CHAPTER - III

COOPERATIVE CREDIT STRUCTURE - A DETAILED STUDY OF U.P.

In an economy where the vast majority of people are dependent on agriculture and allied activities the need for accelerated development of agriculture can hardly be overemphasised. Planning for agricultural development has accordingly been based on the twin objectives of removing poverty and increasing agricultural production. Thus, the successive Five Year Plans have focussed attention on the development of agriculture and allied activities while at the same time providing for special measures to support the weaker sections of the community. In the field of agricultural production, provision of adequate credit is of vital importance. The magnitude of credit requirements, especially those of weaker sections, requires the channelising of credit through organised institutional agencies. During the Fifth Five Year Plan, reorientation of the institutional agencies was considered as a major objective to enable better flow of credit. A multi-agency approach has been adopted in the field of agricultural credit since the nationalisation of
certain commercial banks.

The cooperative credit system has continued to remain as the major institutional agency for providing credit to the farmers. Measures for coordination of activities between the cooperative and commercial banks have been taken. Considering the need for viable comprehensive credit institutions at the grass-root level, the plan for recognition of primary agricultural cooperative societies has been implemented. Thus, the present agricultural credit policy underscores the existence of strong viable multi-purpose cooperative institutions at the grass-root level.

Cooperative or commercial banks or the cooperative being the major institutional unit, the main thrust of the governmental effort is projected towards reorienting them and in achieving an annual growth rate in the total agricultural credit

Though agricultural credit cooperatives had been in existence since 1904, and from time to time attempts have been made to streamline the structure further, a planned approach to the evolving of an integrated agricultural credit system was made for the first time in 1954, based on the recommendations of the report of the All India Rural Credit
Cooperative Credit Structure in U.P.

Agricultural Credit

Short-term Credit

State Cooperative Banks

Central Cooperative Banks

Primary Agricultural Credit Societies

Non-agricultural Credit

Long-term Credit

State Cooperative Land Development Banks

Branches of Cooperative Land Development Bank

Employees' Credit Societies

Central Cooperative Urban Banks

Primary Cooperative Urban Banks

Apex Industrial Cooperative

Primary Industrial Cooperative Banks

Central Cooperative

House Mortgage Bank

City Cooperative

House Mortgage Banks
Primary Cooperative Society:

C.R. Fay has defined a cooperative society as "an association for the purpose of joint trading, originating among the weak, conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards in proportion to the service in which they make use of the association".  

Primary cooperative credit societies form the base of the cooperation in India. With the enforcement of the cooperative credit societies Act of 1904, such societies are organised in different parts of the country. The primary aim of these societies is only to meet the requirements of the farmers. They deal with and render services to individuals only and not to any association. The village primary cooperative societies in most parts are still concerned with the supply of credit to individual members thus touching only one aspect of the life of the cultivator.

Primary cooperative societies can be broadly classified into four categories:

(1) Agricultural Credit Societies
(2) Agricultural Non-Credit Societies
(3) Non-Agricultural Credit Societies
(4) Non-agricultural Non-Credit Societies.

Agricultural credit societies are those in which the majority of the members are agriculturists. They include service cooperative societies, large sized cooperative societies, multipurpose cooperative credit societies, farmers' service cooperative societies, large sized multipurpose cooperative societies etc. The Agricultural non-credit societies includes primary cooperative marketing societies, milk producers' cooperative societies, poultry cooperatives and processing cooperatives such as cooperative sugar mills, cotton ginning and pressing, pulse making, paddy husking, fruit preservation, oil making societies etc.

Non agricultural credit societies do not work in the villages. Non agricultural non-credit societies include primary consumers' stores, industrial cooperatives, labour contract societies, rural electricity cooperatives and housing cooperatives. Here the present researcher is only concerned with agricultural credit societies and agricultural non-credit societies.
**Agricultural Credit Societies:**

An agricultural credit society means a cooperative society formed on the basis of cooperative principles by a group of peasants with the object of obtaining for its members credit, goods or services required by them. The primary agricultural credit societies form the basis on which the entire cooperative credit structure is built. They are the institutions having direct contact with the members i.e. agriculturists for whom they are meant. Thus the success of the cooperative movement in general and credit structure in particular depends to a very large extent on the success of these primary societies.

The primary agricultural credit societies are affiliated to district cooperative banks from whom they draw their credit requirements of short-term loans for members to raise crops and of medium-term loans for sinking or repairs of wells, purchase of agricultural machinery etc. They are members of the primary marketing societies also from which they secure improved seeds, fertilizers, pesticides, agricultural machinery etc., for their farmer members and distribute among them essential articles of domestic consumption.

The main objectives of these cooperatives are to raise the economic standards of the farmers who are living below
subsistence level and to give agriculture a scientific orientation. Although these cooperatives meet both consumption and production credit needs of the peasants, in reality their activities are confined to accelerating the productive capacity of the agriculturists by providing short-term and medium-term loans.

Functions of Primary Cooperative Credit Societies:

The main functions of the primary cooperative credit societies working in rural areas are to advance short-term and medium-term credit, supply agricultural and other requirements, and arrange for the marketing of agricultural products, and for hiring implements, machinery or animals for the farmers. They also work as dissemination centres for information on improved farming practices, seeds, fertilizers etc. They encourage thrift among the farmers.

Progress of Primary Agricultural Credit Societies:

The number of primary agricultural credit cooperatives in different years is given in Table 3.1. The Table shows that the number of primary societies decreased from 25,922 in 1970-71 to 8,602 in 1984-85. It also indicates a sharp decline in number of societies after 1970-71. This has happened with the implementation of programme of amalgamation and merger of weak societies to form viable units.
Membership:

Membership of a primary credit society is open to any person who are of good character and reside within the area of operation of the society. After 1970, membership of these societies has shown a remarkable increase. In 1970, the number of members was only 55.27 lakhs which increased to 107.95 lakhs in 1984-85, showing an increase of near about 100% over this period. The reasons for increase in membership are the system of advancing ten times their share capital by way of loan to individual members, introduction of crop loan system under which a member can take sufficient loan for raising his crop, and inclusion of the membership of societies which do not function at all. Table 3.2 shows the average membership position per society which is also encouraging. In 1970-71 the number of members per society was only 213 which increased to 1,255 in 1984-85, showing an increase of more than 5 times.

Large membership of a society adds to its strength and the range of its activities, because, larger the number of members, larger will be the quantum of its owned funds to give more financial/economic strength to function effectively by extending increased service.

Capital:

The capital structure consists of owned and borrowed funds. Share capital and reserves form the owned funds and deposits and loans from outside including from central
cooperative banks form the borrowed funds. Their sum total is the working capital. For a sound financial strength of a society it is necessary to have a larger proportion of owned funds in the working capital.

Share Capital:

Share capital is a very important source of finance. The prime object of every society should be to acquire a permanent capital of its own. The Central Banking Enquiry Committee favoured the encouragement of subscription to share capital by members as a method of collection of savings to a system of compulsory deposits.¹

In U.P. shares of primary agricultural credit societies of the face value varying from Rs. 10 to Rs. 100. The amount of these shares is payable in half-yearly or yearly installments over ten years. The total paid-up share capital of primary agricultural credit societies in U.P. was Rs. 8,767 lakhs in 1934-35 (Table 1). The proportion of share capital in the working capital was 20.8% in 1970-71 which increased to 34.6% in 1984-85. This means the proportion increased by 13.6% during this period. The per society average paid-up share capital which was Rs. 8,460.70 in 1970-71 increased to Rs. 1,01,971 in 1984-85 (Table 3.2). Thus the growth rate of share capital has increased by more than 12 times over this period.

Deposits:

Deposits constitute a greater portion of the working capital of the primary agricultural credit societies as compared with the owned funds and borrowings. This is clear from Table 3.1. The deposits per society rose to Rs. 41,990.23 in 1971-72 from Rs. 1,942.55 in 1970-71. This showed an increase of about 72% during this period. But this amounts to only 5.20 per cent of the total working capital. Not only this Deposits as a percentage of working capital slightly increased from 4.78 per cent in 1970-71 to 5.20 per cent in 1984-85, which indicates the growing dependance of the primary societies on external resources. Thus it can be said that societies have not been able to stimulate thrift and mobilize households savings from rural areas.

Working Capital:

Rule 2(Z)(ee) of U.P. Cooperative Societies Rules, 1968 has defined working capital as follows, "Working capital of a cooperative society means its owned capital together with such funds as are raised by it by deposits, borrowings or any other means".

The working capital position of these societies improved substantially during the period 1970-71 to 1984-85. Working capital was Rs. 10,539.66 lakhs in 1970-71 which rose to Rs. 69,432.65 lakhs in 1984-85 (Table 3.1). Working capital per
society which was only Rs. 40,660 in 1970-71 rose to Rs. 8,07,749.94 in 1984-85 (Table 3.2). This showed a growth of about 15 times, or 337.2%. The tremendous increase in the working capital has been due to considerable increase in the owned funds, deposits as well as borrowings, as will be clear from Table 3.1. The working capital per member also showed substantial rise, from Rs. 190.70 in 1970-71 to Rs. 643.66 in 1984-85. This indicates a growth of more than 3 times over the base year (Table 3.3).

Lending and Borrowing:

The Act stipulates that a society shall not receive deposits and loans from members and non-members more than 10 times of its owned capital and shall be subject to the approval of (i) the central cooperative society to which the cooperative society is affiliated and indebted or (ii) the Registrar, if the cooperative society is not affiliated to any central cooperative society or if affiliated, is not indebted to such central society. In regards lending, it provides that except with the general or special sanction of the Registrar a society shall not make a loan to any person other than a member or lend money on the security of moveable property. Further the state government may prohibit or restrict the lending of money or mortgaging of immovable property by any society or group of societies.¹

Loan Operation:

Primary agricultural credit societies provide loans to members with a view to improving their economic condition. The

societies advance both short and medium-term loans. The purposes of providing short-term loans include expenditure on current agricultural operations like seeds, manures and fertilizers, payment of hired machinery charges, payment of wages to hired labour, payment of land revenue etc. Medium-term loans are provided for the purpose of digging or repair of wells, purchase of implements and equipment, purchase of cattle, reclamation of land etc.

The amount of loans advanced by these societies has been increasing since 1970. The societies made advances of short-term and medium-term loans to the tune of Rs. 5,134.21 lakh in 1970-71 which rose to Rs. 25,533.00 lakh by the end of 1984-85. The average loan advanced per society in 1970-71 was Rs. 19,806.37 increased to Rs. 2,96,710.06 by the end of 1984-85. The growth of loans increased by 15 times the 1970-71 figure while at the end of 1982-83 it was only 8 times. The per member total loan advances increased from Rs. 92.89 in 1970-71 to Rs. 236.43 in 1984-85 recording a growth of two and half times. However, loan advance per member is still inadequate. In U.P. the overdues at present are Rs. 24,797.31 lakh.¹

¹. By the courtesy of the U.P. Co-op. Union Ltd. Lucknow.
Management of Rural Cooperative Credit Societies:

There are two bodies which manage the primary cooperative credit societies:

(i) General Body.
(ii) Managing Committee.

The General Body is the supreme authority in the management of primary cooperative societies. It consists of all the members of the societies, who are entitled to attend the general meeting and each of the member attending the meeting has only one vote irrespective of the shares or office he holds. The general body delegates some of the management powers to the managing committee. It does not interfere in the routine work of the managing committee for which it is authorised in accordance with the rules and bye-laws of the society.

The general body of the primary cooperative credit societies elects a managing committee in accordance with the provisions of the Act, Rules and Bye-laws of the society. The managing committee consists of 10 to 15 members of a society which include a President, a Secretary and a Treasurer. The committee is answerable to the general body of members for managing the affairs of a cooperative society whose success or failure primarily depends upon the quality of its management.
### Progress of Primary Agricultural Cooperative Credit Societies

<table>
<thead>
<tr>
<th>Years</th>
<th>No. of Societies</th>
<th>Membership</th>
<th>Paid up Share Capital</th>
<th>Reserves</th>
<th>Working Capital</th>
<th>Deposits</th>
<th>Short &amp; Medium term Loan Advanced</th>
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</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>25,922</td>
<td>55.27</td>
<td>2,193.18</td>
<td>579.24</td>
<td>10,539.66</td>
<td>503.55</td>
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<td>11,415.31</td>
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<td>5,245.24</td>
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<td>61.27</td>
<td>2,903.89</td>
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<td>13,871.73</td>
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<td>3,232.95</td>
<td>637.01</td>
<td>15,120.31</td>
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<td>21,933</td>
<td>67.20</td>
<td>3,507.29</td>
<td>740.10</td>
<td>16,413.63</td>
<td>632.88</td>
<td>7,480.22</td>
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<td>3,697.54</td>
<td>783.43</td>
<td>16,563.72</td>
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<td>1985-86</td>
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<td>69,775.51</td>
<td>3,879.00</td>
<td>11,537.00</td>
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(Provisional)

Source: Compiled from Sahakarita (Annual Reports) 1970 to 1986, Registrar Cooperative Societies, U.P. Lucknow.
### Table 3.2

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership</th>
<th>Paidup Share Capital</th>
<th>Deposits</th>
<th>Working Capital</th>
<th>Short and Medium Term Loan Advanced</th>
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<tr>
<td>1970-71</td>
<td>213.22</td>
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<td>1,942.55</td>
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<td>8,11,154.49</td>
<td>1,34,119.97</td>
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*Source: Compiled from Sahakarita (Annual Report) 1979-86, Registrar Cooperative Societies, ... Dickson.*
### Table 3.3

Per Member Paid Up Share Capital, Deposits, Working Capital, Reserve and Short and Medium Term Loans Advanced (in Rupees).

<table>
<thead>
<tr>
<th>Year</th>
<th>Paid up Share Capital</th>
<th>Deposits</th>
<th>Working Capital</th>
<th>Reserve</th>
<th>Short &amp; Medium Term Loans Advanced</th>
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<td>190.70</td>
<td>10.48</td>
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<td>412.22</td>
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<td>439.69</td>
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<td>670.06</td>
<td>12.65</td>
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<td>1984-85</td>
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<td>35.11</td>
<td>631.62</td>
<td>12.01</td>
<td>104.44</td>
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(Provisional)

Central Cooperative Banks

Central cooperative banks constitute the core of short and medium-term cooperative credit structure in U.P. They provide the vital link between the small, scattered primary societies operating at the village/town level and the State Cooperative Bank at the state level. They mobilize deposits and also borrow from the State Cooperative Bank for financing the primary societies for agricultural and non-agricultural purposes. They work as intermediaries to link the primary societies with the money market. Further the central cooperative banks serve as balancing centres for adjusting the surplus and deficiency of the working capital of the primary credit societies.

The first central cooperative bank was registered in U.P. in 1906 as a primary society. However, there was no provision for the formation of federal societies to function either as financing agencies for the primary societies or agencies for their supervision and control under the Cooperative Societies Act of 1904. The Act was, therefore, amended in 1912 with a view to permitting registration of central societies.

The Maclagan Committee has classified the central cooperative banks in India, according to their constitution, under three categories: (i) Banks, the membership of which is confined to individuals; (ii) Banks the membership of which is confined to societies alone; and (iii) Banks which have both individuals and societies as their members.

The first category of banks included those in which shareholders consist entirely of individuals or in which societies were admitted as shareholders without any special provision for their representation on the committee of management or for reserving a definite portion of share capital for them. The Maclagan Committee (1915) was of the opinion that such banks should not be registered under the Cooperative Societies Act. There are now no such banks in U.P.

The second category includes purely federal type of central banks consisting of primary societies only. Such banks are the associations of primary credit societies registered as banking unions under the Cooperative Societies Act of 1912. In these banks, the shareholders, borrowers, and lenders are the same. This type of central bank is considered to be of the best type because the conflict of interests between the shareholders and the
Borrowing societies is eliminated with the identification of the two parties. The only drawbacks of this class of banks is that it is difficult to find among members of societies persons with sufficient skill to manage them. This type of banks generally fail to attract the interest of middle classes who are excluded from their membership.

The third category includes banks consisting of societies and individuals both as their members organised on the lines suggested by the Maclagan Committee. In this mixed type, the societies are not only assigned a certain proportion of shares but are given separate representation on the board of directors. The Maclagan Committee was of the opinion that if majority was secured for the societies on the board, the dividends to be declared were limited to a reasonable rate and the individual share holders were prevented from enjoying an undue advantage. But at the same time the Committee recommended the making of provisions for gradual elimination of individual membership from such banks. A great majority of central banks belong to this category. On the recommendation of the Committee of Direction of the All India Rural Credit Survey the process of gradual elimination of the individual shareholders has been initiated in most of the banks in a bid to make them fully cooperative in character.
Area of Operation:

The Area of operations of a central cooperative bank usually covers a revenue district. But for its efficient functioning it is imperative that its area of operation should be such that it may have sufficient business turnover so as to employ the necessary staff, meet the overheads and build up a strong reserve fund.

The Maclagan Committee recommended that a central cooperative banks should cover as large an area as was compatible with convenience and efficiency, thought a central bank might be expected to deal ordinarily with at least 200 to 250 societies. The rural Credit Survey Committee was in agreement with the opinion expressed by the Reserve Bank's Standing Advisory Committee on Agricultural Credit that, ordinarily, there should be only one central bank for each district. If, however, in a particular area, financial and other conditions justify the formation of a bank for a region smaller than a district, there should be no objection to this. While making these recommendations, the Rural Credit Survey Committee had in mind the formation of central banks which should not only be economic, but also strong and powerful units.

Objects of Central Cooperative Banks:

The chief object of central cooperative banks is to fulfill the credit needs of member societies. They finance agricultural credit societies for production purposes. They work as intermediaries to link the primary societies with the money market. Further, they serve as 'balancing centres' for adjusting the surplus and deficiency of the working capital of the primary credit societies.

In the words of G.M. Laud, "The raison d'être for the establishment of district/central cooperative banks is that there should be an intermediary agency between the primary credit society with rural bias run by agriculturists having no touch with the money market and the provincial cooperative bank run mainly by city men with urban bias and having no close association with the countryside."

Functional Linkages between Central Cooperative Banks and Primary Societies

The central cooperative banks not only finance the societies but also supervise and control their working. Effective supervision and control over societies is one of the important means of ensuring operational efficiency

---

At society level. The central banks are, therefore, vested with statutory and non-statutory powers to discipline their member societies. Enforcing discipline becomes rather difficult in view of the cooperative and federal character of these banks. As such, a central bank prefers persuasive methods to statutory powers in disciplining the members.1 A study of the nature of supervision and control over societies in respect of loaning and recovery operations of the banks lends support to this. Several of the operational deficiencies on loaning and recovery front are the result of the liberal attitude of the banks in disciplining the members.

Progress of Central Cooperative Banks:

Since 1970, the central cooperative banks have made tremendous progress in U.P. This progress can be seen from Table 3.4 which shows that the number of these banks increased from 56 in 1970-71 to 57 in 1984-85. This was due to rehabilitation programme. As against this, the number of branches increased from 306 in 1970-71 to 1,127 in 1984-85.

Membership:

Membership of a central cooperative bank generally

consists of primary societies located within the area of operation of the bank. Individuals living within this area can also join the bank. The latest trend of the central banks seems to be to have only a small number of individual members. Table 3.4 shows that this decreasing trend in membership. Membership of the central cooperative banks decreased from 35,359 in 1970-71 to 19,792 in 1984-85. This was due to decrease in individual membership. The average membership position per bank (Table 3.5) has also shown a decreasing trend. In 1970-71 the number of members per bank was 631.41 which decreased to 347.70 in 1984-85, registering a decrease of more than 50%.

Share Capital:

Central cooperative banks raise share capital by issuing shares to individuals and society members. The face value of the shares varies from Rs. 50 to Rs. 100. The Reserve Bank had suggested that a central cooperative bank should collect from the primaries share capital up to 10 per cent of their borrowings. In order to strengthen the financial structure of these banks and to instil confidence in the public, the state government had been participating in the share capital of the central cooperative banks. The paid-up share capital of these banks

has shown a considerable rise after 1970. It increased from Rs. 1,644.63 lakhs in 1970-71 to Rs. 5,600 lakhs in 1984-85 (Table 3.4). The per bank average paid up share capital which was Rs. 29,36,929 in 1970-71 increased to Rs. 98,24,761 in 1984-85 (Table 3.5). Thus the share capital of central cooperative banks increased by more than 3 times over this period.

Deposits

Deposits constitute a large portion of the working capital of the central cooperative banks. The All India Rural Credit Survey Committee and the State Committee emphasised that the central cooperative banks must take deposits from urban as well as rural areas so that they may be able to provide funds in large amounts to primary societies for agricultural development. By the end of 1984-85 the total deposits of the central cooperative banks was Rs. 38,888 as against Rs. 6,178.43 in 1972-73.

Deposits per bank reached to Rs. 6,82,24,561 in 1984-85 from about Rs. 1,10,33,000 in 1972-73 (Table 3.5). This shows an increase of more than 6 times during this period. The per bank contribution of deposits to working capital also increased during the period. The percentage of deposits to working capital which was 41.13 per cent in 1972-73 increased to 49.83 per cent in 1984-85.
Working Capital:

The working capital of the central cooperative bank includes share capital, reserve fund, deposits from members and non-members, loans from the State Cooperative Bank, and from other sources, e.g., government, commercial banks etc. The working capital position of these banks has improved substantially after 1970. It was Rs. 10,572.67 lakhs in 1970-71 which rose to Rs. 78,040.82 lakhs in 1984-85. This shows a growth of more than 7 times. The working capital per bank also showed substantial rise from Rs. 188.80 lakhs in 1970-71 to Rs. 1,369.14 lakhs in 1984-85 (Table 3.5).

Disbursement of Loans:

Central cooperative banks disburse loans to the affiliated societies for financing agriculture. Short-term loans are given for periods up to 12 months for financing seasonal agricultural operations while medium-term loans are given for periods ranging from 1 to 3 years for the purposes of digging or repair of wells, purchase of bullocks, milch cattle, implements and equipments, reclamation of land etc.

The credit-worthiness of a society is the most important thing to be examined before sanctioning a loan.
This is generally judged from the repayment performance and repaying capacity of the society and also by the repayment of loans by members of the society. Loans may be sanctioned by central cooperative banks on proper security—land assets, house mortgage, cattle, agricultural produce, gold or jewels, fixed deposit receipts, source of supplies, life insurance policies and government promissory notes, in accordance with the cooperative societies Act, its Rules and Bye-laws.

Central cooperative banks disbursed short-term and medium-term loans to the tune of Rs. 5,922.97 lakhs in 1970-71 which rose to Rs. 47,211.22 lakhs in 1984-85 (Table 3.4). This shows a growth of more than 8 times. The average loan disbursed per bank in 1970-71 was Rs. 105.77 lakhs which increased to Rs. 878.27 lakhs in 1984-85 (Table 3.5).

Rates of Interest:

The rates of interest on loans and advances by the central cooperative banks vary according to the purpose of the advance. The banks have been charging rate of interest 8.75%/9.75 percent and 8.75%/10 percent.

per annum on short-term and medium-term loans respectively for agricultural purposes since October, 1983.

**Management of Central Cooperative Banks:**

Management of a central cooperative bank consists of the General Body, the Board of Directors and the Executive Group. While the General Body is the supreme authority, its authority is limited to matters specified in the bye-laws and is subject to the provisions of the cooperative law of the state and bye-laws of the bank.

The board of directors of a central cooperative bank consists of 12 to 15 members. The need for a director of such a bank was advocated by the Maclagan Committee. The society as well as the individual shareholders are represented on the Boards of Management. The government nominees are also placed in the Boards. There is a need to develop a system of directorship in which persons having wide and varied experiences in the spheres of cooperative banking, management and political economy are represented on the Board of Directors. It is therefore, recommended that a balanced board should be chosen to carry out the day to day business and policies of the central cooperative banks.

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### Table 3.4
Progress of District/Central Cooperative Banks in U.P. since 1970. (in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Banks</th>
<th>No. of Branches</th>
<th>Membership</th>
<th>Paid up Share Capital</th>
<th>Working Capital</th>
<th>Deposits</th>
<th>Short and Medium Term Loans Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>56</td>
<td>306</td>
<td>35,359</td>
<td>1,644.68</td>
<td>10,572.67</td>
<td>-</td>
<td>5,922.97</td>
</tr>
<tr>
<td>1971-72</td>
<td>56</td>
<td>526</td>
<td>34,473</td>
<td>1,777.00</td>
<td>11,401.60</td>
<td>-</td>
<td>7,843.83</td>
</tr>
<tr>
<td>1972-73</td>
<td>56</td>
<td>549</td>
<td>34,859</td>
<td>2,337.62</td>
<td>15,021.84</td>
<td>6,178.48</td>
<td>9,539.90</td>
</tr>
<tr>
<td>1973-74</td>
<td>56</td>
<td>577</td>
<td>32,926</td>
<td>2,566.48</td>
<td>16,622.17</td>
<td>6,984.01</td>
<td>10,354.60</td>
</tr>
<tr>
<td>1974-75</td>
<td>55</td>
<td>578</td>
<td>31,225</td>
<td>2,748.99</td>
<td>17,830.17</td>
<td>7,500.12</td>
<td>9,514.45</td>
</tr>
<tr>
<td>1975-76</td>
<td>55</td>
<td>626</td>
<td>23,638</td>
<td>2,890.95</td>
<td>19,080.88</td>
<td>9,411.98</td>
<td>12,716.77</td>
</tr>
<tr>
<td>1976-77</td>
<td>55</td>
<td>715</td>
<td>19,178</td>
<td>3,716.12</td>
<td>24,821.76</td>
<td>12,641.57</td>
<td>16,426.31</td>
</tr>
<tr>
<td>1977-78</td>
<td>55</td>
<td>815</td>
<td>18,556</td>
<td>3,582.83</td>
<td>28,589.89</td>
<td>14,201.10</td>
<td>17,943.84</td>
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<td>1978-79</td>
<td>55</td>
<td>848</td>
<td>18,743</td>
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<td>33,203.36</td>
<td>15,795.82</td>
<td>20,820.03</td>
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<tr>
<td>1979-80</td>
<td>55</td>
<td>963</td>
<td>19,032</td>
<td>4,139.40</td>
<td>40,920.94</td>
<td>18,684.31</td>
<td>27,277.63</td>
</tr>
<tr>
<td>1980-81</td>
<td>55</td>
<td>1,011</td>
<td>19,032</td>
<td>4,380.82</td>
<td>49,604.22</td>
<td>24,380.98</td>
<td>31,193.38</td>
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<tr>
<td>1981-82</td>
<td>55</td>
<td>1,022</td>
<td>19,115</td>
<td>4,764.88</td>
<td>59,502.36</td>
<td>27,890.92</td>
<td>33,144.41</td>
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<tr>
<td>1982-83</td>
<td>55</td>
<td>1,039</td>
<td>19,779</td>
<td>5,182.28</td>
<td>67,920.87</td>
<td>31,061.56</td>
<td>45,005.88</td>
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<tr>
<td>1983-84</td>
<td>55</td>
<td>1,039</td>
<td>19,790</td>
<td>5,435.71</td>
<td>72,661.32</td>
<td>35,547.00</td>
<td>49,191.54</td>
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<tr>
<td>1984-85</td>
<td>57</td>
<td>1,127</td>
<td>19,792</td>
<td>5,600.00</td>
<td>78,040.82</td>
<td>38,888.00</td>
<td>47,211.22</td>
</tr>
<tr>
<td>1985-86</td>
<td>57</td>
<td>1,127</td>
<td>19,792</td>
<td>5,677.00</td>
<td>78,353.90</td>
<td>39,201.00</td>
<td>2,312.16</td>
</tr>
</tbody>
</table>

Source: Copy from 'Khaskhabits (Annual Reports) 1979-1986, Registrar Cooperative Societies, U.P., Lucknow.'
## Table 3.3

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership</th>
<th>Paid-up Share Capital</th>
<th>Working Capital</th>
<th>Deposits</th>
<th>Short and Medium Term Loans Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>631.41</td>
<td>29,36,979</td>
<td>1,88,79,767</td>
<td>-</td>
<td>1,05,76,732</td>
</tr>
<tr>
<td>1971-72</td>
<td>615.59</td>
<td>31,73,214</td>
<td>2,03,60,900</td>
<td>-</td>
<td>1,40,15,767</td>
</tr>
<tr>
<td>1972-73</td>
<td>622.48</td>
<td>41,74,321</td>
<td>2,68,24,714</td>
<td>1,10,33,000</td>
<td>1,70,35,535</td>
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<tr>
<td>1973-74</td>
<td>587.96</td>
<td>45,83,000</td>
<td>2,96,82,446</td>
<td>1,24,71,446</td>
<td>1,84,90,357</td>
</tr>
<tr>
<td>1974-75</td>
<td>567.73</td>
<td>49,98,164</td>
<td>3,24,13,490</td>
<td>1,36,36,581</td>
<td>1,72,99,000</td>
</tr>
<tr>
<td>1975-76</td>
<td>429.78</td>
<td>52,56,273</td>
<td>3,46,94,509</td>
<td>1,71,12,690</td>
<td>2,31,21,400</td>
</tr>
<tr>
<td>1976-77</td>
<td>348.69</td>
<td>58,47,491</td>
<td>4,51,30,472</td>
<td>2,29,84,672</td>
<td>2,99,66,018</td>
</tr>
<tr>
<td>1977-78</td>
<td>337.38</td>
<td>65,14,236</td>
<td>5,19,31,613</td>
<td>2,58,20,181</td>
<td>3,26,25,163</td>
</tr>
<tr>
<td>1978-79</td>
<td>340.78</td>
<td>69,63,673</td>
<td>6,03,69,745</td>
<td>2,87,19,672</td>
<td>3,78,54,600</td>
</tr>
<tr>
<td>1979-80</td>
<td>346.04</td>
<td>75,26,182</td>
<td>7,44,31,709</td>
<td>3,39,71,472</td>
<td>4,95,68,418</td>
</tr>
<tr>
<td>1980-81</td>
<td>346.04</td>
<td>79,65,127</td>
<td>9,01,39,490</td>
<td>4,43,29,054</td>
<td>5,67,15,236</td>
</tr>
<tr>
<td>1981-82</td>
<td>347.54</td>
<td>86,63,413</td>
<td>10,31,96,100</td>
<td>5,07,10,763</td>
<td>6,92,62,563</td>
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<tr>
<td>1982-83</td>
<td>359.62</td>
<td>94,22,377</td>
<td>11,34,67,400</td>
<td>5,64,75,563</td>
<td>8,13,23,372</td>
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<td>1983-84</td>
<td>359.82</td>
<td>98,83,109</td>
<td>13,21,11,490</td>
<td>6,46,30,909</td>
<td>8,94,39,163</td>
</tr>
<tr>
<td>1984-85</td>
<td>347.23</td>
<td>98,24,561</td>
<td>13,69,13,710</td>
<td>6,32,24,561</td>
<td>8,28,76,701</td>
</tr>
<tr>
<td>1985-86</td>
<td>347.23</td>
<td>99,59,649</td>
<td>13,74,57,820</td>
<td>5,37,73,84</td>
<td>40,56,421</td>
</tr>
</tbody>
</table>

(Provisional)

Source: Compiled from Sahakarita (Annual & etc.,) 1977-1988, Registrar Cooperative Societies U.P., Lucknow.
The U.P. State Cooperative Bank:

The State Cooperative Bank, also known as the Apex Cooperative Bank, is a federation of the central banks in a state just as a central bank is a federation of primary units. Its function is to coordinate and guide the working of the central banks in the state and linking up the cooperative credit organisation with the general money market and the Reserve Bank of India. It acts as a clearing house for share capital. It collect surplus funds of central banks and other cooperative institutions in the State and pass them on to those which need them. Its area of operation extends over the entire state. The most peculiar feature of the Apex Banks is state partnership. The admission of the State Governments as shareholder's has considerably influenced the structure of these banks. The Central Banking Enquiry Committee stressed the need of the State Cooperative Banks as follows:

Provincial banks are best suited for linking up the cooperative credit organisation with the general money market and commercial banks, and should be managed on ordinary business principles with due regard to the special requirements of cooperation. These banks should not deal directly with primary credit societies and should consolidate and strengthen their position as financing agencies and balancing centres for the central banks.1

The U.P. Cooperative Bank is an apex organisation in cooperative credit structure of U.P. The Bank started functioning on November 20, 1944. As a cooperative institution, the Bank's functions are regulated by the provisions of U.P. Cooperative Societies Act, 1965 and U.P. Cooperative Societies Rules, 1968 and as a banking institution, it is governed by the provisions of the Banking Laws (Application to Cooperative Societies) Act, 1965. The Bank has been included in the Second Schedule of the Reserve Bank of India Act, 1934 and hence it is a scheduled bank. It provides agricultural credit for short and medium-term loans to District/Central Cooperative Banks by arranging funds from the NABARD and also from its own resources.

Objects:

The main object of U.P. Cooperative Bank is to finance the cooperative movement of the State, through central financing agencies and other cooperative societies directly affiliated to them. Its other important objectives are as follows:

1. To serve as a balancing centre for the resources of the cooperative societies of the State.
2. To purchase and sale securities on behalf of constituents and depositors.
3. To promote and propagate the creation of a "croi' h commonwealth" through socio-economic transactions of the community by democratic means.

4. To perform all the functions of a bank and to do all such things as are incidental or conducive to the promotion or advancement of objects of the apex bank.

5. To function generally as an integrated State organisation for the advance of agricultural marketing and processing credit to agriculturist and their societies.

6. To work for the achievement of all the objects laid down in its bye-laws.

7. To draw, make, accept, discount, sale, buy, collect, endorse and deal in bills of exchange, hundies, coupons, promotes, bills of lading, drafts, warrants, debentures, railway receipts, scripts, certificates, buying and selling of foreign exchange, travellers cheques and other instruments and securities.

The Bank is also responsible for financing the entire cooperative credit movement and for controlling and supervising the activities of all district cooperative banks. It maintains an agricultural stabilisation fund also for conversion of short-term loans into medium-term ones in the event of occurrence of natural calamities.
At present the Bank has 27 branches and 12 regional offices spread all over the State. It has adequate reserves, share capital and working capital etc. which can be seen from the Table 3.6.

The Table shows that there has been a manifold increase in the amount of loans advanced by the U.P. State Cooperative Bank. The share capital, working capital, deposits and reserves have also increased appreciably. Its share capital increased from Rs. 443.21 lakhs in 1970-71 to Rs. 1,848.50 lakhs in 1984-85, its working capital increased greatly from Rs. 6,651.98 lakhs to Rs. 62,570.00 lakhs over the same period. The deposits of the Bank also increased from Rs. 27.81 lakhs in 1970-71 to Rs. 340.14 lakhs in 1984-85. In a nutshell, the bank has made allround progress during the period from 1970-71 to 1984-85.

The bank provided Rs. 24,548.75 lakhs in 1983-84 to the agricultural sector, that is, 57.26% of its total advances. In addition to providing loans and advances to its constituents, the Bank also accepts deposits from the general public in various accounts such as current, savings, fixed deposits etc. and performs other operations.
Table 3.6
Progress of U.P. Cooperative Bank since 1970.

<table>
<thead>
<tr>
<th>Year</th>
<th>Paid up Share Capital (Rs. in lakhs)</th>
<th>Working Capital (Rs. in lakhs)</th>
<th>Deposits (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>443.21</td>
<td>6,651.98</td>
<td>27.61</td>
</tr>
<tr>
<td>1971-72</td>
<td>457.27</td>
<td>7,059.52</td>
<td>31.19</td>
</tr>
<tr>
<td>1972-73</td>
<td>472.35</td>
<td>8,552.72</td>
<td>41.69</td>
</tr>
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<td>1973-74</td>
<td>564.62</td>
<td>5,154.11</td>
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<td>1974-75</td>
<td>65.54</td>
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<td>1975-76</td>
<td>668.42</td>
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<td>1976-77</td>
<td>739.99</td>
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<td>1977-78</td>
<td>869.77</td>
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<tr>
<td>1978-79</td>
<td>958.66</td>
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</tr>
<tr>
<td>1979-80</td>
<td>1,095.26</td>
<td>28,150.00</td>
<td>159.50</td>
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<tr>
<td>1980-81</td>
<td>1,257.62</td>
<td>36,438.00</td>
<td>195.95</td>
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<tr>
<td>1981-82</td>
<td>1,416.13</td>
<td>45,138.00</td>
<td>231.12</td>
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<td>1982-83</td>
<td>1,531.45</td>
<td>50,955.00</td>
<td>255.38</td>
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<tr>
<td>1983-84</td>
<td>1,784.15</td>
<td>57,585.00</td>
<td>304.60</td>
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<tr>
<td>1984-85</td>
<td>1,848.50</td>
<td>62,570.00</td>
<td>340.14</td>
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<tr>
<td>1985-86</td>
<td>1,888.77</td>
<td>64,018.00</td>
<td>314.37</td>
</tr>
</tbody>
</table>

banking functions such as drawing, making, accepting, buying, selling, endorsing, collecting and dealing in bills of exchange, promissory notes, hundies, coupons, bills of lading, drafts, warrants, debentures, certificates etc. and purchasing and selling other securities on behalf of the constituents and depositors.

Membership:

The membership of U.P. Cooperative Bank comprises all the central cooperative banks and apex and regional cooperative societies of different categories. Though federal in character, the bank used to admit individuals to membership in the past but now no new individuals are enrolled. At the end of 1983-84, the total number of members of the Bank was 64 comprising 56 central cooperative banks, 7 apex societies and the State Government.

Deposit Mobilisation:

The U.P. Cooperative Bank accepts current, fixed and call deposits from members, non-members, individuals and companies. Deposits constitute a greater portion of the working capital of the Bank as compared with the owned funds and borrowings. The various types of deposits received by the Bank at the end of 1983-84,
current, call deposits, fixed deposits and savings deposits were Rs. 4,366.10, 7,347.33, 15,950.15 and 2,796.70 lakhs respectively.

The Study Team on Agricultural Credit Institutions in U.P. appointed by the Reserve Bank of India had, inter alia, observed that "U.P. Cooperative Bank can be deemed to have reached the stage of financial stability and development necessary for it to function as an apex body of the cooperative institutions in the State". The Governor of the Reserve Bank of India, at a meeting of the chief executives of apex cooperative banks held on 31st October, 1980, lauded the performance of the U.P. Cooperative Bank which has undertaken the pioneering role of floating a regional rural bank at Mainpuri. The Bank's deposit portfolio of Rs. 340.14 crores (at the end of 1984-85), which is the second highest in the country next to Maharashtra State Cooperative Bank, shows the public confidence enjoyed by it.

**Borrowings:**

Borrowings are a major source of the working capital for the Bank. The Bank borrow from the State Government, from the Reserve Bank, now NABARD, approved banks and
financial institutions, NCDC etc. Borrowings from RBI/ NABARD are largest. By the end of 1983-84 the Bank had borrowed from RBI/NABARD Rs. 2,022 crores short and medium-term loans for agricultural operation out of which 773 crores\(^1\) was outstanding.

**Investment of Funds:**

The main purpose of the U.P. Cooperative Bank of collecting funds from various sources and agencies is to invest them. The Bank should strictly follow the three principles, namely safety, liquidity and profitability in choosing investment portfolios for their funds. Because the main business of the U.P. Cooperative Bank is to coordinate and control the finance of central banks, utilising their surpluses and supplementing their deficiencies, they should not ordinarily embark on business outside the cooperative movement. The Bank is the forum not only of cooperative agriculture credit, but also of certain other types of cooperative activity. The most important function of the Bank is that of financing agriculture credit societies. It must invest its funds in a manner which does not endanger the safety of those funds. Otherwise it will not be able to meet all its commitments.

\(^{1}\) R.B.I., Monthly Bulletin, June 1, 1985, p. 303.
in the long run, whatever its resources may be. At the end of 1983-84, the U.P. Cooperative Bank has invested Rs. 68.87 crores.

**Loan Operations:**

The U.P. Cooperative Bank ordinarily provide finances to the affiliated central cooperative banks in its area of operations and to other apex societies. The banks provide finances primarily for agricultural purposes in the form of loans, cash credits and overdrafts to the central cooperative banks and other apex societies in its area of operation.

The borrowing central bank or society should hold shares in the U.P. Cooperative Bank to the extent of 1/3 of its borrowings. For every borrower a maximum limit is fixed in a particular cooperative year in accordance with the rules and bye-laws of the Bank. The Bank has now decided to give preference to short-term loans and the central cooperative banks have been advised accordingly. These loans are given for a maximum period of 12 months while medium-term loans are generally given for 3 years. Cash credit may be sanctioned on the following securities:

1. Pledge of agricultural produce, to be announced from time to time.
(ii) Pledge of finished goods, semi-finished goods and stores and supplied, as approved by the Bank.

(iii) Society bonds and cash credit agreements endorsed by a central bank.

(iv) Treasury certificate, Government promissory notes, National Saving Certificates, National Defence Bonds etc.

In case of any emergency a clean cash credit may be granted without requiring the pledge of any security. Loans may also be provided for six months against fixed deposit receipts. The rate of interest on various loans is fixed in consultation with the Registrar Cooperative Societies, and the Reserve Bank of India. The U.P. Cooperative Bank is charging an interest rate of 7.25 per cent on short-term loans and of 7.20 per cent on medium-term loans.

State Partnership:

The most peculiar feature of the Bank is state partnership. The State Government is a shareholder of the Bank. The Bank is also entitled to receive from the State Government a contribution equivalent to the amount of share capital which it may subscribe to the share capital of central cooperative banks and through them to primary cooperative credit institutions. This contribution is credited to the "Principal State Partnership Fund Account".
Management of U.P. Cooperative Bank:

The business of the Bank is carried on and managed by the following:

(1) General Body
(2) Board of Directors / Managing Committee
(3) Executive Committee

The main authority of the Bank rests in the General Body. This body generally meets once in a year and has three main items of business before it, which are as under:

(a) To receive and approve a report of the year's work, accompanied by a financial statement.
(b) To decide how any surplus on the year's work shall be used, and
(c) To elect a Board of Directors

The powers of day-to-day working are vested in the Board of Directors. In the early stages, the Board was dominated by individuals as they provided bulk of the capital and funds. But now representatives of the central banks constitute the majority. Generally a board consists of the representative of central banks, some representatives of individuals elected by the general body, some affiliated societies, some cooperative banks, one representative each from the U.P. Development Bank and the Central Industrial Bank and a few representatives of the State Government. The number of the
representatives of the State Government does not exceed 1/3 of the total strength of the Board.

The Managing Committee is the governing body of the Bank to which the management of its affairs is entrusted. To facilitate the business of the Bank, members of the Managing Committee are competent to elect from among them selves an Executive Committee consisting of not less than three members including its Vice-Chairman and Secretary. The Vice-Chairman is the Chairman of the Managing Committee. The Management Committee may delegate to the Executive Committee any of the powers vested in it in accordance with the bye-laws of the Bank or withdraw all or any of the power so delegated, at its discretion. The Executive Committee has the power to remove the whole committee or any member thereof except the Vice-Chairman and the Secretary.

The General Manager is the executive head of the Bank and occupies a very important place in the management of a State Cooperative Bank. The success or failure of an organisation largely depends on the performance of its Chief Executive who is answerable to the shareholders, the Government and, above all, to the general public for all that happens in his organisation. He is responsible for efficient and economical use of available manpower, materials, equipment, funds, time and space needed for achievement of organisational
objectives. The managerial chart of the U.P. Cooperative Bank is as follows:

Management of U.P. Cooperative Bank

Head Office
Managing Director
General Managers
Dy. General Managers
Assistant General Managers

Administration Department
Accounts Department
Management of U.P. Cooperative Bank
Head Office
Managing Director
General Managers
Dy. General Managers
Assistant General Managers

Inspection & Supervision Department
Operations Department
Planning & Development Department
Establishment Department

General Accounts
Statistics & Investments

Internal Audit
Financial Supervision over DCCBs

For U.P.C.B. For D.C.C.Bs

Publicity & Propaganda Section
Bulletin Section

Agricultural Credit Monitoring and Evaluation
Agro Industries
Handloom, Tiny Sector, and Small Scale Processing Industries Department.
The Land Development Bank is also cooperative credit institution which provides long-term agricultural credit to farmers. Before India attained independence in 1947, the bulk of the short-term as well as long-term credit was provided by money-lenders and other non-institutional agencies. Money-lenders held an almost monopolistic sway over the unorganised rural money market. After independence, the foremost task before the Government was to provide an institutional source of credit for agriculture to free the farmers from the clutches of money-lenders. The first entrants in the rural credit scene to compete with the money-lenders were cooperative credit institutions. Though initially it was felt that the primary credit societies would be able to meet both the short-term credit requirements of production and long-term credit needs for agricultural development, experience in subsequent years showed that these societies, by the nature of their resources and management, would be able to supply only short-term credit for periods (up to 15 months) and to some extent medium-term credit (for periods of 15 months to 5 years) and were not capable of providing long-term loans (for over 5 years) for investment in agriculture. Some of the committees such as the Royal Commission on Agriculture (1928), the Central Banking Enquiry Committee (1931) and the Rural Banking Enquiry Committee
(1947) came to the conclusion that the canons of a credit banking system required separate agencies for dispensing short and long-term credit. It was in this context that the need for Land Mortgage Banks to cater exclusively for the long-term credit needs of farmers was felt.

The first Cooperative Land Mortgage Bank saw the light of day when such a bank was organised at Jhang in the Punjab in 1920. The real beginning of land mortgage banking was however marked by the establishment of the Cooperative Central Land Mortgage Bank in Madras in 1929 for centralising the issue of debentures and for coordinating the working of primary land mortgage banks in that province. In Uttar Pradesh, the U.P. Cooperative Land Development Bank herein-after referred to as UPSLDB) was established in 1959 as a cooperative society under the U.P. Cooperative Societies Act, 1956 to cater to the long-term credit needs of the farmers of the State. The operations of land mortgage banks for debt redemption continued till the Rural Credit Survey Committee in 1954 recommended that the banks should concentrate more on providing long-term loans for productive purposes in order to increase production in the farming sector. In pursuance of these recommendations, emphasis was shifted from land mortgage banking to land development banking.

1- N.S. Mathur: Cooperation in India, Sahitya Bhawan, Allahabad, 1930, p. 276.
The Land Development Banks, as they are commonly known, have come a long way from the state of land mortgage banks to the present state of Agricultural and Rural Development Banks. These stages of transition of Land Development Bank may be classified into:

(i) Land Mortgage Banking
(ii) Land Development Banking and
(iii) Agricultural and Rural Development Banking.

The first stage lasted from 1920 to 1954, during which the main objective of land development banks was to relieve the farmers from the clutches of money-lenders. The second stage began when the Rural Credit Survey Committee in 1954 recommended that the banks should concentrate on providing long-term loans for productive purposes in the farm sector in the context of planned development envisaged under the Five Year Plans beginning from 1951. The third stage came recently when GRAFICARD recommended in 1980 that land development banks should broaden their operations and extend investment credit for rural development in all its aspects, including non-land based and non-agricultural activities.

For providing developmental finance for agriculture there is the U.P. Cooperative Land Development Bank, which is

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unitary in structure, operating through its branches. It is the only apex institution in the state advancing long-term agricultural loans to cultivators against the mortgage of their bhumidari and sirdari lands. The Bank is linked with the Agricultural Refinance Development Corporation to get refinance facilities from State Government through it. Some special development schemes which require long-term credit are sent by the State government to ARDC which examines their economic and technical feasibility and then agrees to provide refinance facilities to the Land Development Bank on certain terms and conditions. The Land Development Bank finances the schemes which are refinanced by ARDC. The Bank provides credit for purchase of land, land reform, repair and digging of wells, purchase of machinery and other land development purposes. The Table 3.7 given on the next page shows the progress made by the U.P. Land Development Bank.

Table No. 3.7 indicates that the Bank has made tremendous progress in respect of branch expansion, increase in number of members, increase in share capital, working capital and the quantum of loan distribution. The number of its branches rose from 185 in 1970-71 to 254 in 1984-85. Its membership also increased to Rs. 14,40,831 in 1984-85 as compared with Rs. 3,46,154 in 1970-71. Similarly the share capital and working capital increased by more than 5 times and 4 times respectively during the same period. The loan amount also
**TABLE 3.7**


<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Branches</th>
<th>No. of Members</th>
<th>Paid up Share Capital</th>
<th>Working Capital</th>
<th>Loan Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>185</td>
<td>3,46,154</td>
<td>609.94</td>
<td>9,381.25</td>
<td>2,162.25</td>
</tr>
<tr>
<td>1971-72</td>
<td>200</td>
<td>4,36,548</td>
<td>805.95</td>
<td>11,544.91</td>
<td>2,399.46</td>
</tr>
<tr>
<td>1972-73</td>
<td>203</td>
<td>4,96,647</td>
<td>974.74</td>
<td>15,342.81</td>
<td>3,147.30</td>
</tr>
<tr>
<td>1973-74</td>
<td>203</td>
<td>5,94,892</td>
<td>1,107.07</td>
<td>18,965.02</td>
<td>2,550.22</td>
</tr>
<tr>
<td>1974-75</td>
<td>209</td>
<td>6,47,907</td>
<td>1,270.08</td>
<td>20,508.82</td>
<td>3,041.64</td>
</tr>
<tr>
<td>1975-76</td>
<td>210</td>
<td>7,06,211</td>
<td>1,491.03</td>
<td>22,685.45</td>
<td>2,316.71</td>
</tr>
<tr>
<td>1976-77</td>
<td>215</td>
<td>7,77,766</td>
<td>1,814.54</td>
<td>26,076.11</td>
<td>3,934.37</td>
</tr>
<tr>
<td>1977-78</td>
<td>221</td>
<td>8,80,248</td>
<td>2,150.66</td>
<td>31,858.47</td>
<td>5,110.5</td>
</tr>
<tr>
<td>1978-79</td>
<td>227</td>
<td>9,65,319</td>
<td>2,314.28</td>
<td>35,536.06</td>
<td>4,375.34</td>
</tr>
<tr>
<td>1979-80</td>
<td>247</td>
<td>10,70,730</td>
<td>2,619.41</td>
<td>38,092.98</td>
<td>5,029.13</td>
</tr>
<tr>
<td>1980-81</td>
<td>247</td>
<td>11,37,185</td>
<td>2,821.88</td>
<td>40,614.26</td>
<td>5,259.46</td>
</tr>
<tr>
<td>1981-82</td>
<td>250</td>
<td>11,97,676</td>
<td>3,007.23</td>
<td>42,881.02</td>
<td>4,964.18</td>
</tr>
<tr>
<td>1982-83</td>
<td>250</td>
<td>12,72,947</td>
<td>2,915.67</td>
<td>40,127.84</td>
<td>5,429.00</td>
</tr>
<tr>
<td>1983-84</td>
<td>254</td>
<td>13,50,941</td>
<td>3,246.00</td>
<td>40,744.53</td>
<td>6,519.00</td>
</tr>
<tr>
<td>1984-85</td>
<td>254</td>
<td>14,40,831</td>
<td>3,257.56</td>
<td>43,193.18</td>
<td>7,213.21</td>
</tr>
</tbody>
</table>

Source: Compiled from Sahakarita (Annual Reports) 1979 to 1986, Registrar Cooperative Societies U.P. Lucknow.
increased from Rs. 2,162.25 lakhs in 1970-71 to Rs. 7,213.71 lakhs in 1984-85.

The picture of the current loans portfolio of the USBs is entirely different now from what it was during the early stages. After switching over from loans for redemption of debts to productive loans, Land Development Banks have made rapid progress and have contributed significantly to the development of agriculture in the country. During the early stages of their new role, they concentrated mainly on development of minor irrigation because of its importance to agriculture in the Indian conditions. However, in recent years, Land Development Banks have considerably diversified their lending activities. Loans are now advanced by them not only for land-based productive activities such as minor irrigation, farm mechanisation, plantation and land development but also for several other non-traditional purposes of agricultural development. Most of them are non-land based purposes which are, in nature, subsidiary to agriculture.

A noteworthy feature is that, apart from the emphasis on lendings for productive purposes, Land Development Banks have made considerable efforts to provide assistance to small farmers and other weaker sections of the rural community. Such borrowers are also given some preference in the form of a lower rate of interest on loans, a smaller down payment and a longer period
for repaying the loans. Loan disbursements by the UPSLDB may be classified into two categories - those given for particular purposes and those advanced on the basis of the size of land holdings.

**Purpose-wise Loan Disbursements:**

In 1954, the Committee on Direction of Rural Credit Survey recommended that the land mortgage (now land development banks) should orient their operations to productive purposes: that is, they should give first priority to applicants for loans for improvement, reclamation and development of land, purchase of agricultural machinery and equipments and similar productive purposes. They should discourage applications for non-productive loans. The Committee also recommended that applications for loans above a specific figures should not be entertained unless they were for agricultural development and special efforts should be made to popularise productive loans. In spite of the specific recommendations of the All India Rural Credit Survey Committee and directions of the Reserve Bank of India from time to time, these banks continue to advance loans for redemption of prior debts.

The establishment of Agricultural Refinance Corporation in 1963 opened a new era in the history of land development

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1- Later called the Agricultural Refinance and Development Corporation.
banking. It enhanced the scope for the introduction of production oriented system of lending by land development banks as refinance facilities provided by ARDC were based on the production oriented system. The Reserve Bank went a step further in this regard. It announced that those land development banks which advanced at least 80 per cent of their loans for productive purposes in 1964-65 would be eligible for contribution to the debenture issued by RBI, SBI, and LIC. This was further enhanced to 90 per cent in 1967-68. Subsequently, in 1963 RBI decided that Land Development Banks should advance 90 per cent of the loans for productive purposes, of which at least 70 per cent should be for easily identifiable purposes.

The UPSLDB advanced credit of Rs. 626.32 crores upto June 30, 1984. Of this, Rs. 543.57 crores and Rs. 55.18 crores related to minor irrigation projects and the purchase of tractors respectively. They constitute 86.79 per cent and 8.81 per cent respectively of the total loans advanced by the Bank. This reveals that the Bank has mainly extended its credit to undertake the projects of minor irrigation. It may be noted that out of these loans, additional irrigation potential of 45.33 lakh hectares has been created in the State. Of this, the highest irrigation potential - 24.92 lakh hectares - has been created by the installation of pumpsets. Next to follow are tubewells, wells and rahats, providing irrigation potential of 17.91 lakhs hectares, 2.29 lakh hectares and 0.71 lakh
Thus UPSLDB has been playing a pivotal role in providing long-term finance to the farmers for minor irrigation purposes including loans to the U.P. State Electricity Board for energisation of private tubewells under its slogan 'water to every field'. The importance of minor irrigation schemes for providing water to every field has been amply proved as this found the first place under the 20 point economic programme. Besides speedy execution of the work of irrigation projects under construction, an 'on farm' development programme has been launched in the irrigation command areas of the State, viz., Shardha, Saryu and Gandak Command Area Projects to help completing these projects at the earliest. The Bank included this scheme in its programme of lending and provided Rs. 1.09 crore by the end of June 30, 1984 for this purpose. The Bank had inherited a credit of Rs. 1.09 crore to the institution with which it had been engaged in the agricultural development.

The loan disbursement target of the Bank for the Fifth Five Year Plan was Rs. 400 crores, out of which it could distribute only Rs. 215.71 crores for various purposes.1 An item by item position is as follows:

**Minor Irrigation:**

The loan disbursement target for minor irrigation was Rs. 330 crores. Of this the Bank could distribute only Rs. 151.75

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1- The Cooperator, Vol., XXIII, No. 3, August 1, 1985, p. 56
crores during the first four years of the Sixth Five Year Plan. This is even less than 50 per cent of the target set. Irrigation includes wells, rahats, tube-wells and ponds. The loan disbursements for these items during the four-year plan were Rs. 6.08 crore, Rs. 0.85 crore, Rs. 31.13 crore, and Rs. 119.69 crore respectively.

Energisation of Private Tubewells:

The loan disbursement target for energisation of private tubewells was Rs. 45 crores of which the Bank could distribute only Rs. 14.52 crores during the first four years of the Sixth Five Year Plan, which was only one-third of the target set. The factor responsible for this slowness is the use of electric motors for irrigation purposes which are much less mobile than pump-sets. Moreover, electricity supply, especially in the rural area of the State, has been most erratic.

Tractors:

As against the target of Rs. 15 crores, the loan distribution for purchase of tractors was Rs. 36.06 crores—about two and half times of the target set. It is difficult to know how the Bank could exceed the target figures. However, compared with the total amount of Rs. 55.18 crores advanced for tractors from the inception of the Bank upto 1984-85, Rs. 36.06 crore was distributed during the last four years of the Sixth Plan. This
is no need for spot inspection and verification. This further reduces the work-load of the staff.

**Size of Land-holding-wise Loans Disbursement:**

Farmers have been grouped into four categories, viz., marginal, small, medium and big according to the lands held by them. Available figures reveal that 70.3 per cent of landholders are marginal farmers, 16.5 per cent are small farmers, 9.1 per cent are medium size farmers and 4.1 per cent are big farmers. The UPSLDB disbursed Rs. 1.57 lakh, Rs. 1.31 lakh, Rs. 0.61 lakh and Rs. 0.21 lakh to marginal, small, medium and big farmers respectively. This means that of each hundred in the marginal category only 1.27 farmers could avail themselves of the facilities provided by the Bank. The number swells to 4.33 farmers and 3.84 farmers out of each hundred in the category of small and medium farmers respectively.

As regards the total amount of loan disbursed, the situation seems to be better for marginal farmers since they got 43.71 per cent of the total loans disbursed. The very high percentage for small, medium and big farmers were 32.31, 17.44 and 16.29.

**Management of UPSLDB:**

The management of the U.P. Land Development Bank is carried on by a Board of Directors consisting of 7 to 9 members.

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is a big achievement, as it comes to 65.35 per cent. The number of tractors purchased was 17,972. Out of these, 8,572 were bought during these four years which is 48.26 per cent of total tractors purchased. This shows cultivators' interest in modernisation of agriculture and priority given by the Bank to this item.

Others:

This item covers loans to institutions. The loan disbursement for this purpose was Rs. 13.38 crores as against the target of Rs. 10 crores. This shows that the loan distribution was 33.8 per cent more than the target set.

From the above analysis, it may be observed that more than 67.14 per cent of loans were advanced for pumpsets/tubewells and tractors. Loans for pumpsets and tubewells can be obtained by farmers who have a minimum of 0.8 hectares of land, and those who have 4 hectares of land or more can get loans for tractors. More than 50 per cent of operational holdings are below 0.5 hectares in the State. Thus, only affluent farmers owning big holdings are the beneficiaries of the U.P. Land Development Bank. Besides, the staff at the branches of the Bank favour loans for tractors because loans target can be achieved even with a small number of borrowers, which reduces the work-load and the burden of servicing of the loans. Since loans for tractors are given directly to the third party, there
The efficient management for the Bank is of considerable importance because of the technical and complicated nature of long-term credit. For this it is highly desirable that there should be a clear demarcation of functions between the Board of Directors and the Chief Executive Officer. The Board should confine itself to laying down the broad framework of policies, leaving the execution of these policies to the chief executive and the staff appointed under him. As the successful functioning of the Bank will largely depend on the Chief Executive, it is very important that he should be a person who has acquired the necessary professional competence for discharging his duties in the best interests of the institution.

Mr. P.N. Damry, the then Deputy Governor, Reserve Bank of India, states the importance of efficient staff for banks in the following words:

The time seems to have come for the banks to have on their staff or available for consultation a few agricultural graduates, mechanical engineers, cost accountants and other technically qualified staff to advise them on the economic and technical feasibilities of their programmes and the most productive management of the working funds and the sinking fund. The banks will do well to engage an adequate number of full-time supervisors and inspectors whose duty...
it will be to follow up all the loans to ensure
their proper utilisation throughout the period of
loan.

Resources of Land Development Bank:

Unlike other banking institutions which partly raise
funds as deposits from the public, the main sources of funds for
the Land Development Bank is through floatation of debentures on
the capital market. These debentures are floated on the
assurance of State Governments and against security of mort-
gages raised by the Banks from borrowers. The investors are,
thus, fully secured both in regard to payment of interest and
repayment of principal. Funds raised through debentures are in
the form of refinance to the banks and hence they have to
lend first in order to collect sufficient mortgages before
debentures are floated against security of such mortgages.
Interim finance required for initial lending operations is
secured by the Land Development Banks from the State Cooperative
Banks, commercial banks and NABARD in the form of cash credit
and overdrafts.

Apart from debentures, the Land Development Banks have
substantial owned funds comprising share capital and reserves.
Contributions to the share capital of the Banks come from
borrowers in proportion to loans. The State Governments also,
as a matter of policy to strengthen the cooperative credit
structure, contribute to the share capital of Land Development Banks. Reserves are built up by the Banks by transferring a certain percentage of their profits. Provisions in the State Cooperative Societies Acts and Byelaws of the Banks lay down that 25 per cent of the net profits are transferred to the reserve funds of the Banks.

It can be concluded that the cooperative credit structure has made a tremendous progress after 1970. Figures show that there is a heavy demand from farmers for loans to boost agricultural production. Loans advanced by cooperative credit institutions have been increasing rapidly in important areas. However, a most distressing fact of the cooperative credit structures is that these institutions suffer from financial problems and cannot function as well as they should and the next chapter has been devoted towards financial credit of Rural Cooperatives in U.P.