ORGANIZATION AND MANAGEMENT OF MULTIPURPOSE AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES

Agriculture is the most important and major occupation in India. Majority of the people in India depend on this occupation to a large extent. As the population in India is mainly spread in the villages, people in rural areas depend mostly on agriculture for their living. At the beginning of the twentieth century, it was possible for them to meet their basic needs through income generated from agriculture. But later on as the population went on increasing, the income from agriculture proved insufficient. As the rural population has no other means of livelihood, it had to depend only on this occupation, so the farmers started making an effort to produce more from the available land. To increase the agriculture production, the farmer had to take recourse to the adoption of new technologies, improved methods of farming, etc. and for this he felt the need to take loan. At the beginning he had to mainly depend on the money lender, traders and merchants to fulfill this need. The farmer being illiterate, was exploited on a large scale by these people providing credit.

The co-operative credit movement in the world started in Germany. Intolerable adverse condition for the poor in Germany led to the growth of a new economic organization known as the co-operative credit society. The emergence of the co-operative credit society in this country was the result of an enormous amount of work done by two men Raiffesen and Schulze. Harman Schulze, who conceived the idea when he founded the first People’s Bank in Germany in 1850.

The origin of co-operative movement can be traced back to the first half to the 18th century. Those were the days of scarcity and shortages in whole of Europe.

Co-operatives movement was introduced in India as a bulwark against the moneylender, his trade and malpractices. With persistent efforts made over a number of years, it has been able to eradicate this evil with a varying degree of success in different regions. Almost everywhere the generate gone down and at least in Punjab,
Maharashtra and Tamilnadu, the moneylender is completely off the track. In other states his grip has loosened greatly.

The country then faced a new problem namely the problem of food shortage. Efforts were made to solve it by approaching it from various angles. Improved methods of cultivation have been evolved, new strains of seeds have been developed.

More fertilizers are being produced and all these are being introduced in the field of extension methods. Side by side, it has been felt that the co-operative movement also must take up the responsibility of solving this problem by aiding the farmers in its own way. Thus basic objective of the movement changed from being merely removing indebtedness, to resolving the national problem of under-production, through service co-operatives.

The primary agricultural co-operative credit societies constitute the foundation of the three-tier co-operative credit structure being developed over the past decades with a view to institutionalize farm credit in the country. Latest additions to these societies are the farmer’s service societies and the large size adivasimulti purpose co-operative societies.

5.1 Origin and history of Multipurpose agriculture co-operative credit societies

The first efforts to find out a suitable organization for providing institutional creditor farmers were made towards the turn of the 19th century when Mr. Nicholson was deputed by the then provincial government of Madras to study the land bank system in Europe and make recommendation to introduce a suitable system to provide institutional credit to the poor peasants and save them from the clutches of the usurious private moneylenders.

Mr. Nicholson summed up his report by stating “Find Raiffeisen.” That signified the organization of primary agricultural co-operative credit societies at the village level on the basis of unlimited liabilities and area of operation limited to a single village, that is to say, on the basis of principle one village to one society ‘ and ‘one society to one village’. That organizational model as a suitable for private moneylender was accepted and introduced to country by means of co-operative societies act 1904.
Thus a co-operative form of organization at the village level was born out of the above piece of legislation which was intended to gradually cover all the village in the country so as to relieve the poor peasant from the stranglehold of the moneylenders by providing institutional credit to them which would not only help them in reducing their private indebtedness but also provide them cheap and facial credit for increasing their agricultural production and through that the standards of their living.

5.2 Meaning and Definitions

“A primary agricultural co-operative credit societies is to be treated as an organization of the villagers for mutual help and co-operation to meet their common economic requirements and to increase agricultural production. The idea is to relate the short-term credit which the society gives to the production plan of the farmer and to the yields he is likely to get from the loan.”

Thus a service co-operative society is essentially an institution, which helps the members to improve their agricultural yields at a lower cost by rendering certain, needed services at their door. A service society differs from a production society because it does not under take production on its own, but just helps the constituents in improving their production. Service societies exist in European countries also but they generally render only one service. For example, in Canada they have telephone service societies. In U.S.A. there are patrol supply service societies and in Germany they have electric supply societies. Mostly the service co-operatives of our conception, however, differ from them in so far as we want to chandelles through the medium of these societies, the necessary where with all of farming on easy terms to the farmers.

Service societies are also given the name of primary agricultural credit societies.

According to calvert, a co-operative society is a form of organization wherein person’s voluntarily associate together as human beings on the basis of equality for the promotion of the economic interest of themselves. This definition asserts that :

1. A co-operative society is an association of persons and not of capital as is the case with Joint Stock Companies;
2. Such association confers equal rights on all members irrespective of their share-
holding and social standing in the community and

3. Its objectives must be such as to enable members to have a common interest and demand contribution of each member.

The national bank for agricultural and rural development bill, 1981 already passed by the parliament in December, 1981 to set up a national bank lays down the following definition of primary rural credit society:

“Primary rural credit society” means a co-operative society, by whatever name called -

(1) Which has as its object or business the provision of financial accommodation to its members for agriculture or agricultural operations or for the marketing of crops, or for rural development and

(2) The byelaws of which do not permit admission of any other co-operative society as member: “Provide that this subclause shall not apply to the admission, as a member, of a co-operative society.

Which is a state co-operative bank or a central co-operative bank by reason of such bank subscribing to the share capital of the co-operative society out of funds provided by the state government for the purpose.

5.3 Features of Multipurpose agricultural co-operative credit society

The primary co-operative societies originally organized on the Raiffeisen Model had the following main features:

1. Limitation of area to operation so as to secure mutual personal knowledge on the part of the members;
2. Share of a small value so that even poor peasant could become members of primaries;
3. Permanent and indivisible reserve funds;
4. Unlimited liabilities of members;
5. Loan only for productive purposes;
6. Credit for relatively long periods with facilities for payments by installments
7. Determination every year by members of each Society of the maximum credit limit. That may be held by individual members at any time as well as of the
maximum total of saving deposits receivable and of loans that may be taken up by the society;

8. Absence of profit seeking dividends if paid being usually limited as a maximum, to the rate of interest paid by borrowers for loans.

9. Office holders with the exception of the secretary not paid for their service;

10. Preemption of the moral as well as material advancement of members and in particular the purchase of agricultural requisites for sale to members and often the procuring of agricultural machine and implements for letting on hire to members.

5.4 Objectives of Multipurpose agricultural co-operative credit society

Generally the main objectives of Raiffeisen Model societies were as under:

1. To borrow funds from members or to be utilized for loans to members for loans to members for useful purpose:

2. To act as the agent for the joint purchase of the agricultural, domestic and other requirements of its members and for joint sale of their produce;

3. To purchase and own implements, machinery or animals for hire to its members;

4. To disseminate knowledge of the latest improvements in agricultural, handicrafts and weaving and encourage its member to adopt them; and

5. Generally to encourage thrift, self help and co-operation among the members.

Subsequently, higher financing institution such as central co-operative banks at the district level and state co-operative banks at the state level were also organized with a view to provide financial support and guidance to village primaries organized on the raiffeisen Model. Thus the three-tier co-operative agricultural credit structure was brought in to existence for the institutionalizing farm credit.

5.5 Functions of Multipurpose agricultural co-operative credit societies

The primary agricultural co-operative credit societies have to perform the following functions:

1. To arrange the supply of farm requirements, such as improved seeds, fertilizers and insecticides. Societies should also stock for sale small implements such as sickles, grass-reapers, pickaxes, ploughs, chaff-cutters and other small improved implements which are generally required by every farmer. For procuring these
implements societies the may establish a link with some industrial society.

2. To provide short-term credit required for the purchase of farm requirements and also medium-term loans for agricultural purpose such as reclamation of land, sinking of ordinary wells, purchase of bullocks and carts, etc.

3. To maintain the supply on hire light agricultural machinery. The range of this machinery will depend upon local requirements subject to which the society may possess such things as plant protection equipment like sprayers and dusters, incubators threshers, winnowers etc.

4. To provide household requirements. It is not intend that the societies should open full-fledged general stores. Only essential commodities in short supply such as sugar, kerosene oil, food grains, etc, may be stocked for distribution.

5. To raise funds for meeting the above mentioned requirements mainly by catering to the saving of members. The functions of including the habits of thrift and saving among members are very important in order to make the people as much self-sufficient as possible.

The functions entrusted to primary agricultural co-operative credit societies were, to a certain extent, being performed by the earlier credit for short and medium terms; they were at places, supplying credit for short and medium terms; they were at places, supplying farm and household requirements also and the encouragement of deposits from members had been one of their important objectives.

The difference, however, lies mainly in the emphasis. The credit societies had a much simple task to perform. They mostly confined their activity to the grant of loans. Other functions, if at all performed, received a secondary attention and seldom were the two-credit and production programmers of the farmers-linked together. In the service co-operatives, the center of gravity has shifted from the counter in the society’s office to the fields of the cultivators. Increase in production rather than the mere removal of indebtedness is the core of the problems to be solved by them. The objectives of these new types of societies are thus circumscribed by a more dynamic philosophy, which revolves round the field of the cultivator and the overall problem of low yields and farming inadequacies.

In pursuance of the above objectives the societies should assess the farming
needs and take measures to fulfill them. So far as possible the societies should even create demands for better seed, more fertilizers, better implements, etc., by educating the people about their advantages. Further, it is the duty of the society to propagate the best method of using the fertilizers and provide farm guidance service.

5.6 Organization and management Multipurpose agricultural co-operative credit societies

For efficient and smooth conduct of a co-operative society, proper planning and organization is of prime importance.

5.6.1 Organizational structure/ general body

The management of the primary agricultural co-operative credit societies in Junnar, Ambegaon and Khedtaluka is same as the managements of other societies in Maharashtra on the principles of democracy. It is based on the principles, ‘one member, one vote.’ The management is entrusted to two bodies – The general body and managing committee. The general structure of organization and management of primary agricultural cooperative credit societies in Junnar, Ambegaon and Khedtaluka is as follows:

General Body of Members
↓
Managing Committee
↓
Chairman
↓
Vicechairman
↓
Secretary
↓
Clerk
↓
Peon

General Body

Subject to the provisions of the co-operative societies act and rules framed there under, general body of members is the supreme authority in any society. The
general body can exercise its control over the board and management in two ways -
1. By attending the general body meeting and by passing resolutions.
2. By electing the managing committee by voting.

They can take any decisions with in the limit of co-operative societies act, the rules formed under it and bye- laws of the society. For effective control , it is necessary for members to have sufficient knowledge of the working of the co-operative society and its policies to be able to form a rational judgment upon them.

They can participate in the meetings and discuss things freely but generally members of the society are found uninterested about the working and performance of the society. The byelaws of the co-operative society provide that the general meeting of the societies should be held before 14th November every year. But generally the meetings of the societies are not held in stipulated time . ( Though permission is obtained for conducting the meeting after 14th Nov.)
a. Meetings

The general meetings is called once a year. The following business is transacted :

1. To sanction
   • The receipts and disbursements during the previous co-operative year.
   • The profit and loss account for the year
   • Balance sheet as at the close of the year.
2. To accept the auditors report presented by the managing committee.
3. To accept the admission of the new members.
4. Fixing the limit up to which the funds may be borrowed.
5. To accept or rectify the sub-codes if necessary.
6. Any other matter which has been specifically mentioned in the byelaws.

Besides the general working there are some other rules regarding the general meeting.

• A member can make suggestions about the work or a problem , if the problem is not noted on the agenda and if it is permitted by the 2/3 majority of the present members.
• No change can be made in the sanctioned resolution of the previous general meeting.
• In case if change has to be made, it requires the special permission from Hon. Assistant Register within the six months from the sanctioned decisions.
• The president of the meeting is elected by the members who are present for it.
• The president has the right to give a vote as it is for other members. In case of equal voting the president has the to give one more vote.
• The quorum of the meeting is adequate only when minimum 1/3 or 25 members are present. If the minimum presence of the members is not satisfactory the meeting is adjourned up to half an hour. The meeting can be postponed further, if the members are still not in required number.
• It is the rule that a member who is present for the meeting is given one day’s allowance.
• The members should be informed about the meeting by a written notice 14 days in advance if it is the general meeting and 7 days in advance if it is the special general meeting.

b. Power and duties of the general body

Besides exercising the powers and performing the duties as laid down in the co-operative law, the general meeting of a service co-operative exercises and performs the following powers and duties respectively, viz.;

• Subject to the specific provisions as contained in the byelaws elsewhere, to decide the policy and limit up to which fund may be raised from outside (outside borrowing limit) for the ensuing year.
• Subject to the provisions as contained in sec. 44 of the M.C.S. Art and rules No. 42 and 43 of the M.C.S. Rules, to fix-up credit limit of each members also the limit for grant of loans against the security of goods.
• To decide the agricultural requisites, house – hold articles and articles for other use which may be supplied and the commission and incidental charges to be fixed for the purpose.
• To grant permission for purchase of machinery, agricultural implements etc. For being supplied to the members on hire system and to fix the rates for hire,
incidental expenses etc.

- To decide the rates commission and incidental expenses to be charged for marketing of a grill. Produce and different goods produced by the cottage and village industries.

- To consider the audit report and the audit rectification report prepared by the managing committee as also the communications received from the co-operative and other govt. departments and the district central co-operative bank.

- To consider the proposals regarding amendments to byelaws, if any.

- To consider the applications of the members, seeking extension of time beyond one year for repayment of loans due to their incapability to repay the same in time for reasons which are beyond their control.

- To consider, if essential, proposals regarding removal from office one or more members of the managing committee and resolve to remove him/them with a majority of not less than two-thirds of the members present and voting at the general meeting.

  The chairman of the society shall preside over the General Meeting. In his absence the vice chairman shall occupy the chair. In the absence of both, the members present at the meeting shall elect a president for that particular meeting and under his presidency the business of the meeting shall be transacted.

5.6.2 Managing Committee

a) Formation of a committee

The managing committee in the co-operative societies are formed in order to run daily working smoothly. The managing committees generally contain 7 to 11 members depending upon the total number of members in a society.

The managing committee is elected through the members of the society for a period of 3 years. Every member of a society who is not a defaulter is eligible to be a member of the society. Generally, election for this body is taken at time of annual general meeting every five years.

After election of members for the managing committee, a chairman is elected
from amongst the members of managing committee, along with vice chairmen.

The managing committee looks after the day to day problems of administration. But the decisions of the managing committee have to be made according to resolution passed by general body at the time of annual general meeting.

Depending upon the necessity of the society, various committees, such as loan committee, price control committee, business and working of the co-operative society.

It is not possible for all the members to look into the day to day affairs of the society. Therefore, the general body of a society should constitute a committee in accordance with the byelaws and entrust the management of the affairs of the society to such committee. The committee is called ‘the managing committee’ or ‘board of directors.’

According to the sub-code in co-operative law, all the members are elected by secret ballot voting for the management of co-operative society. Generally, nine directors are elected.

**The classification of the directors is as follows**

**Table 5.1 : Table showing number of members in Managing Committee**

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Kind of Members</th>
<th>Number of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Debtor members</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Non debtor member</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Member from the weaker section</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Member belonging to schedule caste</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>9</td>
</tr>
</tbody>
</table>

The managing committee has a full right to conduct the work of the society as it is formed by the sub-code and resolution taken general meeting. The membership of the managing committee gets cancelled if he remains absent successively for three meetings otherwise he must furnish convincing explanation for his absence.

**b) Rights, duties and responsibilities of the managing committee**

The managing committee of an ideal multipurpose co-operative society should perform the duties and responsibilities prescribed by act, rules and bye-laws of the
society.
1. To decide over the application regarding the proposal of the membership.
2. To recover the loan and amounts of the shares.
3. To sanction the expenditure.
4. To examine the transaction of the secretary and the balance amounts.
5. To decide the conditions of the acceptance of deposits and to sanction loan.
6. To decide the applications of seeking the loan and to examine the create of the member.
7. To prepare the annual report, profit and loss accounts and the balance sheet report.
8. To inspect the loan expenditure.
9. To consult the audit memo to correct it and to send it to the hon. auditor within a month. In the next general meeting the audit-memo and the short coming rectified report is presented.
10. To check the accuracy of the register mentioning goods record and the balance goods.
11. To acquire the land or to hire the land, godown for the convenience of the society.
12. To manage the purchasing centers of seeds, fertilizers, pesticides, corn and other instruments which are necessary for agriculture in the working range of the society. To fulfill the needs of the members in the area.
13. To check instruments of measurements used by the society.
14. In these selected multipurpose co-operative societies the rights, duties and responsibilities of the managing committee are followed but this is not done very strictly.

Some other powers and duties of the managing committee are:
1. Assessment of member’s requirement regarding agricultural inputs like seeds, fertilizers, others agricultural requisites, folder, food grains, industrial and household articles.
The Managing Committee may also arrange for stronger and distribution of the aforesaid articles on behalf of members on such demand from them, at their cost and risk.

2. Undertaking of activities for the amelioration of the economic conditions of the a manner, economically weak persons and the landless laborers in a manner described under the heading - “objects” of the service co-operatives and provision of funds for such activities.

3. Inspection of the goods. Machinery and implements in stock.

4. Obtaining on rent or otherwise suitable structures for office use and storage goods.

5. Arrangement for fire insurance of the godowns and stocks stored there in with the insurance company approved by the register.

6. Acceptance of goods for the purpose of marketing arrangements for its gradation if necessary and possible and decisions as regards the goods on the security of which loans may be issued.

7. Preparation of a list of the trustworthy commission agents and trades. Through and to whom, respectively, the goods are to be sold on credit with attendant risk and fixation of their credit limit.

8. Obtaining of appropriate security under Rule 107 (b) of the M.C.S. Rules from the secretary and other staff of the society handling cash, stocks, important and securities belonging to the society.

9. Other duties and functions incidental to the powers and duties specifically started as above.

5.7 Office staff

The office of the co-operative society include the chairman, vice-chairman, secretary clerk and peon etc. The managing committee elects the chairman and vice-chairman from amongst themselves and the secretary is also elected similarly or is to be appointed has a full-time paid officer. The chairman, the vice chairman and the secretary should take active part in the management of the co-operative society. They are the person mainly accountable to the members of the society. Moreover, success or failure of the society depends upon the competence of the staff. They must have
full knowledge of the managerial personnel of the society, features and principles of co-operation, leadership etc.

The duty of the chairman is to do every thing which is necessary for the efficient management and proper development of a co-operative society.

The secretary should be responsible for the executive administration of the society he has to look after both the secretarial and general managerial functions.

**a) Authority and responsibility of secretary**

A secretary is known as sole authority in the society. The secretary is responsible for the routine work for the multi-purpose co-operative society. In order to serve efficiently and fulfill the responsibilities smoothly the secretaries are given the following rights and responsibilities:

1. To cell the general meeting of the society and the committee. He has to remain present for all the meetings.
2. He has to not down the work of the meeting in the proceeding book.
3. He has to keep the correspondence and provide the necessary information to the members of the society.
4. He has to maintain all the records, accounts and registers as it is the rule in the co-operative society.
5. To guide the servants who are paid by the society to check their work and control over them.
6. He has to accept the money and spend for reasonable purposes. This right is given specially by the managing body to him.
7. To sign on the bills given no behalf of society.
8. To keep the record of the members of the society who have transacted from time to time.

To prepare the audit memo for the consideration of the managing committee.

**5.8 Organization and registration of Multipurpose agricultural co-operative societies**

New primary credit societies are generally organized by nonofficial agencies such as the local co-operative unions with the help and assistance of co-operative extension officers of the state.
Co-operative departments. If the resident of a village want to have co-operative society for their common economic benefit an application in the prescribed form along with prescribed documents has to be made to the registering authority, namely, assistant registrar of co-operative societies or the deputy registrar of co-operative societies. The organization /registration is generally preceded by a detailed socio-economic survey to ascertain the felt needs of the people and the economic viability of the proposed organization.

Registration of the society is essential under the law. Without registration, the society does not come in to existence legally and can not be entitled to assistance and help from the government and other agencies and can not claim concessions in respect of taxes, stamp duties, etc allowed by the governments under various enactments. The higher financing institutions also give loans only after registrations. When the registering authority is satisfied that all the legal formalities have been completed and the society is being formed on sound basis, it is registered and finally organized. Certificate of registration is officially issued to the society and the byelaws adopted by the society are also registered. Now all the societies are required to be registered as multipurpose societies with limited liability.

5.9 Management of Multipurpose agricultural co-operative credit societies

The management of primary agricultural credit societies vests in the managing committee elected by its members in the accordance with the act, rules and byelaws.

The day-to-day management has to be carried on by a paid secretary or a manager. Primary agricultural credit societies are required to provide a number of services to their members besides giving credit. Hence, the need for equipping them with well-qualified and well-trained personnel has assumed great importance.

While it is desirable to maintain their democratic character, it is also essential that their management is professionalized so that they can be run efficiently in the interest of better service to the farmers. As such, a balanced has to be maintaining between heir democratic character and professional management.

It is seen in this context that the cadre scheme was suggested to be built under the central co-operative banks. Although, the government has been emphasizing this aspect, there has not been much progress in these regards. Efforts have been made in
some of the states towards introducing professional cadre of paid secretaries, as for example, Andhra pradesh, Assam, Punjab, Haryana, Maharashta, Meghalaya, Orissa, Jammu, Bihar and Kashmir, Karnataka, Gujarat, Madhyapradesh, Rajasthan and Uttarpradesh. As pre the scheme, the cadre is suppose to be created at the district level under the central co-operative banks overall supervision to take care of recruitment, training and administration of the cadre personnel. In order to meet the financial obligation in this regards a cadre fund at state level with annual contribution from societies and financial banks according to specified formula, has to build up. The concerned state government is also required to make its own contribution.

After studying the present position and the requirements of PACS the CRAFICARD has suggested that the cadre scheme should be built up in the all the status and cadre funds should be adopted by an adequate manner. Further the committee has suggested that the cadre should be built up in the most appropriate manner and administered most effectively so that it serves the real purpose.

Steps should be taken to rectify the deficiencies in the existing cadre system whatever defects have been noticed.

In order to build up professional management, there should be programme of sustained recruitment of qualified and competent personnel and their systematic training. The staff recruited to the cadre should have rural bias and rural orientation in their outlook and attitude. In order to provide effective training, the training arrangements should be geared up and all the managers and secretaries of the PACS should be thoroughly trained and retrained. In this context, perhaps, training arrangements may have to be suitably expanded and strengthened by the national council for co-operative training.

The arrangements for education and training of the office bearers and members of primaries are quite inadequate. In most of the states, the member education programme has either been abandoned or diluted.

Without proper education, it may not be possible to ensure active participation of the members in the management of primary agricultural credit societies. The government and the higher-level co-operative organizations should also pay proper attention and device ways and means to ensure continues education of members.
5.10 Agricultural production advisory sub-committee

This advisory subcommittee comprising of the leading agriculturists and agricultural experts is appointed by the managing committee.

The functions of this subcommittee are as follows:

a. To prepare agricultural production plan for each agriculturists member of the society for increasing the yield.
b. To furnish details regarding the resources required for the purpose.
c. To supervise and inspect the standing crops.
d. To recommended to the general body the credit limit required by every agriculturists for cultivation of his land in accordance with his production plan.

All these function of the sub-committee are very important from the point of view of boosting the agricultural production which is the first and foremost objective of a service co-operative.

5.11 Funds of Multipurpose agricultural co-operative credit societies

A primary agriculture co-operative credit societies can raise funds for carrying out its activities by following means:

a. By way of share capital to be raised from members and indirect govt. share capital contribution through the apex co-operative bank and the district central co-operative bank.
b. Deposits from member
c. Loans
d. Donations
e. Entrance fee

5.12 Interest Rates

The interest on loans is charged at a rate which is more by three percent per annum than the rate of interest charged by the D.C.C. Bank to the society. However, the borrowers repaying their loans through the system of “Linking credit with marketing” are eligible for remission in interest at the rate of 1 percent annum. In the other hand, the unauthorized defaulter are charged penal interest at 2 p.c. per annum.

Where the loans are issued in the from of food-grains, the interest charged
on such loans is at the rate of 20 pc. Per annum. If such loans are defaulted the areas due are charged additional interest at the rate of 25 p.c. of the original rate viz.20 p.c.

5.13 Repayment of loans

While the recovery of drop loan is linked to the harvesting seasons, the medium term loan is repayable within a period of five years by annual installment.

If the borrower applies for extension of period repayment of his loan on the ground that observance of the repayment schedule is beyond by the borrower the Managing committee is convinced of the reasons advanced by the borrower it grants extension for repayment of the loan up to one year. The applications for extension beyond, however requires the approval of the D.C.C.B. in case the society is indebted to it. Where the society is not indebted to the D.C.C.B. the recommendations of the general body are required to be referred to the registering authority for his approval.

No extensions can be permitted without the written consent of the surety (if any there is any), foregoing provisions not withstanding.

If the overdoes are not cleared even after persuasive actions and written notices given to the borrowers and their sureties (if their are any), necessary legal measures as provided for under the M.C.S. act. are resorted to.

5.14 Loans and advances against the security of agricultural produce and other goods

Loans and advances are granted for a maximum period of six months on the pledge of agricultural produce or other goods, upon sixty percent of its current market price at the rate of interest which is higher by 2 percent than the rate charged for such loans by the D.C.C.B. The repayment period can be extended by three months on suitable conditions. The pledged goods are to be stored in the godown approved by the society. The goods are insured at borrowers cost. The society also makes arrangements for its security against a theft. The cost incurred on this arrangement is to be borne by the borrower. The society also takes precautions to save the goods from any deterioration in its quality. In case, the pledged goods are sold during the currency of the loan period, the sale proceeds are liable to be appropriated towards society’s dues of any kind against the borrower. The borrower has to execute
an agreement with the society for this type of loan which may contain all the above conditions as also the other, which the managing committee may like to include.

5.15 Supervision and audit of Multipurpose agricultural co-operative credit societies:

Supervision over primaries is exercised both by the registrar of co-operative societies and the financing bank. By and large the departmental supervision has been found to be quite superficial.

Some of the central co-operative banks in developed states have evolved proper system of inspection by their inspecting staff. However, this is utterly lacking in the underdeveloped states where the central co-operative banks are not well equipped for the purpose.

The officers from regional office of the agricultural credit department of the reserve bank of India also sometimes pay visit and inspect the primaries. This type of inspection has been found to be quite useful for providing guidance for improvement.

The audit of co-operative societies is the statutory obligation of the registrar of co-operative societies. Audit is ensuring proper financial discipline. It should be conducted timely and systematic attempts should be made for compliance of the audit report. If the audit is not systematic and timely it just becomes a postmortem and does not serve any purpose. The CRAFTICARD observe in their report that there was considerable delay in the audit of societies in some states.

In few other states, many societies had been left unedited even two years or more. Thus, out of 88951 primary agricultural credit societies due for audit in 1977-78, 73582 societies only were audited during the year. The pendency in audit was pronounced in some the steps, namely Andhra pradesh, Gujarat, Kerala, Karnataka, Tamilnadu, Manipur, Orissa, West Bengal and Jammu and Kashmir.

5.16 Agricultural credit and co-operative

In the most of the countries of the world an attempt has been made to develop institutional credit for agriculture on co-operative lines. The co-operative from of organizations are considered best for providing credit to the farmers. Attention was drawn on the unique role of co-operatives in the provision of agricultural credit, as far back as 1927 by the world economic conference held by the League of Nations in
Geneva. A special resolution of the conference defined this role as follows.

“The increase of agricultural production is intimately bound up with the organization of agricultural credit, which will place at the disposal of agriculturist the necessary capital on favorable terms. The first condition for surmounting these difficulties in the organization of credit institutions in those countries where do not exist and their development where they are already existence.

The best form of institution appears to be the co-operative credit society operating by means of resource which the very fact of association enables it to be procure and to increase with or without the assistance of the public authorities.”

In 1937 the statutory report of Reserve Bank of India stated: “An agency which satisfies the requisite condition for agricultural finance is the co-operative society and it has been so recognized in almost all agricultural countries.” In 1945 the agricultural finance sub committee was of the view that the spread of co-operation would provide the best and the most lasting solution for the problem of agricultural credit and of those, rural economy in particulates.”

“It would be useful at this stage to stress the great part of the movement can and should play in improving rural life. The co-operative principle, in its infinitely varying forms, is capable of rural life. In fact in it is only in the co-operative principle that such a solution can be found.” In 1954 the rural credit survey committee stated: “today, more than ever before, there is every reason for an institutional system of rural credit to be based on a co-operative association in the village. The reorganization of agricultural credit in India must be based on some form of co-operative association of cultivators within the village itself.”

Co-operative organizations have been recognized as the best institution for providing rural credit to the farmer because they satisfy all the important criteria of sound agricultural credit. The fundamental postulates of agricultural credit, as pointed out by Mr. A. Nicholson, are (1) Absolute proximity of lender and borrower (2) Compete security to the lender as regards the title of the property of fared (3) Through safety and facility to the borrower. To these may be added the requirement that credit should be (4) Positive, productive and thrift creating, instead of negative, unproductive and dangerously facile. To quote Nicholson again, “It must
be credit with shall only be so obtainable that the act and effort of obtaining it shall educate, discipline and guide the borrower. The method of providing it must teach the lessons of sales and mutual help, and suggest the extension of those lessons to matters outside of mere credit; it must be safe not merely in eliminating the dangers of usury, but in being controlled, needful and productive.

The co-operative organizations satisfy the basic condition of proximity as they can have intimate knowledge of the character and abilities of their members. They can supervise the use of credit and see that members employ the money obtained by them in improving the productivity of land. The credit provided by these societies is bound to be cheap as they can have very low administrative cost because much of their work is done voluntary.

The credit provided by co-operative institutions is neither too rigid nor too elastic. The finance as is also available from them formally purports to be short term in most part, whereas in actual practice it tends to be medium term or even long term. The credit provided is also safe as it assists and does not hamper the borrowers stability and productive capacity.

Co-operative organization, which is actuated by service motive, can play a unique role in providing not merely a facile credit but a safe and productive credit. In fact, the very act and effort of obtaining co-operative credit educates and guides the borrower, it teaches the borrower the lessons of mutual and self help. The co-operatives can instill in strong feelings responsibility for prompt payment of interest and repayment of loans and can provides strong incentives to thrift and saving.

5.17 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. According to its credit is classified as short term, medium term and long-term.

**Classification of credit**

1. Short term  
2. Medium term  
3. Long term

- **Short Term Credit**

Short-term credit is given for seasonal agricultural operations directed towards rising of crop on land, including a reasonable amount for the maintains needs of the
farmer and hoes family.

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

In the world of all India rural credit review committee, the short-term credit is “a kind a lump-sum accommodation to fill up the gaps in outlay which cannot be met from the cultivators own resources during the non-income period between to harvests”.

- **Medium Term Credit**

  The medium term loans are given for a period ranging from over 12 months to 5 years for purposes such as reclamation of land, bundling and other improvements purchase of livestock, machinery and other implements, sinking of wells, constructions of pucca brails in the field etc.

- **Long term credit**

  It is given for period ranging between 5 to 20 years, for purposes such as the redemption of land, liquidation of debts, purchase of factors and land and improvement of a percent nature in land.

### 4.18 The co-operative credit structure

We have already stated that agricultural credit may be both short term and long term. The short-term co-operative credit has a sort a federal structure, a three storied organization. In every state, the structure insist of state co-operative banks at the apex or top, primary credit societies at the village level with central banks coming in between at the district level. The short period co-operative credit structure can be shown in the following manner.

**Co-operative credit structure**

```
| National bank for agricultural rural development |
| ↓ |
| Apex or states co-operative banks |
| ↓ |
| Central co-operative bank at the district level |
```
Primary credit society at the village level

The urban structure is different to the above federal structure. The long-term credit structure has also not being organized three-tire system. It is based on two-tire system. On the top, there is the central land mortgage bank and at lower level, there are primary land mortgage banks.

The non-credit co-operative are also linked up with the state co-operative bank in the matter of finance. In the case many such societies attempts have been made to setup federal organization for giving he necessary guidance and encouragement. In some cases this provide finance also. Many of the status have state marketing federations to coordinate and improve the activities of the marketing societies.

Similarly, a broad institutional framework of consumer co-operatives has been built up. This framework comprised a national federation to which state federations are affiliated.

5.19 Need of agricultural credit

Agriculture is an important industry and like other industries it also requires capital. Due to the peculiarities of agriculture, specially its uncertainties, its small unit production, scattered operation, low returns, high rates of rent and limited scope for employment, a large proportion of cultivators cannot manage from one harvest to another without recourse to borrowing.

Sir F.A. Nicholson sated in his monumental report. “The history of rural economy, alike in Europe, America and India, has no lesson more distinct than this, that agriculturists must and will borrow. This necessity is due to the fact that an agriculturist’s capital is locked up in his land stock, and must be temporarily mobilized, hence credit is not necessarily objectionable nor is borrowing necessarily a sign of weakness.”

A United Nations publication has again stressed the need for credit for farmers when it observed.” Most of the world’s farmers have to borrow at some time, many of them heavily. To raise agricultural production they will have to borrow still more. And more is almost always needed where there is redistribution of rights in land. It is thus in the interest of agriculture, and essential to agriculture and general progress, that credit be available to farmers sin adequate amount and appropriate costs.
The importance of credit for agriculture has assumed added significance in India in view of the pivotal position agricultural occupies in the nation economy.

Agriculture provides employments to 60% of the population, contributes about 37% of our national wealth and accounts for about 2% of the export earnings. It is quit obvious that the prosperity and well-being of the entire people of India hinges on the progress and prosperity of agriculture.

An efficient and developing agriculture is now considered to be major factor in accelerating the pace of economic development.

For stimulating the tempo of agriculture production, it is imperative that the farmers must be provided with essential per-requisites like fertilizers, improved seeds, irrigation facilities, modern equipments, marketing facilities, etc. it is quit patent that without adequate and timely credit they would not be able to make us of these essential inputs. The use of greater and better quality of inputs would mean greater demand fore rural credit. Mr. John D. Black, professor of economics, Harvard university has very rightly stated, “if we are all concerned about increasing total agricultural output in the shorter time, we must provide credit first and foremost. They will enable them to by more labour saving equipment, more seeds and fertilizers.” Sir BernargO.binnus, an agricultural expert of F.A.O., has observed that the provision of adequate credit, which could not harass the farmer, was an essential part of many schemes of agricultural development.

In less developed countries, the need for is more pressing. Where are almost without liquid resources, credit on reasonable terms is needed to finance the preparation for their crop, to enable them to make a modest start in adopting improved method of farming.

Once very important reason as low to why agricultural productivity is low in underdeveloped countries like India, is that the average farmer has hardly any finance to effect improvement in the land. According to Prof. B.R.Shinoy, food production in India has been handicapped by the counted short supply of farm credit.

There is another broad aspect of the problem of agriculture finance. It arises out of the interest of the nation as a whole to maintain agriculture in an efficient condition and the obligation of the state in that matter.
This social significance of rural finance was highlighted by the businessmen’s commission on agriculture in America in the following words-

Agricultural is not merely a way of making money by raising crop; it is not merely an industry or a business; it is essentially a public function or service performed by private individuals for the care and use of the land in the national interest; farmers in the course of their pursuit of living and private profit are the custodians of the basis of national life.

Agriculture is therefore, affected with a clear and unquestionable public interest, and its status is a matter of national policies, not only to conserve the natural and human resources involved in it, but to provide for the national security, promote a well-rounded prosperity, and secure social and political stability.

5.20 Need for institutional agricultural credit

The development of institutional credit is thus a basic condition for agricultural progress. The history of agricultural development in all advanced countries show that an integrated system of institutional credit laid the foundation of agricultural prosperity. The objective of the institutional credit is to make a breakthrough in the vicious circle of poverty, rack renting, usury and debt and to stimulate the farmer to boost agricultural productivity. This would mean, in the words of Dr. Horace Belshaw “the conversion of static into dynamic credit.”

These institutional arrangements are expected to do the following functions:

1. Facilitate and encourage savings and their mobilization for productive investment.
2. Reduce the cost of credit.
3. Pool the risk of lenders.
4. Increase competition between private moneylenders and effectively counter the local monopolies, which many of them now enjoy.
5. Help farm families fully to understand the opportunities which wise use of credit affords, and in this way as well as by flexible repayment provision.
6. Minimize the risk of losses by borrowers.

Though the importance between of institutional credit for the needs of peasantry is recognized as basic to the development of agricultural, yet the same is
conspicuous by its absence in most of the under-developed countries.

This fact is highlighted by the table as below –

**Table 5.2 - Flow of Institutional Credit to Agriculture (Rs. in Crore)**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Co-operative Banks</td>
<td>11944</td>
<td>14085</td>
<td>15957</td>
<td>18429</td>
<td>22706</td>
</tr>
<tr>
<td>Short Term</td>
<td>9328</td>
<td>10895</td>
<td>12571</td>
<td>14648</td>
<td>17598</td>
</tr>
<tr>
<td>Medium/Long Term</td>
<td>2616</td>
<td>3190</td>
<td>3386</td>
<td>3781</td>
<td>5108</td>
</tr>
<tr>
<td>2. Regional Rural Banks</td>
<td>1684</td>
<td>2040</td>
<td>2460</td>
<td>3329</td>
<td>4061</td>
</tr>
<tr>
<td>Short Term</td>
<td>1121</td>
<td>1396</td>
<td>1710</td>
<td>2517</td>
<td>2412</td>
</tr>
<tr>
<td>Medium/Long Term</td>
<td>563</td>
<td>644</td>
<td>750</td>
<td>812</td>
<td>1649</td>
</tr>
<tr>
<td>3. Commercial Banks</td>
<td>12783</td>
<td>15831</td>
<td>18443</td>
<td>22854</td>
<td>24693</td>
</tr>
<tr>
<td>Short Term</td>
<td>6549</td>
<td>8349</td>
<td>9622</td>
<td>11697</td>
<td>10973</td>
</tr>
<tr>
<td>Medium/Long Term</td>
<td>6234</td>
<td>7482</td>
<td>8821</td>
<td>11157</td>
<td>13720</td>
</tr>
<tr>
<td>Total</td>
<td>26411</td>
<td>31956</td>
<td>36860</td>
<td>44612</td>
<td>51460</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td>20</td>
<td>21</td>
<td>15</td>
<td>21</td>
<td>14</td>
</tr>
</tbody>
</table>


5.21 Progress of Multipurpose agricultural credit societies in India

**Table 5.3 - Progress of Multipurpose agricultural Credit Societies**

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of Societies / Bank (.000)</td>
<td>108</td>
<td>212</td>
<td>157</td>
<td>94</td>
<td>83</td>
<td>93</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Membership (.000)</td>
<td>48</td>
<td>170</td>
<td>32009</td>
<td>60999</td>
<td>86759</td>
<td>96600</td>
<td>10000</td>
</tr>
<tr>
<td>3</td>
<td>Deposit (Rs. Crore)</td>
<td>4</td>
<td>15</td>
<td>75</td>
<td>314</td>
<td>1605</td>
<td>3604</td>
<td>13431</td>
</tr>
<tr>
<td>4</td>
<td>Loans outstanding (Rs. crore)</td>
<td>34</td>
<td>218</td>
<td>858</td>
<td>2966</td>
<td>7539</td>
<td>14246</td>
<td>34522</td>
</tr>
</tbody>
</table>

Source: RBI: Report of the all India rural credit review committee (1969), table 9, RBI: Report on trend and progress of banking in India, different issues.

Table 5.3 presents data pertaining the progress of PACSs in the country during
the period 1951-52 to 2000-01. The data shows that the number of PACSs which stood at 2.12 lakh in 1960-61, was 94 thousand in 1981-82 was further roused to 100 thousand in 2000-01. The membership in these societies steadily increased in the country from 32009 thousand in 1971-72, to 86759 thousand in 1991-92 and to 10,000 thousand in 2000-2001.

This steady increase in the number of membership and decrease in the number of societies are on account of the policy of the government of recognizing the primary agricultural credit societies on a strong and viable basis. The deposits increased from Rs. 314 crore in 1981-82 to Rs. 3604 crore in 1995-96 and huge increment to Rs. 13,481 crore in 2000-01. The outstanding loans advanced by the societies recorded an increase from Rs. 7539 crore in 1991-92 to Rs. 34522 crore in 2000-01

5.22 Progress of central co-operative banks

Data pertaining to the progress of central co-operative banks in the country during the period from 1951-52 to 2000-01 are presented in table 4.4. From the data it can be seen that the number of central co-operative banks in the country decreased from 509 in 1951-52 to 338 in 1981-82 and increase to 367 in 2000-01.

Table 5.4 : Progress of central co-operative banks

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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of societies/banks</td>
<td>509</td>
<td>390</td>
<td>341</td>
<td>338</td>
<td>351</td>
<td>363</td>
<td>367</td>
</tr>
<tr>
<td>2</td>
<td>Owned funds (Rs. crore)</td>
<td>10</td>
<td>51</td>
<td>226</td>
<td>733</td>
<td>1888</td>
<td>3610</td>
<td>12180</td>
</tr>
<tr>
<td>3</td>
<td>Deposits (Rs. crore)</td>
<td>38</td>
<td>112</td>
<td>510</td>
<td>2768</td>
<td>11010</td>
<td>24397</td>
<td>61786</td>
</tr>
<tr>
<td>4</td>
<td>Loans outstanding (Rs. crore)</td>
<td>36</td>
<td>220</td>
<td>889</td>
<td>3083</td>
<td>12593</td>
<td>24391</td>
<td>52491</td>
</tr>
</tbody>
</table>

Their owned fund increased from Us. 226 crore in 1971-72 to Rs. 1888 crore in 1991-92 and to Rs. 12180 crore in 2000-01. While their deposits recorded an increase from Rs.112 crore to Rs. 2768 crore in 1981-82 and major increasment to Rs. 61786 crore in 2000-01. The total amount of the outstanding loans advanced by the central Co-operative banks increased from Rs. 220 crore in 1960-61 to Rs. 12593
croc and steadily increased to Rs. 52491 crore in 2000-01.

5.23 Progress of state co-operative banks

The data pertaining to the progress made by state of apex co-operative banks during the period from 1951 - 52 to 2000 - 01 arc presented in table A.

The data shows that the number of state co-operative banks increased from 16 in 1951-52 to 27 in 1981-82 and to 30 in 2000 - 01. Their owned fund increased from Rs. 4 crore in 1951 - 52 to Rs. 1125 crore in 1991 - 92 and dramatically increased to Rs. 5837 crore in 2000 -01. Their deposits increased from Rs. 21 crore in 1951 - 52 to Rs. 1894 crore in 1981 -82 and to Rs. 32606 crore in 2000 - 01. The outstanding loans of the state Co-operative banks recorded an increase from Rs. 20 crore in 1951 - 52 to Rs. 2512 crore in 1981 - 82 and to Rs. 2948 crore in 2000 - 01 which reflects state Co-operative banks as a pioneering agency in rural credit disbursement.

Table 5.5 : Progress of state co-operative banks

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</thead>
<tbody>
<tr>
<td>1</td>
<td>Number</td>
<td>16</td>
<td>21</td>
<td>26</td>
<td>27</td>
<td>28</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>Owned funds (Rs.crore)</td>
<td>4</td>
<td>24</td>
<td>103</td>
<td>398</td>
<td>1125</td>
<td>2458</td>
<td>5837</td>
</tr>
<tr>
<td>3</td>
<td>Deposit (Rs. crore)</td>
<td>21</td>
<td>72</td>
<td>330</td>
<td>1894</td>
<td>7321</td>
<td>13428</td>
<td>32606</td>
</tr>
<tr>
<td>4</td>
<td>Loans outstanding (Rs. crore)</td>
<td>20</td>
<td>167</td>
<td>553</td>
<td>2512</td>
<td>7331</td>
<td>16594</td>
<td>2984</td>
</tr>
</tbody>
</table>

RBI: Report on trend and progress of banking in India, different issues.
Chapter 6 : Impact of Globalization on Co-operation

6.1 Challenges before co-operatives
6.2 Present economic scenario
6.3 Co-operative Movement : on cross roads
6.4 Vision, mission, strategy and governance
6.5 SWOT (Strength, Weakness, Opportunity, Threat) analysis of the rural co-operative credit sector
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6.7 WTO & India’s agricultural export in the liberalised trade regime
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