CHAPTER VI

SUMMARY AND CONCLUSION

The name of Mr. Dupernex is associated with the initiation of the cooperative movement in U.P. along with the Principles of Raiffeisen. The Provincial government appointed him in 1901 to study the working of the cooperative institutions in Europe with a view to introducing them in the province. Dupernex advocated the establishment of village cooperative societies based on Raiffeisen principles. On the lines suggested by Mr. Dupernex, a few societies were established in U.P. in 1900 as an experimental measure. These societies were started with a government grant of Rs. 1,000/- each, and 200 cooperative societies had been established in U.P. by the year 1903. In 1904, their number rose to 223. These societies were called "village banks" and their only function was collection and distribution of agricultural advances at low rates of interest. The average membership of these societies was 76 and their borrowed and owned funds on an average amounted to Rs. 391/- per society. The capital of these societies was raised mostly through loans at varying rates of interest, according to the sources of advance.
The actual movement started in U.P. after the passing of the Cooperative Societies Act of 1904. The first Registrar of Cooperative Societies in U.P. was appointed on 3rd November, 1904. The work of drafting the cooperative bye-laws was undertaken by the Registrar. The object of this Act, as stated in its preamble, was to encourage thrift, self-help and cooperation amongst agriculturists, artisans and persons of limited means. 1

The Act of 1904 was found deficient for meeting the growing needs of the movement due to classification of the societies into rural and urban, non formation of federation or central societies for supervision, control and finance and their inability to undertake non-credit activities. The third conference of Registrars was held in 1908 which suggested amendments to the 1904 Act to remove the above-mentioned defects in its working. As a result, the Cooperative Societies Act of 1912 was passed.

The defects and shortcomings found in the working of the Act of 1904 were remedied but its main features, viz. simplicity and elasticity were retained in the new Act. This Act authorised the formation of societies other than credit societies and also the establishment of central financing.

agencies with limited liability. The division of societies into rural and urban was abolished and in its place societies were classified as limited and unlimited liability ones. With the passing of the Act of 1919, cooperation became a transferred subject under the charge of a minister in each province. The government of U.P. strengthened the departmental staff to consolidate the position of weak societies for supervising them and to organise new ones.

The year 1929 marked the beginning of depression. Agricultural prices began to register a downward trend and consequently the incomes of agriculturists also declined. The difficult conditions created by second world war were a tonic to the cooperative movement in U.P. where the societies gained in strength and vigour. Due to the rise in agricultural prices increased. This period also witnessed the growth of multipurpose societies, undertaking a variety of functions ranging from credit and supply of essential consumer goods, controlled commodities and seeds to marketing of crops. U.P. took the lead in this connection. It was also felt that the agricultural credit societies could not cover an adequate percentage of population due to their unlimited liability. It was, therefore, decided that multipurpose societies should be given a trial. These societies, which
on the recommendation of the 14th conference of the Registrars of Cooperative Societies (1944), the Government of India appointed in 1945 a twelve man committee under the Chairmanship of Shri R.G. Saraiya. The Committee was to draw up a plan of cooperative development. It submitted a comprehensive report in 1946. The chief recommendation of the Committee was that as the supply of credit was only one aspect of the life of the agriculturist, activities of primary credit societies should be so diversified as to cover the whole of his life and that the societies should be revitalised so as to serve as centres for the general upliftment of the members.

The 15th Conference of the Registrars of Cooperative Societies which was held at Madras in 1947 considered the important recommendations of both the Gadgil Committee and the Cooperative Planning Committee. The Conference did not favour the establishment of Agricultural Credit Corporation as in its view the Provincial Cooperative Banks could very easily undertake the functions of the proposed credit corporation. But the Conference approved of most of the recommendations of the Cooperative Planning Committee but recommended that the targets

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aimed at by the Committee were to be regarded as the minimum aimed at, the ultimate target being to bring control over population in the villages within the cooperative fold. The Conference expressed the view that top priority be given to cooperative marketing.

After the attainment of Independence in 1947, development of all cooperative activities was given greater attention in Uttar Pradesh. The development of rural cooperative in the state during the various plans period is given in the following pages:

**Rural Cooperatives During Plan Period**

During the First Five year Plan the main aim of the Cooperative movement was to strengthen and revamp the cooperative credit and banking system with a view to increasing production, particularly agricultural production. The emphasis in the First Plan, therefore, was on organising multipurpose cooperative societies in rural areas. The Pradeshiya Cooperative Marketing Federation (PCF), which was established in 1943, emerged as the biggest cooperative organisation in the State. There were 13 thousand cooperative societies in U.P. at the time of the independence of the country. Their membership was 3.21 lakhs and share capital Rs. 49 lakh. The number of cooperative
societies, their membership and the amount of share capital increased to 38 thousand, 13 lakh and Rs. 200 lakhs respectively in 1955.1

During the Second Plan period a radical change occurred in the policy of credit distribution by linking it with the sale of produce. Emphasis was laid on controlled credit repayment of loans in kind through the marketing societies.2

The objective of the Third Plan was to bring 65 per cent of the agriculturists under the cooperative fold in the cooperative movement. This however, could not be achieved and only 54.8 per cent of the total rural population engaged in agriculture could be covered by cooperatives at end of this plan period. Emphasis was laid on the organisation of potentially viable societies and on revitalising old primary service societies, many of which had earlier become defunct or were not functioning satisfactorily. This reorganisation programme was given a big fillip when the Hyderabad Conference of Cooperative Ministers defined viability of cooperatives in concrete terms in 1964. Consequently, a survey was conducted to identify the potentially viable societies and weak and moribund units. The programme of amalgamation and merger of weak and moribund societies with the potentially

viable units was formulated in 1964-65. A new programme i.e. outright grant for special bad debts reserves, was initiated during this period, to provide loans to marginal and sub-marginal farmers.

In the field of banking, entire the State was covered with primary marketing societies. One radical change was made in the credit system. It was presumed that fertilizer was the most important item for increasing agricultural production and therefore it was decided that distribution of loan should be made in the shape of fertilizers. Another radical change in the policy of loan distribution was switching over from security oriented credit to production oriented credit.

In the cooperative credit and banking field, it was proposed gradually to convert all the primary agricultural credit societies into viable or potentially viable societies by amalgamating smaller and weaker societies into viable economic units. Other objects of the Fourth plan were to achieve a membership target of 75 per cent of agricultural families, to provide facilities of credit as quickly as possible by opening more branches of District/Central Cooperative Banks, to provide medium and long-term loan facilities to meet the requirements of the member of cooperative societies for improved means of irrigation,
create additional storage capacity and to enable the societies to meet the increasing demand of agricultural inputs, to set up a hydrogenated factory and a fertilizer granulating unit by the apex marketing federation in the cooperative sector for the benefit of farmers and to have a special Drug Development Programme for the hill region of the State. Different areas of cooperation achieved marked progress during this plan period.

During the Fifth Plan Period, there was a new list of aims to achieve. However, most of them were of the nature of consolidation, revitalization and reorganization of various cooperative activities initiated in earlier plans. Some of the important programmes were as follows:

1. To encourage formation of farming societies, richshare puller societies and labour cooperatives to help the weaker sections of the society financially.

2. To encourage the programme of S.F.D.A. and M.F.A.L. areas through cooperative societies in order to provide facilities to backward areas and weaker sections of the society for their social and economic upliftment and to extend the same programme to other areas of the State.

3. To start special programmes in the cooperative sector for the development of hill areas.

4. To provide training facilities for members of the cooperative societies and their officials.

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(5) To set up a chemical fertilizer factor in the cooperative sector and to open agricultural service stations in rural areas to provide required inputs and services to agriculturists.

During this plan, cooperative credit facilities were expanded. By the end of the Plan, the amount of short-term and medium-term cooperative loaning rose to Rs. 137.73 crores and Rs. 12.36 crores respectively. During the plan, the Government also laid stressed on strengthening and consolidation of rickshaw pullers' societies. By the end of the Plan the total number of such societies was 143.

The Fifth Five Year Plan ended one year before and the sixth plan started one year later. Therefore, the years 1978-80 marked the two year interval period. Due to famines and droughts, the Sixth Plan did not start in 1979-80.

In order to increase the flow of funds for a special component plan, 166 societies were identified where the scheduled Caste membership of the PACS exceeded 50 per cent and 466 PACS where their membership ranged between 40 to 50 per cent. The contribution of the cooperative sector was 33 per cent of the total loans disbursed under the IRDP. In the long-term disbursement, the State Land Development Bank (L.B.B.) reached a new level of individual loaning at Rs. 62.21 crores. The number of individual membership of the
rural cooperatives which was 124.01 lakhs at beginning of the plan, increased to 145.10 lakhs at the end of the plan while the number of all types of societies increased very slightly. The owned capital and working capital of the rural cooperatives also increased from Rs. 268.92 crores and 1,956.47 crores at the beginning of the plan to Rs. 359.10 crores and Rs. 3,091.19 crores respectively at the end of the plan.¹

The Seventh Plan includes the following programmes:

(1) Strengthening the existing cooperative infrastructure in order to provide a strong base for the cooperative movement in the state. This includes introduction of cooperatives in hitherto untouched areas, or where the impact of the movement has so far been negligible.

(2) Making the reorganised PACS multipurpose by providing them state institutional assistance and with the initiation of new activities with the help of APM cooperatives.

(3) Providing a strong base for agricultural production, considerably improving credit flow and agricultural inputs.

(4) Providing credit for anti-poverty programmes like PHM and for weaker sections like weavers, fishermen etc.

(5) Concerted efforts for increasing the flow of cooperative credit to underprivileged sections like Scheduled Castes and Scheduled Tribes.

(6) Strengthening of public distribution system in the rural and hilly areas, and consumer activity in urban and rural areas.

(7) Introduction of cooperatives of growers of apple, cherry, etc.

(8) Strengthening the education, training and extension effort for officials of the cooperatives and non-official members.

Though agricultural credit cooperatives had been in existence since 1904 and from time to time attempts had 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 Survey in 1954. Subsequently, the structure and operations of agricultural credit institutions were gone into by the Mehta Committee on Cooperative Credit and the Venkatappaiah Committee (1969).

The cooperative credit structures for providing short-term and medium-term loans in U.P. has a three tier system with primary agricultural (service) societies at the bottom, federated into central cooperative banks at the district level, and further federated as state cooperative bank at the apex level. This bank has been obtaining finances from the RBI. For provision of long-term investment credit, there is U.P. State Land Development Bank.

*Note: NABARD.
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 and large sized multi-purpose 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.

Primary agricultural credit societies provide loans to members with a view to improving their economic condition. These societies advance both short and medium-term loans. The purposes of providing short-term loans include expenditure on current agricultural operations like seeds, manure and fertilizers, payment of hired machinery charges, payment of wages to hired labour, payment of land revenue etc. Medium loans are provided for the purpose of digging out a set of wells, purchase of implements and equipments, purchase of cattle, recalamation of land etc.

Central cooperative banks constitute the core of the 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 mobilise deposits and also borrow from the State Cooperative Bank for financing the primary societies for 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 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/NABARD.

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 sound 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.
For providing developmental finance for agriculture, there is the U.P. Cooperative Land Development Bank which is 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 mortgag of their bhumi-dari and sirdari lands.

The Bank has made tremendous progress in respect of branch expansion, number of members, 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. Membership increased to Rs. 14,40,831 in 1984-85 as compared with Rs. 3,46,154 in 1970-71. Its share capital and working capital increased by more than 5 times and 4 times respectively during the same period. The loan amount also increased from Rs. 2,162.25 lakhs in 1970-71 to Rs. 7,213.21 lakhs in 1984-85. Loan disbursements by the Bank may be classified into two categories - those given for particular purposes and those advanced on the basis of the sizes of land-holdings.

The need of the day is to have a few agricultural graduates, mechanical engineers, cost accountants and other technically qualified staff to advise the Bank on the economic and technical feasibilities of their programmes and on the most productive management of working funds and sinking funds. 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.
Conditions for Successful Cooperative Finance:

Cooperative financing must fulfil the following condition in order that it may help in the development of agriculture:

In the first place the quantum of credit supplied by the cooperatives must be adequate. If it is inadequate it will not only fail to meet the needs of production but it is also likely to be diverted to other purposes. A few examples would make the point clear. Suppose a cultivator needs Rs. 1,000/- to purchase a pair of bullocks, but the cooperative society lends him only Rs. 500/- Obviously the cultivator cannot have a pair of bullocks with this money and it will not do to purchase a single bullocks. Again suppose Rs. 5,000 are required to dig a well but the cooperative sanctions him a loan of Rs. 2,000 only. It is very likely that instead of using the loan to buy bullocks or dig a well, the cultivator may use it for some other purpose.

Moreover, the adequacy of agricultural credit is to be judged not only from the point of view of the needs of farming but in relation to the cultivator's own needs also. After all, labour is also an indispensable input in agriculture and just as a loan may be required to purchase seed or manure, it may also be required to purchase food, clothing and medicines etc, for the cultivator and other members of his family. Without the provision of these, the supply and efficiency of labour
power is bound to go down. It is also likely that credit obtained for buying productive inputs such as seeds may be diverted to buying food for family, or, as happens more often, the seeds, instead of being sown, may be eaten up. After all, man is not merely a factor of production. He is also the ultimate user and enjoyer of all production. And money spent on the upkeep and maintenance of the farmer and his family may not go to increase either the supply or efficiency of labour. Especially in a custom-ridden society that we have, cultivators may spend large sums on conventional necessities or on such ceremonies and festivities as hardly contribute to the increase either the supply or efficiency of labour. Yet a part of this expenditure is necessary and is financed through credit or diversion of credit. Although in principle, cooperative societies may not finance non-productive expenditures, yet in practice it is sometimes not possible to draw a clear-cut line between productive and non-productive expenses. As such, if diversion of credit advanced for productive to non-productive purposes is to be avoided, it is necessary that the quantum of credit sanctioned by the cooperatives must be adequate to meet the farming needs, the family needs and the reasonable social needs of the cultivators.

The loan requirements of the cultivators are categorised as short-term, medium-term and long-term. In India the
ordinary cooperatives only provide short-term and medium-term loans. Special types of banks known as Land Mortgage Banks or Land Development Banks have been formed to cater to the long-term credit needs of the cultivators.

The credit supplied must be in proper form. It is easy to see that cash loans may be easily diverted to other purposes. Therefore, so far as possible, loans must be given in kind. Thus, the cooperative that supplies credit must either itself stock improved seeds, manures, fertilizers, pesticides etc., or, it should be able to arrange for the supply of these things readily through associated agencies, cooperative or otherwise. It has been observed that sometimes cooperative societies sell improved iron ploughs which are not commonly available in the villages and hence remain idle. Sometimes the cultivators may be pressurized to purchase improved tools which they seldom use or which cannot be easily acquired in the villages and hence remain idle. It has been observed that a number of tractors purchased recently by well-to-do-farmers are lying idle for want of spares or repair facilities. It follows that a cooperative, while giving loans for buying tractors, must also arrange for the supply of necessary spares and facilities for repairs. An alternative would be to set up societies which own tractors and hire them to their members.
clumsy that it is very difficult for the illiterate cultivators to understand and fill them up. There is need to simplify the loan procedure to ensure ready availability of credit. Some sort of 'open' credit system may be tried under which each borrowing cultivator will be entitled to withdraw money from the society as and when required, up to a prescribed maximum.

The loan policies of the cooperatives must be need-oriented. Till recently the basis of cooperative loans was the *jumliyat* of the borrowing cultivator which depended primarily on the value of the land owned by him. This enabled the well-to-do farmers to grab the lion's share of the meagre amounts that the cooperatives were able to provide. The poorer cultivators who owned small pieces of land were unable to obtain any loan at all or could get very small amounts. As such, they continued to be dependent on the money-lenders. Under the new crop loan system, loans are advanced not against the value of land owned by the borrowing cultivator but on the basis of his production programme based on personal surety of against a charge on the prospective crop. This crop loan system is a definite improvement on the old system. Under this system, even those poor cultivators who do not own any land but just carry on cultivation on the land belonging to others are able to get loans from the cooperatives. But this system, presupposes sale of produce through the
cooperatives which is possible only when there is in existence a network of marketing societies. Moreover, it is suitable primarily for double-cropped areas with relatively stable agriculture. Further, it presupposes formulation of farm plans and accurate knowledge of the expenses of cultivating different crops. In the absence of these conditions, it degenerates into an improved form of annual loan system and may even increase overdues in areas of unstable agriculture.

The cost of credit should not be very high. While very low rates of interest may encourage unnecessary borrowing, very high rates fail to benefit the cultivators. One of the objects of the cooperative movement is to eliminate the middle men, which cannot be achieved if reasonable rates of interest are not charged by the cooperatives.

It can be concluded that in order that cooperative financing may succeed in its purpose of freeing the cultivators from the clutches of the money-lender and contribute to the development of agriculture, credit provided by the cooperatives must be adequate to meet the farming needs, family needs and reasonable social needs of the cultivators; it must be in the proper form credit must be available promptly when required, it must be need-oriented, the cost of credit should be reduced and the
structure and size of cooperative financing institutions to be efficient. Moreover, 'one village one society' formula resulted in the formation of small and weak societies which are hardly viable. Widespread illiteracy stands in the way of acquisition of business efficiency and fluctuating fortunes of agriculturists require adjustment of the loan period to the repaying capacity of the cultivators and the distinction between short-term and medium-term loan untenable.

The agricultural credit movement has made significant strides during the last decade or so. The progress has been unprecedented in the number, membership and working capital of the societies. But the role played by these societies in financing agriculture is not substantial. It is regrettable that most of the primary societies are either lying dormant or are unviable and inefficient units. It is futile to expect these feeble units to achieve the main objective of intensifying agricultural production and re-building the rural economy. The only efficacious prescription appears to be to take active steps to liquidate the dormant societies, amalgamate the weak societies and strengthen them by making them strong and viable ones. Earnest efforts should be made to recover overdues and crop loan system should be the corner-stone of the loaning policy of the cooperatives.
A cultivator, who repays the loan through the sale proceeds of their produce and sells to the cooperative more than what is prescribed as the minimum compulsory for him should be given liberal finance in the form of additional loan to the extent of about 10 per cent of the amount so recovered.

Fresh loans should be made available promptly to those who repay loans in kind.

Where marketing societies can afford it, slightly higher prices may be paid to the members who repay their production loans through marketing societies.

Those members who do not repay the minimum compulsory part of the loan in kind, as decided by the field workers conference, should not be given fresh loans. In addition, they should also be charged a penal rate of interest.

The central cooperative banks should take active interest in this regard and they should charge their supervisory staff specifically with responsibility in forging an effective link between cooperative credit and marketing.

Some incentives in the form of awards, prizes, etc., may be introduced for the managers of primary credit co-operatives.
who may put in special efforts in achieving linkage between the societies.

Societies whose members do not repay even the minimum prescribed compulsory part of the loan through sale of produce should be considered for lower audit classification.

A statewide cooperative arrears verification and realisation drive was launched on the recommendations of the Study Team on Agricultural Credit Institutions in U.P. in 1977. The recovery of loans from landless agricultural labourers, rural artisans and small and marginal farmers was stayed with the enactment of U.P. Rural Weaker Sections Act 1975. With the passing of this Act, the traditional sources of credit in rural areas have dried up.

A review of the cooperative credit to agriculture, reveals various shortcomings, some related to policy making and other at the implementation level. The main drawback of cooperative credit structure in U.P. is its weak management. In order to increase the productivity and profitability of the institutions and to meet growing demand for credit in the agricultural sector it is necessary to strengthen the head level primary agricultural credit societies to make them efficient units for discharging the functions of efficient rural credit system and to delink them from the seats of power politics.
The repayment of loans must be ensured by strict enforcement of laws except in areas affected by natural calamities for which crop insurance and other measures may be evolved.

**Shortcomings of Rural Cooperatives:**

Although rural cooperatives have been functioning in the rural areas since 1904, yet a good percentage of them have not risen to the task despite government aid and support. They have yet to attain the image of effective and successful units of the people's movement striving to better the lot of the common man. It is needless to emphasise that they are the most suitable developmental vehicles for the attainment of democratic goals and socialistic ideals of the country. Generally speaking their performance has been impressive but individually a good number of them are faced with manifold problems. Some problems are given below:

1) Vested interests entering the societies tend to misuse funds to promote their own social, political and economical ends.

2) Propensity for wasteful expenditure on rituals among the villagers is a great hurdle in the promotion of thrift and savings, with the result that cooperatives find it difficult to mobilise adequate internal resources in the
form of shares and deposits. This results in excessive dependence of the cooperatives on external support.

3) Absence of regulation of marketing also affects the working of rural cooperatives.

4) There is poor linking of credit with marketing.

5) The credit cooperatives have failed to attract deposits partly because of the poverty of the members and partly because of the lack of confidence of members in the societies.

6) Inherent weakness in the village economy due to natural calamities, uncertainty, population pressure and uneconomic sizes of holdings adversely affects the cooperative societies in number of ways. As a result cooperatives find it difficult to be viable units.

7) Regional disparity in the social and economic conditions of the area adversely affects the development of cooperatives leading to uneven growth.

8) Increasing overdues.

9) Defective loan policies.
Suggested Reforms:

(1) **Prompt Recovery of Loans and Avoidance of Fictitious Recoveries:**

The present system of fictitious repayments and leniency in the recovery of loans must be done away with if the cooperative society is to serve its real purpose. Fictitious repayment can be avoided if:

1) the loans are not advanced beyond the repaying capacity of the members.

2) the instalments are fixed strictly according to the nature of loans,

3) no undue pressure is put upon the members when they are really in distress.

On the other hand, the present system of fixing demands of recoveries at the time of each harvest should be done away with. The instalments should be fixed in the hand when the loans are advanced. Once these have been carefully fixed in the bond, these instalments should be recovered strictly according to the schedule and no undue laxity should be given except in special circumstances. In this respect also, the system in Bombay is worth mentioning, where extension for one year is sanctioned by the committee and for more than one year by the
general body with the approval of the central institution. The cooperative Act will also need a suitable amendments to make prompt recoveries.

(2) **Flexible Approach in Determining Viability:**

While taking care to see that economic viability is assured, the State Government should adopt a flexible approach in determining the specific standards of business required for a viable society. They may vary from area to area with reference to disparities in conditions between different regions and also modified from time to time, as the costs of staff and other relevant factors rise or fall.

(3) **Strengthening of Owned Funds:**

As the importance of share capital is considerably great for strengthening of the resources of the rural societies, systematic efforts to augment the same should be made. Members should be persuaded to contribute more/the share capital by taking more shares at the time of repayment of their loans soon after the harvest. The Review Committee has suggested that while, as a general rule, the shareholding at the member’s level should be at 20 per cent of his borrowings, the farmers with large holdings should be made to contribute more towards their share capital while the smaller cultivators should invariably be extended the facility of paying his share amount in convenient instalments, as otherwise credit will be beyond his reach.
(4) Reactivization or Liquidation of Dormant Societies:

Reactivization of dormant societies, or their liquidation, where unavoidable, being important aspects of reorganisation at the primary level, should be pursued with the necessary drive. Additional staff should be provided, wherever necessary, for the liquidation work to be completed expeditiously.

(5) Special Lines of Credit:

The central cooperative banks may sanction, where necessary, special lines of credit to agricultural credit societies for financing the distribution of fertilizers and other agricultural requisites or that of consumer articles, taking appropriate safeguards with regard to the verification of stocks, furnishing of stock statements etc. The share capital of the village society should be especially strengthened to the extent necessary for providing the base for such borrowings.

(6) Reducing Overdues:

Serious and sustained efforts should be made to reduce overdues. Adequate staff with the necessary delegated powers relating to execution, etc., should be provided. Crop failure insurance should be introduced against cooperative loans. Remunerative prices of agricultural commodities should be fixed
before the sowing season. In case of crop failures waiving recovery of interest and re-scheduling the recovery should be made more effective. Coercive action should be taken against persistent and wilful defaulters. Cooperative Department and the cooperative financing bank should exercise the utmost vigilance to see that book adjustments do not occur on a large scale. Supervision over utilisation of cooperative loans should be strengthened.

(7) No financing of Defaulters:

The financing of defaulters should not be undertaken in any circumstances. Even the financing of such defaulters by governments in the form of fertilizer or otherwise should be avoided. The right way of helping those who are unable to repay loans because of crop failure is to provide them conversion facilities or, if this not practicable, to grant extensions in accordance with the procedure as laid down for the purpose.

(8) More emphasis on Thrift and Deposits:

Thrift is the most important element in a credit society, which has been neglected so far, and its deficiency is one of the the main causes of the failure of the movement. It is for want of thrift that the societies are regarded as mere government money-lending agencies. Every possible method should be tried to create among the members the habit of thrift. Saving
is a matter of habit and this habit should be inculcated among the members by all means.

The Planning Commission has laid great emphasis over thrift and has observed that rural savings should be tapped by the cooperative societies for investment in the developmental schemes. The necessary precondition for this is to create confidence among the members so that they may feel that their deposits will be safe and can be withdrawn by them whenever they like. No doubt, specific provisions exist in the bye-laws of the society that their deposits can withdrawn from the affiliated central institution upto the maximum credit limit only, after deducting the amount which the society has received as deposits. This guarantees immediate repayment to the depositor on demand by withdrawing the same from the central institutions. But this is seldom explained to the members, which calls for urgent action. The other two causes which stand in the way of these deposits are the low rate of interest offered on them and the possibility of private money-lending, which gives everybody the inducement to exploit the poor. The rates of deposits should be reasonably increased, while private money-lending should be totally stopped. It must be made clear here that unless sufficient deposits come to the society the movement will not succeed.
The Maclagan Committee has rightly observed, "unless as the movement progressed there is a substantial increase in members' deposits, it will have to be confessed that cooperation has failed in one of its objects". In addition to the measures stated above, some schemes which may appeal to the members should be given encouragement, such as savings for education or marriages of children, special deposits for payment of revenue, special collections on annual cooperative day, by holding meetings and paying door to door visits to the members' houses during harvest time.

(9) Improvement in the Resources Position:

The primaries should improve their own resource position through paid up capital, deposits and reserves. In order to induce the members to contribute larger amounts in the capital, cooperatives may lay down in their by-laws some relationship of loans to the capital contributed. But at the same time, these societies should shed their undue apprehensiveness of risk and adopt a liberal attitude to production programmes.

The role of extension in this regard cannot be overlooked. Both in the preparation of farm plans and for securing proper utilisation of loans, extension agencies have to work with the people. In fact, credit which is not matched by technical guidance is the credit mis-spent and wasted. This in a way,
strengthens the belief in the need for an integrated approach to rural development.

It may be said that cooperative institutions can form a suitable watershed for a harassed farmer whose fate has at one time tossed in between landlords and money-lenders and who is now faced with the danger of collectivisation which might relegate him to the position of a wage earner. But the movement itself is not free from tensions caused both from the factors working in the system and from outside also—from within, due to stupidity, weakness and lack of zeal of its own members and from outside, due to lukewarm support and guidance from higher institutions. Although, in the ultimate analysis it can be sustained through its own strength and vitality but that stage has not yet come and in the present conditions it can only thrive with an active support and guidance of the State, more so, in the context of the new strategy. Cooperative credit structure must throw off its shyness and take up the challenge with vigour and courage.

The single major factor responsible for mounting overdues is wilful default. Effective and coercive measures are required to enforce recovery of overdues from wilful defaulters who are generally influential and powerful in rural areas. But appears that the State Government and the boards of management of the
cooperative institutions have shown general apathy in tackling these defaulters. The policy statements made at the State level from time to time and indiscriminate writing off of loans on a large scale have vitiated the climate for recovery. What is required is a strong will on the part of the government to recover.

Another step considered advisable in this direction is that the elected boards of management should also be made accountable for recovery. They may be disqualified automatically if the overdues of any institution exceed gracefully for two years, as recommended by the Study Team on Overdues of Cooperative Credit Institutions. The State government may also be advised to make suitable provisions for this purpose in the Cooperative Societies Act and Rules.

Apart from coercive methods and fixing accountability with the participants of management, concerted efforts at the level of State Governments also appear necessary. The following are some of the steps that may be taken for the purpose:

1) Constant surveillance on the progress of overdues so as to ensure that these are not allowed to increase without valid reasons.
which adversely affects their loaning operations. The cooper-
atives are supposed to cover 1,12,624 villages of U.P. but only
8,624 villages are served by them. More villages have not
been covered due to high level of dormancy and mounting overdues.
Also, the growth of primary agricultural credit societies has
not been keeping pace with the growing needs of the farmers.
No doubt the deposits have increased, but they are far from
adequate in relation to demand for short and medium-term loans.
It is because of this that of primary agricultural credit
societies in 1976 were reorganised in U.P. and a business plan
for each society was prepared under which targets of various
activities like coverage of rural families, mobilisation of
deposits, advance of various types of loans, distribution of
agricultural inputs and consumer goods were set.

As institutions at the grass root level, the primary agri-
cultural credit societies have received earlier a great deal of
attention from the Reserve Bank of India. Now the NABARD is look-
ing after their financial requirements. A number of steps taken
during this period have aimed at reorganizing these societies into
economically viable and operationally efficient units. The CRAFICARD
which reviewed the outcome of these steps, observed that even in
the States where the reorganisation exercise had been completed,
the quality and range of operations of the reorganised societies
did not show the desired improvement. The Committee, therefore, suggested that while planning the future reorganisation, emphasis should be on having a single contact point in the village for all types of credit, in lieu of the present preoccupation with credit for seasonal agricultural operations alone.

Apart from credit, these societies must also be in a position to offer a package of services to their clients, including supply of the inputs and marketing of produce. For this purpose, rural cooperatives should also forge functional links with other agencies such as marketing societies and fertilizer suppliers. Keeping in view these recommendations of WAFICARD, some broad guidelines were formulated by NABARD and communicated to State governments in November 1982 for selecting reorganised primary agricultural credit societies for their phased development into truly multipurpose service institutions. NABARD had also suggested to SCBs to coordinate their short-term lendings at the field level through the medium of primary agricultural credit societies. Uttar Pradesh, is one of the six states which have responded by selecting societies and taking steps for preparing an inventory of local resources. The remaining States have also initiated needed action in this regard.