CHAPTER VII
TOWARDS STRENGTHENING THE CO-OPERATIVE STRUCTURE IN
BANASKANTHA DISTRICT

In the preceding Chapters we have reviewed the working, successes and failures of the Co-operative institutions working in our country at various levels. It should be said to the credit of the Government that since the British regime and more particularly since Independence a number of measures have been adopted, various committees, commissions, working groups, have been appointed and their suggestions have more or less faithfully implemented. So that at the present time we find a highly complex structure of Co-operative Societies backed and supported by several State, land national and other institutions. In the following pages, we shall review in brief the recent attempts made by Government N.B.I. and S.B.I. and the other institutions for the growth of Co-operatives.

I. NEW INSTITUTIONS TO STRENGTHEN THE CO-OPERATIVES:
(a) Reserve Banks' Role:

The Reserve Bank has increased its role in financing co-operatives during the past 30 years so that in the year 1977-78 it advanced Rs. 1429 crores and in the year 1978-79 Rs. 1350 crores to State Governments for financing co-operative
institutions. The rate of interest charged by the R.B.I. from the Apex Co-operative Banks i.e. State Co-Operative Banks has also been reduced from 2.5% below the Bank Rate to 3% below the Bank rate on the medium term loans and conversion loans as from 1st January 1979, and State Governments were requested to limit the rate of interest charged on loans upto Rs. 2500 to Small farmers to 11% and on other loans to 13%.

The process of reorganisation of the primary Credit Societies has been accelerated in recent years. The total number of PACs was 1,3500 in 1975-76. It was reduced to 1,22,000 in 1977-78. While their membership increased from 39.5 million in 1975-76 to 61003 million in 1977-78 and their owned funds increased from Rs. 437 crores to Rs. 5.54 crores. This number is expected to decline to 90000 in the next two years.

Attempts have also been made to rehabilitate, certain CCBs and SCB. In all 180 CCBs have to be rehabilitated. The government of India sanctioned Rs. 8.42 crores as its share to enable the CCBs to write off their bad debts.
Following the Recommendation of Hazare Committee Report on the "Integration of Co-operative Institutions three States have started to integrate their S.T. and L.T. Co-operative Credit Structures. They are Punjab, M.P., and Rajasthan. There was a new programme ACID (The Agricultural Credit Intensive Development Programme) started recently in 41 districts. The programme is to bring about a functional co-ordination between various agencies concerned with the implementation of the development schemes of the Co-operative Institutions. As a result of this co-ordination, the total membership of the PACs in the 37 districts out of 41 taken under ACID has increased by 7 lakhs.

The RBI has also granted advances for the medium term and long term credit to the Co-operative Institutions and supported the debenture issue programmes of SLDBs also. But it is enough to say that RBI has been made financer of the Co-operative institutions in our country and its role and extent of finance provided have been increasing day by day.

(b) The Role of the Commercial Banks in Strengthening the Co-Op. Structure:

The scheme of financing PACs by Commercial Banks was started in June 1970 at the time of nationalisation
of 14 major commercial banks. The Scheme has by now run through almost a decade (See Table No. 7.1 below) and by 31st December 1978, 623 branches of 21 commercial banks in all had taken over or adopted 2894 PACs in 122 of the districts i.e. the number of societies per branch this was 5. The average amount of loans issued by each branch came to be Rs. 2 lakhs.

The total amount advanced by 31.12.1978 came to be Rs. 47 crores; but from this Rs. 29 crores (62%) was overdue compared to 43% on 31.12.1975. About 4.05 lakh new members were admitted in the Societies taken over by these branches.

**TABLE NO. 7.1**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Societies</th>
<th>Short-term Loans issued Rs.</th>
<th>Medium term Loans Rs.</th>
<th>Total Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>1503</td>
<td>485.65</td>
<td>61.31</td>
<td>546.96</td>
</tr>
<tr>
<td>1971-72</td>
<td>1470</td>
<td>813.81</td>
<td>49.92</td>
<td>863.73</td>
</tr>
<tr>
<td>1972-73</td>
<td>1701</td>
<td>1073.76</td>
<td>58.10</td>
<td>1131.86</td>
</tr>
<tr>
<td>1973-74</td>
<td>1847</td>
<td>1275.03</td>
<td>100.57</td>
<td>1375.60</td>
</tr>
<tr>
<td>1974-75</td>
<td>1895</td>
<td>1481.52</td>
<td>94.93</td>
<td>1576.46</td>
</tr>
<tr>
<td>1975-76</td>
<td>2355</td>
<td>2173.02</td>
<td>495.13</td>
<td>2668.15</td>
</tr>
<tr>
<td>1976-77</td>
<td>2461</td>
<td>3575.03</td>
<td>953.71</td>
<td>4528.74</td>
</tr>
</tbody>
</table>

Source: 1. Financing of the PACs by Commercial Banks
All India Debt and Investment Survey Report 1971-72
The RBI survey of the "Financing of PACs by Com.-Banks (1976) gives several causes for the large percentage of overdues with the PACs as follows:

(a) The Field Staff of the banks had no background of rural credit.

(b) The recovery of loans were difficult as most of the adopted societies had no paid Secretary.

(c) Many (PACs) Societies did not follow strictly the financial rules laid down by the Com. Banks regarding the eligibility for fresh loans, only if 30 to 50% of the dues had been cleared.

(d) Unfavourable agricultural conditions like natural calamities, droughts in certain areas.

(e) Lack of follow-up by the staff of the banks after the loans are issued by the PACs to the farmers.

The result was that in many areas there was stagnation in credit e.g. Out of the 2930 PACS adopted by the Commercial Banks in 1974-75, 1035 societies did not get fresh finance for failure to make repayments overdue.

Above,
The following Table No. 7.1 gives the data of the loans advanced by Commercial Banks to the PACs (1974-75).
(c) **ARDC**:  

ARDC is the Agricultural Refinance and Development Corporation.

This body was set up in 1974. It is mainly promoting investments in agriculture and allied activities.

The total number of Schemes sanctioned by the ARDC since its inception till the end of June 1979 totalled Rs. 8655 in which the commitments of the Corporation was Rs. 2303 crores. The ARDC has continued to provide 90% of the refinance facilities for the schemes adopted under SFDA - DPAP and Schemes for schedules castes and scheduled tribes.

(d) **Farmers’ Service Societies**:  

The National Commission on Agriculture in its interim report on Credit Societies for Small and Marginal Farmers and Agricultural Labourers" suggested that "with increasing reliance being placed on co-operatives as instrument of development at village level, it is all the more necessary that the multipurpose co-operative principle should receive greater emphasis" and hence they recommended the setting up of Farmers’ Service Societies for providing integrated services to the farm population that is poor and down trodden.
The main functions to be performed by FSS were:

(i) to mobilize rural savings, popularise banking habits and investments in Life Insurance Corporation, Small Savings, Unit Trusts etc. and in a branch of a Commercial Bank. (ii) to supply agricultural inputs and consumer items to the member farmers (iii) to encourage them to set up Small Scale and Cottage Industries. A FSS was expected to serve a population about 10,000 to provide a integrated credit to small farmers, marginal farmers and agricultural labourers. (iv) to cover an area of a block of a district.

The table No. 7.2 gives the data about the capital structure of the FSS working in India and in Gujarat. By 1977-78 there were 1577 FSS working with a membership of 32.76 lakhs and having total working capital of Rs. 101.20 crores. Even in Gujarat there are 38 such FSS. Their membership is 44000 and working capital Rs. 2.73 crores.

But as seen from the Table No. 7.3 out of the total 1577 FSS only 993 were earning profits while 533 of them were incurring losses. Similarly the Table No. 7.4 shows that about 40% of their loans outstanding were overdue. Hence the same old story of Co-operatives, inefficient management, large overdues and heavy reliance on borrowings is repeated in the new institution of FSS also.
**TABLE NO. 7.3.**

CAPITAL STRUCTURE OF FSS.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Societies</th>
<th>Membersh</th>
<th>Paid-up Capital (Rs.)</th>
<th>Reserves and Other Funds (Rs.)</th>
<th>Deposits (Rs.)</th>
<th>Borrowing (Rs.)</th>
<th>Working Capital (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976 - 77</td>
<td>1118</td>
<td>2419000</td>
<td>794.98</td>
<td>150.01</td>
<td>154.65</td>
<td>2274.07</td>
<td>3893.72</td>
</tr>
<tr>
<td>1977 - 78</td>
<td>1577</td>
<td>3276000</td>
<td>1729.85</td>
<td>420.20</td>
<td>685.63</td>
<td>5933.61</td>
<td>10120.54</td>
</tr>
</tbody>
</table>

**ALL INDIA**

**GUJARAT STATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Societies</th>
<th>Membership</th>
<th>Paid-up Capital (Rs.)</th>
<th>Reserves and Other Funds (Rs.)</th>
<th>Deposits (Rs.)</th>
<th>Borrowing (Rs.)</th>
<th>Working Capital (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976 - 77</td>
<td>37</td>
<td>39000</td>
<td>26.21</td>
<td>10.05</td>
<td>1.92</td>
<td>114.60</td>
<td>158.73</td>
</tr>
<tr>
<td>1977 - 78</td>
<td>38</td>
<td>44000</td>
<td>47.63</td>
<td>22.94</td>
<td>10.54</td>
<td>163.06</td>
<td>273.40</td>
</tr>
</tbody>
</table>

Source: Statistical statements Relating to the Co-operative Movement in India

### TABLE NO. 7.B.
**Profitability of the FSS.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Societies Making Profits</th>
<th>Societies Making Losses</th>
<th>Societies Making neither nor losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2.</td>
<td>3.</td>
<td>4.</td>
<td>5.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL INDIA.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976 - 77</td>
<td>549</td>
<td>527</td>
<td>42</td>
<td>418</td>
</tr>
<tr>
<td>1977 - 78</td>
<td>993</td>
<td>533</td>
<td>51</td>
<td>1577</td>
</tr>
<tr>
<td>GUJARAT STATE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976 - 77</td>
<td>20</td>
<td>12</td>
<td>5</td>
<td>37</td>
</tr>
<tr>
<td>1977 - 78</td>
<td>22</td>
<td>13</td>
<td>3</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Statistical statements Relating to the Co-Operative Movement in India

## TABLE NO. 7.6

OVERDUES WITH FSS.

(Amount in Rs. Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Societies</th>
<th>Total Loan in the year (Rs.)</th>
<th>Total Loan Outstanding (Rs.)</th>
<th>Total Loan overdues (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976 - 77</td>
<td>1118</td>
<td>1835.97</td>
<td>2258.67</td>
<td>1030.06</td>
</tr>
<tr>
<td>1977 - 78</td>
<td>1177</td>
<td>5580-72</td>
<td>6903.14</td>
<td>2619.23</td>
</tr>
</tbody>
</table>

**GUJARAT STATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Societies</th>
<th>Total Loan in the year (Rs.)</th>
<th>Total Loan Outstanding (Rs.)</th>
<th>Total Loan overdues (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976 - 77</td>
<td>37</td>
<td>100.66</td>
<td>103.35</td>
<td>32.96</td>
</tr>
<tr>
<td>1977 - 78</td>
<td>38</td>
<td>158.58</td>
<td>123.51</td>
<td>37.56</td>
</tr>
</tbody>
</table>

(ii) LAMPS:

Similarly for helping the farmers and labourers in Tribal areas and hilly regions a new agency named Large Sized Multi-Purpose Co-Operative Societies to conveniently termed as LAMPS were also started by the Government. The Table No. 7 below gives the capital structure of these organisations. In 1977-78 there were 1924 LAMPS with membership of 15.42 lakhs and working capital of Rs. 80.06 crores lakhs. In Gujarat State their number was 54 with membership of 30,000 and working capital of Rs. 162.15 lakhs.

But here also as seen from Table No. 7, out of the total 1424 LAMPS 89% were earning profits while 519 were incurring losses. Similarly table No. 7.8 shows that the total overdues as a percentage of their total loans outstanding was 35%. They also had to depend heavily on borrowings which formed 66% of their working capital. Hence also the experience of PACs is repeated though they LAMPS are of large size and doing multi-purpose activity.

Though they also emphasized credit activity and worked for supplying the credit to the tribal and hilly area farmers in an integrated manner.
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Societies</th>
<th>Membership</th>
<th>Paid-up Capital (Rs.)</th>
<th>Reserves and other funds (Rs.)</th>
<th>Deposits (Rs.)</th>
<th>Borrowing (Rs.)</th>
<th>Working Capital (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>1325</td>
<td>1153000</td>
<td>971.74</td>
<td>241.90</td>
<td>179.22</td>
<td>3039.36</td>
<td>5416.22</td>
</tr>
<tr>
<td>1977-78</td>
<td>1324</td>
<td>1542000</td>
<td>1567.69</td>
<td>317.52</td>
<td>252.00</td>
<td>4238.69</td>
<td>8008.67</td>
</tr>
</tbody>
</table>

**GUJARAT STATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Member-ships</th>
<th>Membership</th>
<th>Paid-up Capital</th>
<th>Reserves and other funds</th>
<th>Deposits</th>
<th>Borrowing</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>26</td>
<td>8000</td>
<td>4.44</td>
<td>2.20</td>
<td>0.06</td>
<td>22.00</td>
<td>31.90</td>
</tr>
<tr>
<td>1977-78</td>
<td>54</td>
<td>30,000</td>
<td>30.60</td>
<td>15.23</td>
<td>5.82</td>
<td>85.71</td>
<td>162.15</td>
</tr>
</tbody>
</table>

Source: Statistical Statements Relating to the Co-Operative Movement in India.

### TABLE NO. 7.5

#### PROFITIBILITY OF THE LAMPS

<table>
<thead>
<tr>
<th>Year</th>
<th>Societies making Profits</th>
<th>Societies making Losses</th>
<th>Societies making neither nor losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2.</td>
<td>3.</td>
<td>4.</td>
<td>5.</td>
</tr>
<tr>
<td>1976-77</td>
<td>766</td>
<td>549</td>
<td>10</td>
<td>1325</td>
</tr>
<tr>
<td>1977-78</td>
<td>894</td>
<td>519</td>
<td>11</td>
<td>1424</td>
</tr>
</tbody>
</table>

**ALL INDIA**

**GUJARAT STATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Societies making Profits</th>
<th>Societies making Losses</th>
<th>Societies making neither nor losses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>5</td>
<td>17</td>
<td>4</td>
<td>26</td>
</tr>
<tr>
<td>1977-78</td>
<td>29</td>
<td>23</td>
<td>2</td>
<td>54</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Societies</th>
<th>Total Loan in the year (Rs.)</th>
<th>Total Loan Outstanding (Rs.)</th>
<th>Total Loan Overdues (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>1325</td>
<td>2023.11</td>
<td>3053.13</td>
<td>1394.65</td>
</tr>
<tr>
<td>1977-78</td>
<td>1424</td>
<td>2521.54</td>
<td>4356.66</td>
<td>2223.73</td>
</tr>
</tbody>
</table>

**GUJARAT STATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of Societies</th>
<th>Total Loan in the year (Rs.)</th>
<th>Total Loan Outstanding (Rs.)</th>
<th>Total Loan Overdues (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>26</td>
<td>13.68</td>
<td>18.65</td>
<td>12.01</td>
</tr>
<tr>
<td>1977-78</td>
<td>54</td>
<td>123.20</td>
<td>85.25</td>
<td>32.59</td>
</tr>
</tbody>
</table>

Source: Statistical Statements Relating to the Co-Operative Movement in India.
Out of the Several new institutions that we have reviewed in the earlier pages, what Banaskantha has got is the only Farmers' Service Society. No SFDA or MFAL or LAMP or such other district level institutions has been started in the district. Hence we here shall review the working of the FSS only.

Out of the total 28 FSS started in Gujarat State by the end of 1977, one was in Banaskantha District. It was named Danta Taluka Krishi Udyog Seva Sahakari Mandali Ltd. The Primary Co-operative Society working in the Taluka were 32 in number in 1968-69 and only 11 of them were working in 1974-75 while 13 had already gone into liquidation. The new FSS was registered in February 1975 by amalgamating 16 societies in the Taluka. The Society started working in the year 1975-76.

The Society extends over 182 villages in Danta Taluka. But a Co-operative Society at Gorada that was efficiently working was not taken up and merged with the FSS though it is laid down by the Govt. of India that wherever possible a big liable society should be converted into a FSS by merging weaker units in it.

The Society has opened six branches to serve the 182 villages. Thus the Branches were not sufficient to cover and serve the population residing in 182 villages. The total membership of the Society in 1974-75 was 3048, in 1975-76 it rose to 4140 and in 1976-77 it increased to 4644.

The following table 7.8 gives the Capital Structure of the FSS.
<table>
<thead>
<tr>
<th>Items</th>
<th>1976-77 Rs.</th>
<th>1977-78 Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Paid up Share Capital</td>
<td>2,50,900</td>
<td>2,65,720</td>
</tr>
<tr>
<td>(b) Govt. Share Capital</td>
<td>53,000</td>
<td>1,00,000</td>
</tr>
<tr>
<td>(c) Reserve funds and other funds</td>
<td>40,245</td>
<td>40,245</td>
</tr>
<tr>
<td>(d) Other funds</td>
<td>20,946</td>
<td>20,839</td>
</tr>
<tr>
<td>(e) Borrowing from Dist. C. Co-Op. Bank</td>
<td>3,64,530</td>
<td>5,74,484</td>
</tr>
<tr>
<td>(f) Other Borrowings</td>
<td>70,624</td>
<td>74,894</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,00,245</strong></td>
<td><strong>10,76,182</strong></td>
</tr>
</tbody>
</table>

National Co-Operative Union of India PP. 272.

The above table shows that 50% of the total working capital of the FSS in 1977-78 was funds borrowed from the DCCB.

The FSS has as its main objective of helping the weaker sections of the Society. There are about 25 activities listed by the FSS to be undertaken in course of time but to started with (i) disbursement of S.T. loans (ii) Supply of farm inputs (iii) Supply of essential consumer items (iv) Marketing of farm products were to be undertaken by the FSS.
II. The Benefits and Weaknesses of the New Institutions:

We have seen above that most of the new institutions started in our country to strengthen the co-operatives have met with limited success. In enthusiasm to start these institutions, have advanced substantial amounts to PACs and farmers but they have burnt their hands in Overdues and consequent evaporation of their enthusiasm. This has been the experience of all co-operative institutions that have been working since 1904. None can say that these institutions are defective or that Government Policy was wrong and ineffective. We cannot even blame the administrative because however best any scheme for development or strengthening of the Co-operatives is implemented, the weaknesses and hindrances have crept in.

From what we have studied in the preceding chapters, we can hazard a plausible conclusion that there are structural and fundamental weaknesses in the primary co-operative societies that is the outcome of their weak membership base. The members are poor and have limited resources. They are not able to generate their own savings and invest their surplus profits from farms. Wherever the Co-operative institution has worked in the area where members are
fairly well-off and are able to have their savings and are having, assured income and assets the Co-operative Institutions have thrived e.g. the Urban Co-operative Banks, Co-Operative Sugar Mills, Co-Operative Dairies etc. But wherever the members have been poor the Society they have farmed has also remained weak and sick.

It was with this view that we have developed the eight criteria of viability of the Co-operative institutions. The important criterion among them has been the savings mobilization. In the whole history of our co-operative institutions, we have never thought of raising savings even from the poor. We have never thought of harnessing the huge manpower that these members possess thought they may not have cash and assets with them. We have failed to develop human capital when they are not having monetary capital. In not doing these, we have sought the solution of the Co-operative growth only by giving them more finance. The patient of co-operative structure has been sustained by the tablets of RBI and Government finance and no attempt is made to cure the patient by operating upon its limbs.

Hence we here find that even if many more efforts are made to add to financial commitments of the various institutions, and in changing the form size and type of
the institutions no debt is likely to be made in our traditional agriculture. So far the Commercial Banks and the RRB have started burning their hands in overdues. Why should we then not think of some fundamental change that can rid the co-operative of the inborn weakness and way for rapid agricultural growth can be made smooth and shining.

III. THE NEED FOR A NEW APPROACH TO CO-OPERATIVES FOR RURAL DEVELOPMENT:

The title of our thesis owes its origin in the recommendation of the National Commission as Agriculture. The Commission hit upon the right diagnosis but failed by a small margin to suggest effective medicine in the form of making institutional changes that we make the PACs self-sufficient and able to stand on their own legs in as short-a time as possible.

We are in the habit of giving the example of Roshdale Pioneers who made a success of cooperation and try to protect the co-operatives in India assuming that what happened to the Roshadle Pioneers Society will happen some day to Indian PACs when more and more money will be injected into it.
But a movement's thought will raise the question "Who financed Rosldale Pioneer"? Did they get Government Finance? No. Did they get loans of Bank of England? No. They raised their own capital by increasing their own savings.

Hence we should also enable the farmers to raise their own savings. But in the present structure with small farms, their limited and uncertain income how can we expect them to increase savings.

Here we should think in terms of the experiences of the advanced countries and the way in which they developed their agriculture. Prof. Colin Clerk has very well said that as a Society develops more and more persons are occupied in Secondary and tertiary industries and the percentage of population engaged in agricultural because less and less. In the U.S.A. hardly 55% of the people are engaged in agriculture. A critic would say that U.S.A. is a rich country and hence it can afford big farms and mechanisation and latest production techniques. But the position of the U.S.A. in the year 1800 was no better than that India during 1950's. Its industrial growth attracted more and more manpower from agriculture and hence the percentage of population engaged
in agriculture began to diminish. Hence what is required in our country is rapid industrialisation and shift of population from persons to non-farm occupations either in the countryside or in cities.

For this purpose investment should be so allocated and designed as to create more non-agricultural jobs, a good number of farm population can be employed in it.

For this purpose we here suggest that the FSS is the right type of the organisation, but it should not be limited to helping the marginal and small farmers. Our conceptualisation of the FSS can be given in the following points:

1. Each village should have a FSS or service Co-operative society.
2. The Government should help only in appointing an expert Secretary to such a society.
3. The society should have a bank which can attract deposits of the members and non-members.
4. It should be compulsory for all the members to sell all their products through the FSS.
5. The FSS should start a few (5-5) enterprises either by one or more of their members or by the rich trader.
or money lender who may start it but controlled
by the FSS and a good number of persons should be
employed in it.

(6) The FSS should also start some construction activity
and provide infrastructure facility to the village.

(7) If there is no chance of any industrial unit or
processing unit being set up in the village such
unit may be started in a nearby town to help and
draw labour from the adjoining villages.

(8) The FSS should make it compulsory for all members
and all borrowers to deposit a certain percent of
their income with the FSS Bank.

(9) The CCB and SCB should also see aid guide FSS to
increase their activities to help them and
guide them for creation of products processes
and ee employer etc.

(10) Whenever investments are made for agricultural
development the FSS should be the main agency as
the village land to implement it.

(11) A maze of institutions started in various levels
should be either discontinued or they should be
transferred in the new structure of FSS on village level FSS.
District FSS and State FSS, and their activities should be co-ordinated.

(12) All this requires a good deal of imagination hard planning, work, and continuous corrections in the mistakes that occur and obstacles that are to be faced.

On such lines, we can divert a good part of any farm population to non-farm occupations from which more of consumer goods can be produced and cent price stability can be maintained.
(e) **FSS and LAMPS.**

(1) **FSS.**

The farmers' Service Societies were the outcome of the suggestion made by the National Commission on Agriculture. They gave the idea of a multi-purpose society with efficient management and freedom from official intervention. They were to provide integrated credit to small farmers, marginal farmers and agricultural labourers. They were to cover an area of a block of a district.

The Table No. 7.3 gives the data about the capital Structure of the FSS working in India and in Gujarat. By 1977-78 there were 1577 FSS working with a membership of 32.76 lakhs and having total working capital of Rs. 101.20 crores. Even in Gujarat there are established by 1977-78 38 such FSS. Their membership is 40,000 and working capital Rs. 2.73 crores.

But as seen from the Table No. 7.4 out of the total 1577 FSS only 993 were earning profits while 533 of them were incurring losses. Similarly the Table No. 7.5 shows that about 40% of their loans outstanding were overdue. Hence the same old story of Co-operatives, inefficient management, large overdues and heavy reliance on borrowings is repeated in the new institution of FSS also.
IV. IMPORTANT CONCLUSIONS FROM OUR STUDY AND VALIDITY OF OUR HYPOTHESES

(1) Financial Dependence and Overdues to be removed (Hypotheses I)

The history of primary co-operatives is the history of continuously increasing dependence on the higher strata financing institutions and mounting overdues. No business unit can stand long under such conditions unless it is heavily propped up by some agency or other. As business units the co-operatives have failed and they exist only because they are made exist by Government Support. This proves our hypothesis that only finance is not sufficient for bringing about rural development.

If we want to have healthy growths of co-operative institutions, this situation requires to be immediately remedied. The measures taken to strengthen the primary co-operatives will not be successful unless the societies begin to earn profits more and more and the overdue are eliminated. One of the ways to do this is so organise a healthy service co-operative or farmers' service society in each village and see that this runs efficiently enough to have some surplus or profits.

(2) Increase in Output and Employment Essential.

Exact information is nowhere available about the contribution made by the primary co-operatives towards increasing farm output and employment in the rural areas. The co-operative societies were expected to become important instruments of rural development which is possible only if output, employment and income increases
on farms due to their existence. Some surveys carried out
by Reserve Bank of India on knowing the impact of primary
co-operatives on output and employment have shown negligible
impact of the co-operatives on employment and output.

When any business unit is set up it employs certain
labourers and produces some output and by selling it
profitably in markets gets profits which make its wheels
run smoothly. This is nowhere seen in primary co-operatives.
Hence what is required is to make fundamental changes of the
grass-root levels in the primary societies to dressify its
activity and to enable it is effect output and employment
favourably.

3. Lesson of Self-help is forgotten (Hypothesis II and III)

Self-help is one of the principles of co-operation
but how can poor people help each other? Instead of
helping each other or instead of working hard to do
certain jobs the co-operatives have relied on RBI finance.
This has made the farmers and the executive members of
co-operative societies complacent. Instead of increasing
them efforts they have marked for mere and more aid from
higher level organisation like CCB or SCBs which are in
turn financed by RBI:

Hence the members should be encouraged to save and work
hard for meeting their common needs. If the society is
running with profits these can be ploughed back and members also can be encouraged to invest their funds with Co-operatives. This proves our hypotheses II and III that coops have failed to mobilise rural savings and this has led to their weaknesses and also that despite all help by R.B.I. finance, the role of money lenders has not been much reduced.

Perhaps the fundamental lacuna in the setting up of co-operatives was that they were not set up as an agency like a bank. Two way traffic of funds from members to the Society by way of deposits and from Society to members by way of loans was never thought of. Hence even if all the Societies are not turned into service, at least these societies should open deposit facilities and attract savings from the farmers. This may require at least one accountant or cashier who can also work as expect secretary of the Co-operative Society. This change in highly overdue if we want to mobilise rural savings besides making Co-operatives less dependent on R.B.I. finance besides enabling them to adopt self-help as its important tenent.

4. **Diversification on Farms Inescapable** (Hypotheses VII)

It is found from what we have studies above that whatever institutions have been created havenot been successful in really helping the poor small and marginal farmers. The FSS and LAMPS that we discussed above which were started with high hopes have also been found incapable of really bringing about rural development. Surely then no fault lies with the institutions that we have set up and are setting up:
It is only the farm structure which is at fault. The small and marginal farmer are too poor to be helped. And it should be noted that we should never attempt to make this important section of our countrymen to be solely dependent on RBI charities. It is high time that we diversify their occupation and give them alternative jobs side by side with their small farms or by replacing them with alternative occupations. One such occupation is dairy farming. We have seen from our study of Palanpur Taluka that in some villages the Co-operative dairy Societies are set up and farmers have been getting about 20 % of their income from their farms.

But such other occupations can be developed like processing of forest products etc. But whatever institution that we set up should be fairly large to be viable and should be run by efficient persons and/or sincere persons. This prove our hypothesis that diversification of activities at village level is essential for enabling co-operative to play active role in rural development.

Hence we can given an illustration from our case study. In Limbala in the backward Taluka, Var the society is managed by a Secretary who is a trader and yet the Society is run efficiently so that it belongs to A Category of audit classification. Hence what is important is not the person but his attitude and his sincerity in the work that he undertakes. Although being a trader he helps the farmers in running the society with profit.

Thus management of the Society should be efficient enough to work with profit.
It requires a good deal of research and efforts for every district to find out alternative jobs for the small and marginal farmers. If under our plans the rate of industrial growth increases for 10 to 15% p.a., there are chances of a good number of rural unemployed and under employed to get away from farms and go over to industrial units for employment.

Fruit growing, vegetable, farming, etc. can be undertaken in the areas that have irrigation facilities.


As noted above, we have gone on multiplying the institutions for helping the farmers and for bringing about rural development. But what is required is to have at least one efficient Co-operative unit at each village which is viable and efficient enough to stand on its own legs and whatever other institutions are set up should provide some service to the base unit, Co-operative. The RRBS can play the role of an additional CCB in the region but what CCB has failed to do the RRBS should do. viz. the loans should be given to the Co-operatives. The FSS also can work as district level institution to help the Co-operatives.

Thus the CCBS, FSS, LAMPS et. and other institutions that are working at district or state levels. Each of them
can be assigned a particular role and their activities should be co-ordinated. Thus each particular institution may have a particular purpose for its existence.

These organisations should diversify their activities from merely financial to the supply of requisites sales of the farm products encouraging the farmer to increase their savings undertaking some farm or non-farm activity etc. Why the LAMPS should be confined to the small and marginal farmers only. In fact LAMPS may be useful as the agency to supply the farm requisites to the Societies and/or farmers. The FSS can create employment by undertaking some construction activity the SFPA and MFAL instead of creating relief type of employment may undertake district level planning and may set up some factory or large scale processing small units where the farmers can be employed in the slack season.

Thus the existence of these new institutions can be justified by assigning a particular task to it and a high degree of co-ordination can thereby be achieved. Thus our hypothesis is that each can be justified chain or fallow of activities are necessary for healthy growth of co-operatives and consequently for rural development.

6. Not finance by kind loans where possible.

Now that we have found that whatever financial aid is provided through the Co-operative Societies to the farmers are either misused for consumption or is not paid back and large overdues mount up. We can
suggest that as far as possible the loans should be given in kind. SFDA and MFAL may have a distended number of workers who can go and work on the farms to dig a well or to construct a canal or do some labour for which SFDA will make payments while the farmers will get kind loans. He will have some work done counted in money terms but cash is not actually paid and as the work will result in some increase in output and employment.

Some asset will be generated and farmers will have more income therefrom.

The loan to the farmers can be given in the farm of oil engines or hiring of tractor service etc. So that there will be little chance of the loan being misused and genuine investment activity will be undertaken on the farm of the borrower.

7. **Non-Credit Societies and Big Co-Op. Unions have been more successfully than Primary Units**

A good deal of light is thrown by our study on the fact that the non-credit societies have fared than credit ones and this suggests that it is now high time that we transform our credit Co-operatives into multipurpose service Co-operatives credit supply does not require a separate institution as the expansion of the branches of the SB&I or the Commercial Banks and the RRBs can well do this job it can also be done by mobile vans going to
villages to land may and get the same back. What is required is the genuine creation of work and activity that will lead to increase in income, output and employment and this should be done through the instrument of the Co-operative Society at the primary level. This requires the diversification of the activities of the primary societies.

It should also be noted that the big credit and non-credit Societies have been more viable than the smaller ones. Hence it is necessary for reaping the benefits of scale of production that the service Co-operatives should be fairly large in size and should take up a good deal of activities, this proves our hypothesis that the Co-op. Societies are not viable due to their small size and single activities.

In the times of large scale production our agriculture has remained a small scale business. It is an anachronism, and that is the main cause and culprit of all the evils on farms. That is why we find a hope in cooperative institution which can to some extent mitigate evils the soul of Small Scale production. But they should work not in the way that they have worked for the last 75 years but in a new way of a prospering business unit by taking up many activities and by having a viable size for its operation.

S.B. Mehta: Co-Operative Farming and Agrarian Development in India.
8. Restructuring of PACs and PNCS into Service Co-operatives.

(Hypotheses V & VI)

By whatever name we call the primary village level society it should provide multipurpose services conclusion of our study at this stage seems to be as follows:

If we want to make these co-operatives successful, we have to restructure them so as to make them efficient enough to undertake multipurpose activities, to attain fairly large size, to employ expert managers, and to keep their members faithful to themselves. In this direction, FSS and LAMBS are likely to be more successful and viable; but it is found better to have one FSS in one village and at the District level there may be some other organisation to fill the gaps in the service schedule of the primary village FSS. Such attempts, if implemented with honest administrators and managers, in the backward regions of Gujarat State, a bright sunlight of appreciable rural progress, will not be out of reach of our community at large. Thus we can prove our hypotheses V and VI in terms of development at all levels is sine qua non for rural development. If this is true then only these can remain faithful members of Co-operatives.

V. MILESTO GO IN FURTHER RESEARCH FOR RURAL DEVELOPMENT:

What we have done in the above pages is only a modest effort to find an alternative to the time-worn institution of co-operatives in the countryside. Many commissions and committees have made many many valuable suggestions for improving the working of the co-operatives
and for placing them on sound footing. And it is little
that a small thesis like this can add to all that has been
so far said and done. But our effort is here only to cry
a halt to the direction that we have chosen to help the
Co-operatives in general and the small and marginal
farmers in particular. The co-operation has succeeded where
the benefits of large scale operation have been achieved
and the activities are diversified especially on the
non-credit side. This should serve as a great indicator
that even if the number of PACs in reduced from the
present 1,22,000 to 90,000 or even less they are not to
become liable unless their activities are diversified
and they are 

This is what we have suggested. But what activity
should be undertaken by lack primary society how the
idel manpower can be employed in sub-activity how the
primary units should be coordinated with the district and
institutions and the new institution that have came up how
can they best be administered by putting to the best use
the various operation educational institutions
required a good deal of research and effort to be undergone
in each state.

We have can atleast say that basic and structural
changes in the primary co-operatives essential to make them
important instruments of rural development with necessarily
means increase in output come employment and consequently
the standard of living of the masses of an rural population.