.7 per cent in 1961-62.

These institutional agencies are expected to do the following functions.

1. Mobilise the savings of farmers.
2. Reduce the cost of credit administration.
3. Minimise the risk of losses ~~as~~ by borrowers.

4. Timely  
5. Efficient } Finance

### II-3 NEED FOR CO-OPERATIVES :

The following factors led to the introduction of the Co-operative Movement in India.

Firstly, the moneylenders, landlords and Traders did not take into consideration the purpose for which the credit was required by the agriculturists. He was guided primarily by the security offered by the borrower and not the efforts made by the agriculturists for agricultural production. The credit dispensed by these classes, besides, carrying higher rates of interests, was not production oriented.

Secondly, the loans issued by the Government (Taccavi Loans) had lot of defects such as the high rate of interest, rigidity of collection, the onerous terms regarding periods of repayment, delays in distribution etc.

The Rural Credit Survey Committee (1954) in its report states in this behalf as follows:

"In practice, taccavi is apt to be little else than the ill-performed disbursement of inadequate money by an ill-suited agency. It would not be far from truth to say that the record of taccavi is a record of inadequacies. These may be considered in their different aspects which are  
 1) inadequacy of amount, inequality of distribution and inappropriateness of the basis of the security (ii) inconvenience of timing, incidental delays and imposition of various kinds on the borrower and (iii) inefficiency of supervision and incompleteness and co-ordination"7.

The Mirdha Committee (1964) on Taccavi Loans also recommended to stop the issue of taccavi loans except distress taccavi loans. The Maclagan Committee (1914) had also observed that the general effect of the action taken by Govt. can only be described as partial and incomplete.

Thirdly as the conditions of the farmers were very worst, it became necessary to improve their economic condition by providing finance suitably. The Maclagan Committee (1914) narrated the conditions of the peasants very vividly as follows:

"The chief object of co-operation in India was to deal with the stagnation of the poorer classes and more specially of the agriculturists who constitute the bulk of the population. It was found in many parts of India as in most European countries that in spite of the rapid growth of commerce and improvements in communications, the economic conditions of the peasants had not been progressing as it should have done, that indebtedness instead of decreasing had tended to increase, that usuary was still rampant that agriculture methods had not improved and the old unsatisfactory features of a backward rural economy seemed destined persistently to remain"<sup>8</sup>.

Fourthly the resources of Commercial Banks consist mostly of short-term deposits. They cannot be lent to long-term purpose for agricultural production. The banks had lack of administrative machinery to have contact with lakhs

of agriculturists. It is said that the commercial banks have been successful in mopping up rural deposits to a considerable extent and the co-operative banks have been successful in dispensing credit to the agriculturists. Therefore, there is a need for bringing about co-operation between these two agencies.

Fifthly, to uplift agriculture, to increase, agricultural production and to modernise agriculture, co-operative credit institutions were thought by Government. Rural Credit Survey Committee (1954) expressed the opinion that co-operative is the appropriate agency for disbursing rural credit. It said "For several important reasons, borne out by experience not only of India, but many other economically backward countries, it may be regarded as axiomatic that at the rural base that is to say in the village itself, no form of credit organisation will be suitable except the co-operative society, where larger production is the aim, the money-lenders credit is obviously unsuitable"<sup>9</sup>. The Co-operatives are suitable agencies because, they are the institutions of the agriculturists. They are capable of creating loyalty amongst the members. They can also see that the credit is used for productive purposes and also to timely and prompt recovery.

"The most useful tool in rural development is the co-operative. It can at the same time function as an economic system and a cradle for the growth of social

attributes essential to development of a community, such as self-help and democratic organisation and management of affairs"10.

The co-operatives can be of immense help in the <sup>Planning</sup> physical. The co-operatives are the most suitable medium for the democratisation of economic planning. For "the co-operative society provides the local unit which can fulfil the dual function of educating the public opinion in favour of a plan and of executing it"11. ~~The~~ I.L.O. Report states that "Co-operation being an organisation built up from below, is the only one capable by grouping in federated organisations units of personal and family character which are at the base of economic and social life, both in towns and the country, to link them up organically with any plan embracing the whole of general economy"12.

Thus in the formulation and implementation of agricultural development plans, co-operation and organisation are imperatively needed. The scattered agricultural producers should be organised into a total integrated co-operative system. Then only, effective planning of agriculture is possible. Margaret Digby rightly says that "If there is to be advance, the farmer must become more and not less of a person. He can do so by extending his interest through co-operatives into the fields once exclusively occupied by merchant, banker and technical specialist"13.

The essence of co-operation is that each shall work for all and all for each in the attainment of the common

good. In this sense the movement has a greater moral element in it than the economic one. Co-operation, we have noted earlier, is a mastery instrument to metamorphose a poor peasant economy into a strong and well ~~developed~~ developed one. Since India is mainly an agricultural country, Co-operation here may become the most important liver of general welfare, provided it is always kept in mind that it is a form of business and needs to be run on efficient lines"14.

"Without agriculture, co-operation would in India lose its chiefest <sup>field</sup> filed of action. And without co-operation, agriculture, however, well offered would lose its best instrument to work with"15.

#### ROLE OF CO-OPERATIVES IN NEW 20 POINT PROGRAMME.

It includes the following:16

1. Financing of minor irrigation schemes.
2. Provision of credit for bringing in more areas under intensive cultivation.
3. Provision of full finance for the various schemes under the Integrated Rural Development Programmes.
4. Financing of co-operatives engaged in the distribution of essential commodities.

Thus from above explanation and ideas expressed by different committees and thinkers it is clear that co-operatives are must for the rural development of our economy.



#### II.4 MEANING, DEFINITION AND PRINCIPLES OF CO-OPERATION.

Co-operation means working together. It is a group ~~of~~ instinct in man which makes him to live together, work together and help each other in times of stress and strain. Different definitions are given by different thinkers. Some of important definitions are given below.

1. Dr. R. Philips has given the following definition,  
"The Co-operative Association is an association of firms or households for business purposes - an economic institution through which an economic activity is conducted in the pursuit of economic objectives"<sup>17</sup>.
2. Mr. H. Calvert defined co-operation, "as a form of organization wherein person voluntarily associate together as human beings on a basis of equality for the promotion of economic interests of themselves"<sup>18</sup>.
3. The Co-operative Planning Committee (1946) defined  
"Co-operation is a form of organisation in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests".
4. "It is <sup>a</sup>n organisation of people where the production activity is conducted by assigning a secondary role to capital"<sup>19</sup>.

2  
Rochdale Co-operatives were the Pioneers of the Co-operative Principles. Their principles have inspired the Co-operative Movement throughout the world. On the basis of their ideas the fundamental principles of co-operation are given below.

1. Voluntary Association or open Membership.
2. Democratic control.
3. Distribution of Surplus.
4. Limited interest on capital.
5. Co-operative Education.
6. Principles of Growth.

Co-operative banks are guided by these principles.  
 Let us see what is co-operative banking.

## II.5 CO-OPERATIVE BANKING-DEFINITION OBJECTIVES AND FUNCTIONS :

1. Banking may be defined as "the accepting for the purpose of lending or investment, of deposits of money from public repayable on demand or other wise and withdrawable by cheque, draft, order or otherwise" 20.
2. The business of the Banks can be mainly divided as  
 1) Borrowing, ii) Lending, iii) Agency services and  
 iv) General utility services.

A Co-operative Bank is one which performs the above functions on a co-operative Basis 21.

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2. According to Henry Wolf, "Co-operative Banking is an agency which is in a position to deal with the small man on his own terms accepting the security he has and without drawing the protection of the rich"<sup>22</sup>.
3. "Co-operative bank means a society which is doing the business of banking as defined in clause(b) of Sub-section Act-1949 (~~16 of 1949~~) and includes any society which is functioning or is to function as a Land Development Bank under Chapter XI".<sup>23</sup>
4. "A Co-operative Bank has been defined by Devine as a mutual society formed, composed and governed by working people themselves for encouraging regular savings and granting small loans on easy terms of interest and repayment"<sup>24</sup>.

From the above definitions, it is clear that the Co-operative Banking is an institution which works on Co-operative basis to cater to the needs of small men.

#### OBJECTIVES OF CO-OPERATIVE BANKING:

- i) To provide credit at cheaper rate.
- ii) To develop banking habits.
- iii) Helping in the realisation of the ideal of better farming, better business and better living.
- iv) Enc<sup>o</sup>uragement of thrift and savings.
- v) To help weaker section of the community



- vi) Service is the main motto.
- vii) To help the other societies such as processing and marketing.

#### FUNCTIONS OF CO-OPERATIVE BANKS :

According to the section 6 of the Banking Regulation Act-1949, a Co-operative Bank can undertake the following functions :

- a) The borrowing, raising or taking up <sup>of</sup> ~~the~~ money, the lending or advancing of money with or without security, purchase of bills etc.
- b) Acting as agents for any government or local authority or any other person or persons.
- c) Contracting for public and private loans and negotiations and issuing the same.
- d) The effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private ~~of~~ state.
- e) Carrying on and transacting every kind of guarantee and indemnity business.
- f) Managing, selling and realising any property which may come into the possession of the co-operative bank in satisfaction or part satisfaction of its claims.
- g) Undertaking and executing trusts.
- h) Undertaking the administration of estates as executor, trustee or otherwise.

- i) Establishing and supporting or aiding in the establishment and support of association, institution, funds, trusts, and conveniences calculated to benefit employees or ex-employees of the co-operative bank or the dependents or connections of such persons.
- j) Selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the co-operative bank.
- k) The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the co-operative bank.
- l) Acquiring and undertaking the whole or any part of the business of any person or company or co-operative society.
- m) Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the co-operative bank.

## II.6 GROWTH AND STRUCTURE OF CO-OPERATIVE MOVEMENT IN INDIA.

Co-operative Credit history in India may be traced from the year 1904, when Co-operative Societies Act was passed. Government of India passed the Co-operative Societies Act in 1912. It gave a fillip to the setting up of a large number of credit societies in the country. The history of Co-operative movement shows the following stages.

1. Early stage of Development (1904-1912)
2. Period of Hurried Expansion (1912-18)
3. Period of Unplanned. Expansion (1918-29)
4. Period of Consolidation and Reorganisation (1929-39)
5. Period of Recovery (1939-48)
6. Period of planned Development (1951-to date)

SOURCE: Memoria C.B. Agricultural Problems in India p. 565.

### 6.1 Co-operation under Five Years Plans.

#### CO-OPERATION UNDER THE FIRST THREE PLANS :

The first plan 1951-56 set a target to bring 50 per cent of villages and 30 per cent of rural population under co-operation in ten years. The target of the second five year plan (1956-61) was to supply credit of Rs. 135 crores worth for co-operative movement. But the actual results were considerably short of the target fixed.

The third plan carried forward the work of the first two plans. The primary credit societies were re-organised and their number was reduced. However their membership rose

from 17 million to 27 million and nearly 90 per cent of the villages were covered as against 75 per cent at the end of the second plan. Considerable attention was given to co-operative marketing of agricultural produce and a number of primary marketing societies were set-up throughout the country with diversified activities.

#### CO-OPERATIVES IN THE <sup>U</sup>FOURTH & FIFTH PLAN :

In the Fourth Plan more emphasis was laid on agricultural co-operatives and consumer co-operatives. The object was to increase efficiency and economic viability of the Co-operatives and in this direction, Government assistance was rendered.

The fifth plan laid great stress on structural improvement of a large number of non-viable primary agricultural credit societies, re-organisation of a large number of marketing societies and consumer co-operative stores, bring about greater co-operation between public sector banks and co-operative banks.

#### CO-OPERATION IN THE SIXTH PLAN (1978-83) :

The sixth plan accepts the Co-operative system as the most widely distributed and organized credit system to provide all types of credit to rural areas.

The sixth plan has outlined the following measures to re-orient the co-operative movement 25.

1. Reorganization of primary agricultural credit societies into strong and viable multi purpose units.
2. Simplification of loaning procedures to facilitate the supply of credit according to their periodic requirements.
3. Reduction of overdues in the co-operative institutions with vigorous steps taken by state Government.
4. Greater reliance of commercial banks on financing primary credit societies and
5. Efficient management of the recognised societies by professionally trained paid manager secretaries.

T A B L E 1.3

GROWTH OF CO-OPERATION IN INDIA -

	1960-61	70-71	80-81	81-82
Members of Societies (lakh)	3.3	3.2 (-30.30)	2.99 (-37-81)	2.88 (-36.78)
Membership (Lakh)	352	644 (82.95)	1152 (65.10)	1149 (8.19)
Share-Capital (Rs. crore)	222	851 (283.33)	2038 (155.35)	2100 (5.88)
Working Capital (Rs. crore)	1312	6810 (519.05)	20021 (193.99)	21000 (5.28)

SOURCE: India 1984 P.309

(Figures in the parentheses show the percentage change over a variable shown in the preceding column.)

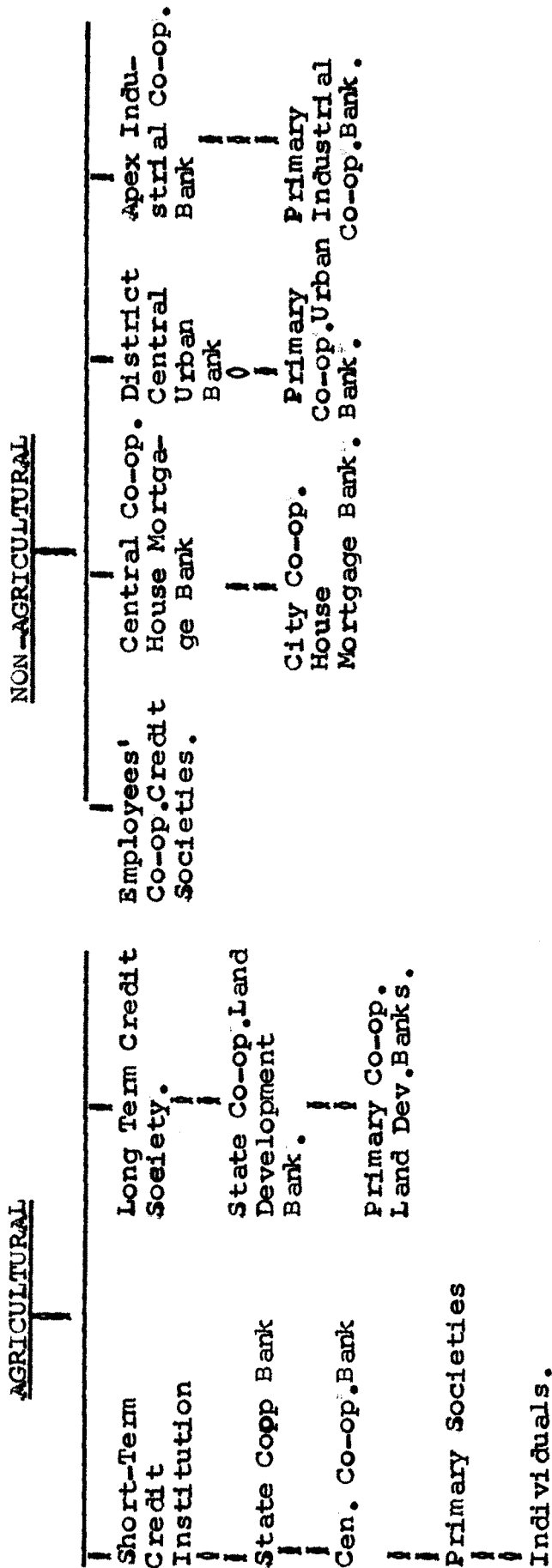


A study of the data in the above table shows that number of societies have come down due to the amalgamation of non-viable societies. The membership of co-operative societies increased by more than 9 times and the working capital by more than fifteen times within 21 years. When we compare this expansion, we find that the figures are not encouraging. Credit advanced by co-operatives is far lower than the actual requirements of farmers.

#### II-6.2 CO-OPERATIVE CREDIT STRUCTURE IN INDIA :

A Co-operative Bank is a three tiered structure offering short and medium term credit. ~~Shri~~ D. R. Gadgil observes, "The co-operative banking is an integrated one and because of its three-tier structure, has been able to extend credit to agriculturists, artisans etc. The three tier system allows a rationalised flow of resources from the metropolitan centres to villages and combines this with a fairly low cost of operations." 26.

C H A R T N O 1  
CO-OPERATIVE CREDIT STRUCTURE IN INDIA



**SOURCE:** Choubey B.N. Principles & Practice of Co-operative Banking 1968 P.15.

At present, after the introduction of IABARD, State Co-operative Banks started to provide long term credit facilities to District Co-operative Banks. In turn, they supply the same to Primary Agricultural Credit Societies. In many states, Central Co-operative Land Development Banks have their branches all over the State.

At present there are no primary co-operative urban banks. Housing Development Financial Corporation provide the finance. The growth of Short Term, Medium Term and Long term Credit Societies is discussed below in brief.

✓  
II-6.3 STATE CO-OPERATIVE BANK :

It is also known as the apex bank. It controls the working of central co-operative bank. It acts as a link between RBI, <sup>State Govt</sup> and Central Co-operative Banks. It not only helps ~~to~~ credit societies but also other co-operative societies. It <sup>helps</sup> ~~also~~ state Governments in drawing up plans in rural development.

T A B L E 1.4  
PROGRESS OF SC BS

	1971-72	Provisional 1983-84	Percentage Change
1. Number	26	26	-
2. Owned Funds	103	125	21.35
3. Deposits	330	490	48.48
4. Working Capital	731	931	27.35
5. Loans issued	947	1227	29.56
6. Loans Outstandings	553	679	22.18
7. Loans Over-dues	325	443	36.30
8. Percentage of Over-dues to outstanding	58.77	65.25	6.48

SOURCE : RBI Annual Report and Trends and progress of  
banking in India cited in M.C. Vaish  
'Monetary Theory' 1985 P. 794

Above table shows that the deposits and working capital increased by 48.5% and 27.4% respectively. Percentage of overdue to outstanding increased by 6.48% within 12 years.

#### II-6.4 DISTRICT CENTRAL CO-OPERATIVE BANK :

It is a federal body of the primary co-operatives and/or individuals located in a district. On the basis of their constitution, DCCBs are categorised into three classes.

*Full form of DCCB is District Central Co-operative Bank*

- i) Banks having membership open to individuals only.
- ii) Banks having membership open to Co-operatives only.
- iii) Banks having membership open to both co-operatives and individuals. At present we find second type of DCCBs.

The share capital of Central Banks consists of the Shares purchased by individual members, by primary credit societies and by State Government. Banks get loans from State Co-operative Banks and Societies.

#### ROLE OF CENTRAL CO-OPERATIVE BANKS :

No Central agency for supervision or financing were included in the co-operative credit societies act- 1904. It was believed that rural credit societies would be able to attract substantial deposits from the members and to meet the needs of the needy in the villages. It was also expected that any deficiency in the funds would be made good by loans from the Government. But these expectations did not materialise. The experience showed that the primary societies could not attract resources. They were unable to cater to the needs of needy. The Co-operative Societies Act of 1912 provided for the registration of Central Bank as financing agency for primary societies and to act as their balancing centre.

The DCCBs perform one or more of such functions as...

- 1) Meeting the credit requirements of member societies.
- 2) Working as an intermediary link between primary societies and the money market.
- 3) Serving as a balancing centre for adjusting the surplus and the deficiency of the working capital of the member societies.
- 4) Developing and extending banking and other facilities such as remittance of funds, Collection of Cheques, safe deposit <sup>vaults</sup> ~~valuts~~, etc. to members and others.
- 5) Encouraging thrift and mobilising savings from members and others.
- 6) Supervising, guiding and controlling the member societies and
- 7) Developing the Co-operative Movement in the district, on sound lines. Thus, mobilisation of deposits on massive scale from rural areas and satisfying the financial requirements of PACCS to enable them to cater to the needs of their individual members are the star functions of DCCBs which can be discharged through out the country through mobilisation of funds in the form of deposits and other borrowings and through efficient investment of such funds by following dynamic lending policies and keeping effective vigilance in recovery of loans falling due.

#### THE PROGRESS OF DCCS :

This table shows the classification of Central Co-operative Banks according to the extent of deposits, loans and advances, outstanding and working capital respectively.

It will be seen that in terms of deposits as many as 92 banks or 27.2 per cent of the total had deposits of less than Rs. 50 lakhs each. While 166 banks had deposits over Rs. 1 ~~xxx~~ crore each, in terms of loan operations, 63 banks or 18.7% of the total had loans outstanding of less than Rs. 1 crore each.

TABLE 1.5

CLASSIFICATION OF CENTRAL CO-OPERATIVE ~~X~~  
BANKS AS PER DEPOSITS, LOANS AND WORKING CAPITAL

.....			
Number of banks as on			
30th June 1984			
	Deposits	Loans outstanding	Working Capital
.....			
Below Rs. 50 lakhs	92	15	5
Between Rs. 50 lakhs and Rs. 1 crore	83	48	30
Between Rs. 1 crore and Rs. 2 crores.	68	109	83
Between Rs. 2 crores and Rs. 3 crores.	28	47	62
Between Rs. 3 crores and Rs. 4 crores.	21	37	34
Between Rs. 4 crores and 5 crores.	13	23	29
Above Rs. 5 crores	36	62	98
	---	---	---
	341	341	341
	===	===	===
.....			

SOURCE: ~~Dr.~~ M. C. Baish 'Monetary Theory 1985 P. 747

TABLE 1.6

PROGRESS OF CENTRAL CO-OPERATIVE BANKS

(Rs. in Crore)

	1971-72	Provisional 1983-84	Percentage Change
1. Number	341	349	2.34
2. Owned Funds	226	274	21.23
3. Deposits	510	720	41.17
4. Working Capital	1194	1542	29.14
5. Loans issued	1056	1412	33.71
6. Loans Outstandings	889	1085	22.04
7. Loans Overdue	36	39	3.00

As percentage of  
outstandings.

SOURCE: Same as for Table 1.4

Owned funds ~~were~~ increased by 21.23%. During 12 years (1971-72 to 1983-84) loans issued raised by 33.71%. Loans outstandings represented an increase of Rs. 196 crores as on 30th June 1984. The overdues as on 30th June 1984 constituted 39% of the loans outstandings and exceeded the owned funds of the Bank.

II-6.5 PRIMARY AGRICULTURAL CREDIT SOCIETIES (PACS)

It may be started with ten or more persons normally belonging to a village. The members have unlimited



liability. Both short-term and medium term loans are provided for productive purposes. Each society secures its funds by way of share funds, capital, deposits, loans and the reserve. Because of amalgamation of non-viable units, number has fallen.

TABLE 1.7

PROGRESS OF PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETIES

(Rs.in Crore)

		1971-72	Provisional 1983-84	Percentage change
1.	Number (in thousand)	157	157	-
2.	Membership	320	367	14.68
3.	Deposits	75	90	20.00
4.	Loans issued	615	815	32.52
5.	Loans outstanding	858	1062	23.77
6.	Overdues	325	443	36.30
7.	Percentage of overdues to outstanding.	37.87	41.71	3.84

SOURCE : SAME AS FOR TABLE 1.4

The progress of Membership is not satisfactory. They are facing with the problem of loan overdues. During 1983-84, out of 156000 PACS, 1,35,700 were active. The active societies covered 86 per cent of the villages in the country. The number of dormant societies was 20,300. The percentage of loan overdues to outstanding was to the extent of 41.71.

## II-6.6 LONG-TERM CO-OPERATIVE CREDIT SOCIETIES : x

Long-Term co-operative credit has been provided by the central co-operative land development or primary land development banks. While the membership of CLDBs is normally open to PLDBs, other co-operative societies and individuals, the membership of PLDB is composed of individuals only. The LDBs advance loans to their members for (a) bringing permanent improvement on their land (b) Purchasing land, (c) redeeming old debt.

TABLE 1.8

### PROGRESS OF CENTRAL LAND DEVELOPMENT BANK

(Rs. in crore)

	1972-73	Provisional 1983-84	Percentage Change
1. Number	19	19	-
2. Owned funds	98	110	12.25
3. Debentures out-standings.	1015	1146	12.90
4. Working capital	1202	1409	17.22
5. Loans issued	171	133	22.22
6. Loans outstanding	849	826	2.70

SOURCE: SAME AS FOR TABLE 1.4

It is clear from the above table that, within twelve years, the working capital has been increased by 17.22%. Due to lack of sufficient funds, the loans issued have fallen by

22.2%. It also faces the problem of loan overdues. The percentage of loans issued to outstandings was to the extent of 16 per cent during 1983-84.

#### II-6.7 MULTI AGENCY APPROACH TO AGRICULTURAL FINANCING: \*

Despite many efforts to strengthen the Co-operative Credit structure, the co-operatives could not emerge as an effective and powerful financing agency on account of limited funds, inefficient management, operation of political and social forces in rural areas, existence of uneconomic units and progressive mounting overdues. Consequently, multi-agency approach to agricultural financing was adopted. Under this,

- a) 14 banks were nationalised in July 1969.
- b) Agricultural Finance Corporation was established in 1968
- c) Agricultural Refinance Development Corporation was set-up on July 1, 1963.
- d) Lead Bank Scheme was put into operation towards the end of 1969.
- e) Regional Rural Banks were started on October 1975.
- f) National Bank for Agricultural and Development (NABARD) started functioning with effect from 12th July 1982.

\*\*\*\*\*

✓  
 II-7 CO-OPERATIVE MOVEMENT IN MAHARASHTRA:

Co-operation in Maharashtra has been the pioneering sector of the co-operative movement in the country. Out of the total co-operative societies in India, 13.5% are found in Maharashtra. ~~Shri~~ Vikhe Patil, ~~Shri~~ Dhananjayrao Gadgil, ~~Shri~~ Vasantaoada Patil, ~~Shri~~ Yashwantrao Chavan, ~~Shri~~ Balasaheb Desai, ~~Shri~~ Rajarambapu Patil, ~~Shri~~ Yashwantrao Mohite and others were the pioneers of co-operative movement in Maharashtra.

First co-operative sugar factory was started in Maharashtra. At present, out of 183 co-operative sugar factories, 100 are found in this state only. The progress of co-operatives is ~~uneven~~ here also.

There are 19 Women Co-operative banks in India out of which 16 are in Maharashtra State.

Milk-Dairy Co-operatives have made impressive progress. There are 510 Purchase of Cotton procurement societies in Maharashtra. Thus it is a model to be *followed* ~~followed~~ by other states.

In the beginning, co-operative societies were meant for meeting the credit needs of the agriculturists. In course of time, it covered different activities in different sectors of the state's economy.

Co-operative credit structure is three tiered in Maharashtra.

CHART NO : 2

CO-OPERATIVE AGRICULTURAL CREDIT STRUCTURE

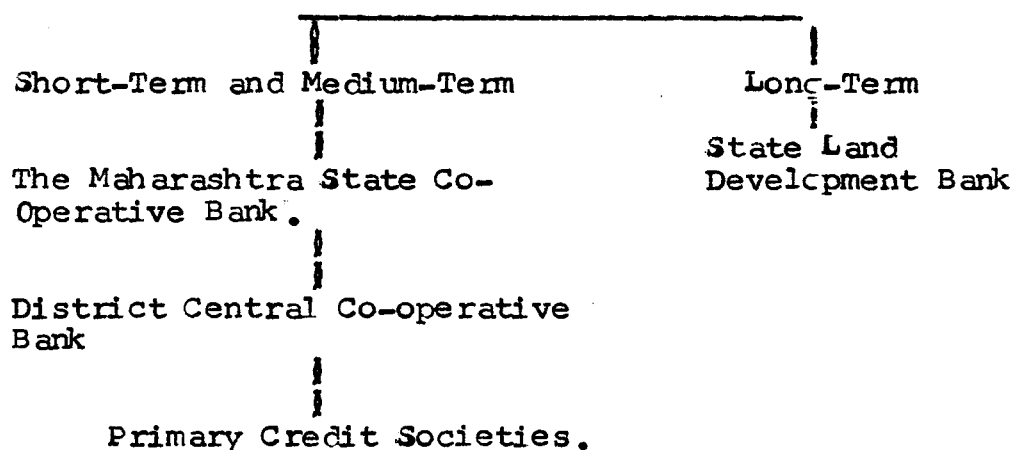


TABLE 1.9

TRENDS IN CO-OPERATION OF MAHARASHTRA STATE

Items	1960-61	1970-71	1983-84
1. Societies (No)	31,565	42,603 (34.96)	71,130 (17.09)
2. Members <i>thousands</i>	4.191	8.582 (104)	18.258 (112.7)
3. Working capital (Rs. in crore)	291	1.490 (412)	8.332 (459.19)
4. Advances by PACS and Multi purpose societies (Rs. in crore)	43	133	341

SOURCE: *Hand Book of Basic Statistics of Maharashtra state 1985 p.162&163*

**NOTE :** The above figures relate to all types of societies (including supervising unions, divisional and district boards and insurance societies, etc)

**SOURCE:** Hand Book of Basic Statistics of Maharashtra State 1985, Page 162.

(Figures given in Parentheses show the percentage change)

Overall progress is impressive. Trends in Co-operation have shown increasing tendency. The growth rate of societies is 5.43 during the period under review.

T A B L E 1.10

PROGRESS OF MAHARASHTRA STATE CO-OPERATIVE BANK

(Rs. in crore)

Item	1979-80	1983-84	1984-85
1) Working Capital	466	1006 (115)	1179 (17.19)
2) Deposits	358	823 (129)	960 (17)
3) Loans Advanced	1110	1697 (52.8)	2108 (24.21)

(Figures given in Parentheses show the percentage change)

**SOURCE:** Economic Survey of Maharashtra.

The Deposits of MSC Bank increased by 12.9% and 17% as on 30th June 1984 and 1985 respectively. The loans advanced (gross) were of the order of Rs. 1697 crore and Rs. 2108 crore during the year 1983-84 and 1984-85 respectively. It showed

an increase of 52.8% and 24.21%. Annual growth rate of working capital and deposits is 30% and 33% respectively.

TABLE 1.11

PROGRESS OF DISTRICT CENTRAL CO-OPERATIVE BANKS IN MAHARASHTRA

	(Rs. in crore)		
	1979-80	1983-84	1984-85
Deposits	446	981 (119)	1208 (23.13)
Working Capital	657	1391 (112)	1658 (19.19)
Loans advanced	1272	2564 (101)	2964 (15.60)

(Figures given in the bracket shows the percentage change)

SOURCE: Economic Survey of Maharashtra.

The deposits and working capital of DCCBs were increased by 170 and 152 per cent from 1979-80 to 1984-85. But loans advanced were raised by 133% within the same period. It shows that it has more surplus cash.

TABLE 1.12

PROGRESS OF PRIMARY AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES IN MAHARASHTRA

	(Rs. in crore)		
	1979-80	1983-84	1984-85
Number	18,581	18,353 (-1.22)	18,368 (0.08)
Membership(Lakhs)	52.30	58.72 (12.27)	61.24 (4.42)
Loans advanced	153	317 (107)	345 (8.83)
Working Capital	452	719 (60.41)	810 (12.65)

SOURCE: Economic Survey of Maharashtra

(Figures given in parentheses show the percentage change)

During 1983-84, PACS were reduced by 228 due to amalgamation of non viable units. Annual growth rate of membership for 5 years is 3%. Working capital is having growth rate of 15.84% for the same period. The societies supplied credit to the tune of Rs. 345 crore, during 1984-85 of which Rs. 115 crore was provided to small holders.

TABLE 1.13 x

PROGRESS OF THE MAHARASHTRA STATE CO-OPERATIVE LAND DEVELOPMENT BANK

	(Rs. in crore)		
	1979-80	1983-84	1984-85
Debentures floated	30.78	55.42 (80.05%)	47.18 (14.86)
Long Term	41.32	58.51 (41.60%)	49.29 (-15.82)
Over-dues	12.05	37.28 (209)	35.60 (4.50)

SOURCE: Economic Survey of Maharashtra.

(Figures given in parentheses show the percentage change).

Primary land development banks were amalgamated with State Land Development Banks with effect from 1972-73. During 1984-85, its advances were reduced by Rs. 9.22 crore due to inadequate funds. It is facing with the problem of Over-dues.



The Maharashtra State Occupies a prominent place in the co-operative movement in the country. In the non-agricultural sector, the co-operative movement is gaining momentum in recent years. This is clear from the following table.

T A B L E 1.14

PROGRESS OF NON-AGRICULTURAL CREDIT SOCIETIES X

(Rs. in crore)

	1979-80	1984-85	1985-86
1) Membership (Lakh)	5051	6359 (25.89)	6690 (5.21)
2) Working Capital	669	2045 (205.8)	2410 (17.84)
3) Loans advanced	630	1812 (187)	2225 (22.79)

SOURCE: Economic Survey of Maharashtra

(Figures given in Parentheses indicate percentage change)

The above table shows an impressive progress made in the non-agricultural sector. Annual growth rate of membership is 6% and Loans advanced were increased by 25.3% during 5 years i.e. from 1979-80 to 1985-86.


We find the co-operatives in the following fields also.

1) Marketing	..	(583)
2) Processing	..	(19,063)
3) Hand-loom	..	(754)
4) Spinning	..	(85)
5) Dairy Societies	..	(11,107)
6) Fisheries	..	(1106)
7) Housing	..	(21,195)
8) Labour contract	..	(4899)
9) Labour Forest Societies		(398)
10) Consumer Societies	..	(2264)

NOTE : Figures given in Parentheses show the number of Societies in 1984-85 .

SOURCE: Economic Survey of Maharashtra 1985-86 .

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