PREFACE

Rural cooperatives have been playing a significant role in the upliftment of the rural masses in U.P. More can be contributed by these societies but they are suffering from a number of problems. The main problem of rural cooperatives is that of finance. Various credit institutions are providing financial assistance to rural cooperatives. It is hoped that these societies would become viable and would replace money-lenders and would be able to provide timely and adequate finance to farmers.

Aims and Scope of the Study:

The main aims and the scope of the present study are as follows:

1. To study the nature of the financial problems of rural cooperatives of U.P. and their causes.

2. To appraise the contribution of higher credit institutions in solving the financial problems of rural cooperatives in U.P.

3. To recommend some remedial measures which may help resolve to a large extent the difficulties and problems that are faced by the rural cooperatives in Uttar Pradesh.
Methodology:

The data and the relevant statistics for the study of the rural cooperatives have been collected from different sources. For example, data regarding historical development of cooperatives in India, particularly in Uttar Pradesh, has been gathered from the annual reports and annual performance reports of the Reserve Bank of India and the office of the U.P. Cooperative Union, Lucknow. Very useful information in respect of rural cooperatives in U.P. has been collected from various reports of the U.P. Cooperatives Union, Lucknow.

Annual progress reports of various rural societies too have been used. Use has also been made of the Library of the I.C.A. in New Delhi, Library of the N.C.U.I., New Delhi, Maulana Azad Library, Aligarh Muslim University, Aligarh, the Seminar Library of the Department of Commerce, Aligarh Muslim University, Aligarh, Library of the Vaikunth Mehta National Institute of Cooperative Training, Pune, for consulting books and several years' journals, periodicals and magazines on cooperation.

Framework:

The entire study has been presented in six chapters. The first chapter gives an extensive profile of growth and development of rural cooperatives in Uttar Pradesh. It has been pointed out that rural cooperatives were established in
U.P. after the enactment of 1904 Act. Before independence, rural cooperatives could not flourish in U.P. Fast development of the cooperatives in the State began with the First Five Year Plan. Since then, the movement has taken strides not only in respect of quantitative expansion but also in terms of its qualitative stabilisation.

The second chapter deals with the financial management of rural cooperatives in U.P. It has been concluded that a sound financial policy implemented through a sound financial system is the key to get best results. Even if the best financial policies and plans will come to naught if the financial administration is weak or inefficient. As such, financial administration involving the machinery and methods by which finances for the support of goods and services are procured, spent and accounted for, is at the very life-blood of cooperative organisation. It is observed that without proper financial management, rural cooperatives of Uttar Pradesh can not achieve desired results.

The third chapter presents a detailed study of the cooperative credit structure of U.P. There is a three-tier cooperative credit structure in the State. The U.P. State Cooperative Bank is at the top. In the middle there are central cooperative banks and at the base there are primary cooperative credit societies. It has been pointed out that
the cooperative credit structure has made tremendous progress after 1970, and that there is a heavy demand from farmers for loans in order to boost agricultural production. Loans advanced by cooperative credit institutions have been increasing rapidly day by day. A most distressing fact of the cooperative credit structure is the heavy overdues of cooperative institutions. These overdues arise on account of human failure and natural calamities. The success and performance of financial institutions depend upon two things, viz. proper utilization of loans and prompt repayment of loan instalments.

The fourth chapter discusses the performance and financial problems of rural cooperatives in U.P. After discussing various types of rural cooperatives, their financial problems have been discussed at length. It has been concluded that the financial problems of rural cooperatives can be solved by higher credit institutions. The government of U.P. is trying its best to develop agriculture and make cooperative credit institutions responsive to the credit requirements of agriculturists.

The fifth chapter traces the role of credit institutions in the development of rural cooperatives in U.P. In this connection a study of the working of NABARD, commercial banks. The U.P. State Cooperative Bank and central cooperative banks has been conducted. It has been pointed out that the base level
farm credit societies are to be reorganised so that they can function as effective sources of working finance to the farming community. Cooperatives should have structural compactness, operational efficiency and genuine will to face the competition. For promoting total and comprehensive rural development in Uttar Pradesh the building up of an integrated cooperative credit system is a must.

The last chapter contains summary and conclusions. Moreover, shortcomings have been pointed out and suggestions have been made to overcome the financial problems of rural cooperatives in U.P. It has been suggested that internal resources should be increased, societies should not be exploited by vested interests, new marketing avenues should be explored, efforts should be made for prompt recovery of loans and greater emphasis should be laid on thrift and deposits.