A programme for agricultural development, be it co-operative or otherwise, must take cognisance of the credit facilities that are and must be made available to the agriculturists for carrying on their normal productive operations. In dealing with the problem of agricultural credit, two fundamental facts must be borne in mind. In the first place, in most parts of the country, agriculture as organized at present is a deficit industry. Secondly, the number of agriculturist operators requiring credit runs into millions. They are spread over lakhs of villages and are mostly poor. The majority of these agriculturists have no substantial assets to offer as security against loans and remain therefore outside the ambit of any organized credit institution.

The question of the supply of finance to the agriculturists and the creation of a suitable machinery for this purpose has received a good deal of attention in recent years. The Agricultural Finance Sub Committee (Gadgil Committee) of 1945 examined the problem of rural indebtedness and made recommendations for the reorganization of rural finance. The Committee recommended the establishment of Agricultural Credit Corporations in all the states except where the government feel that the co-operative financing agencies can undertake the work of the corporation. The corporation should provide all types of agricultural credit. It should deal with the more substantial cultivators directly. The smaller agriculturists should be persuaded to form themselves into co-operative societies or where this is not possible into borrowers' groups.

It is obvious that the corporation will lend only to credit-worthy persons which generally means persons with property.
Agriculturists with little or no property will therefore get no assistance from it. The corporation will attract all credit-worthy borrowers who will either not join the co-operative societies or if already members will leave them. As a result the co-operative societies will be left almost entirely with non-credit-worthy borrowers. This will mean that sooner or later the co-operative movement will have to be wound up. Co-operators in the country have vehemently criticised this proposal, since according to this arrangement, an alternative credit agency working in the same field with state support and assistance will enter into competition with the co-operative organizations. "It is absurd to expect the state to finance the credit corporation knowing that it will thereby seriously affect the growth of the co-operative movement for the expansion and improvement of which the state has been giving some assistance and is being asked to increase that assistance a great deal".*

Since the Dadgil Committee reported, the problem of rural credit has awakened much interest and discussion about its solution. A proposal@ has been made for the establishment of a Central Agricultural Credit Corporation for the country as a whole, on the model of the Industrial Finance Corporation which alone will be in a position to supply agricultural finance on an adequate scale. The funds needed by the corporation are to be raised in the following manner. The Central and state governments ought to set apart every year a portion of their budgets - may be one per cent or even less - for providing capital to the organisation.

@ V.P. Varde - Article on "Rural Finance" in the Times of India, Bombay, November, 1952.
Banks and insurance companies which to some extent draw upon the savings of the agricultural population should be made to deposit part of their funds with the national credit institution even as they are required to put them in government paper and other investment channels.

The organization can distribute loans through similar corporations to be started in the states or through state co-operative banks.

In justification of the scheme it is said that at present "there is no machinery to provide the needed finance to the agriculturist in an adequate manner, that without finance no scheme of agricultural improvement will succeed and that an autonomous national credit corporation dealing exclusively with the problem is the only agency that can effectively answer the cultivator's needs."

The creation of a new Central institution, however, is not considered opportune at the present moment for several reasons. The systems of land tenure and agrarian legislation are widely different in the states and a central institution cannot dispense credit to all needy agriculturists whose status and economic position are different. The farmers who live in remote villages would like to have the credit institution as near to them as is practicable. Branches and agencies of a central organization will not enlist local support and enthusiasm and will have to be run purely by paid officers to whom routine will be the watchword. Since the Reserve Bank provides increasing assistance to state co-operative banks and purchases debentures of land mortgage banks, a separate central institution for financing either the state co-operative banks or the land mortgage banks is not deemed necessary.
As the Co-operative Planning Committee pointed out, much time may be lost in preparing a scheme for the new Agricultural Credit Corporation, in passing the necessary legislation and in setting up the detailed organization required. On the other hand, the state co-operative banks and other central co-operative financing organizations are already in existence and can, where necessary, be suitably reconstituted to shoulder the additional burdens which will be imposed on them. The recent developments in the field of co-operative credit show that there is a general preference for the reorganization of existing co-operative banks where necessary and their expansion and development than for the development of new agricultural credit corporations.

We have to plan not a new structure of credit machinery but the reconstruction of the existing structure. A new institution or a variety of institutions designed to provide agricultural finance is not likely to win the confidence and the support of the agriculturists whose interests they seek to serve. They must come into existence as a result of the awakening of a new enthusiasm among the agriculturists for improvement of their social and economic conditions.

The co-operative agency is the ideal one for the supply of all forms of credit to the agriculturist. The limited progress of the co-operative movement has given rise to doubts about the success of the co-operative agency as the only unified agency for the supply of rural finance. But the role of co-operative credit has been small because controlled credit was not simply the solution to the whole problem of the peasant. There was no concerted effort to improve the efficiency of agriculture or to alter the character of agriculture from a deficit into a surplus economy. The poverty of the agriculturist has militated against the success of co-operation even in the
limited field of credit. But there is no agency that is better suited to meet the needs of the agriculturists in the prevailing conditions of rural economy in this country. The agriculturist is a man of small means and co-operative endeavour is the only lasting solution to the problem of agricultural credit in particular and the problems of rural economy in general.

The extension of the sphere of co-operation to cover all aspects of the life of the agriculturist is indeed the inevitable and the logical outcome of the development in limited fields in the past. The activities of co-operative societies have been mostly confined hitherto to the sphere of supplying credit. But the supply of credit touches only one aspect of the life of the cultivator; the proper course is to take into account all aspects of his life as a whole. This is possible only if primary co-operative societies undertake multi-purpose functions.

Co-operative farming will remove one of the major handicaps in the present system of agriculture. The organisation of co-operative farms will mean the elimination of the weak and inefficient units of cultivation and will alter the character of farming operations in the country. In the reconstituted pattern of agrarian economy, the credit requirements of agriculture would be easily met. All the cultivators will get all the credit facilities they need for genuine requirements of agriculture irrespective of the banking norm of credit-worthiness. The scheme of reorganization of agriculture would thus secure the smooth and easy flow of credit which will fertilize the land and promote rural prosperity. The inadequate and uneven progress made by the co-operative movement in India is largely due among other things to the lack of general education among those whom it seeks to serve. If the co-operative movement is to develop on a sound basis and to expand in diverse directions,
it is necessary not only to spread general education but also to make members of societies conversant with the principles and practice of co-operation.*

A plan of co-operative development must evoke the willingness and enthusiasm of the people. The state can only assist and guide the movement. The state should educate public opinion as to the most suitable lines of co-operative development and provide the atmosphere and facilities for such development, the object being to foster a spirit of mutual help and self-reliance among the people.

A co-operative rural community whose various activities and efforts will be regulated and organized on the co-operative pattern is the goal that should be the constant aim of our endeavour. Co-operation is the method which can solve the many difficult problems which the agriculturist has to face. "If co-operation fails, there will fail the best hope of rural India."