CHAPTER II

COOPERATIVE ACTIVITIES AND PLANNED DEVELOPMENT
Cooperative activities and Planned Development

The attainment of Independence in 1947 marked the beginning of an epoch and this has brought in its train a radical change in the concept of Governmental functions as the ideal of welfare State began to influence the activities of the Government. The Nation had accepted the concept of planned economy and wanted to frame a socialistic pattern of society. It was generally accepted that the cooperative form of organisation could play a very useful role in establishment and promotion of economic and social democracy as well as in the implementation of democratic planning. A systematic development of cooperative movement became an inseparable part of our democratic planning. The Cooperative Planning Committee had observed, "The cooperative society has an important role to play as the most suitable medium for the democratization of economic planning. It provides the legal wing which can fulfill the dual function of educating public opinion in favour of a plan and of executing." ¹

The First Five Year Plan started in 1950-51, described the cooperative movement as an indispensable instrument of planned action in a democracy. The First Five Year Plan stated "The principle of mutual aid, which is the basis of cooperative organisation, and the practice of thrift and self-help which sustain it, generate a study feeling of self-reliance which is basic importance in a democratic way of life. By pooling their experiences and knowledge and by helping one another, member of cooperative society can not only find the solution of individual problem but also become better citizens." 2

The highlights of the First Plan which underpinned the importance of cooperative movement may be summed up as follows:

(1) As an instrument of democratic planning, combining initiative, mutual benefit and social purpose, cooperation must be an essential feature of the programme for implementation of the First Five Year Plan. Cooperative agencies in the village should function in close relationship with the Panchayat form of organisation. A village cooperative should cater to the multiple needs of its members.

2. First Five Year Plan p.163
(2) The First Plan envisaged that the agricultural credit to be supplied by the cooperative sector should reach the level of Rs. 130 crores per year, the break-up being Rs. 100 crores for short term, Rs. 25 crores for medium term and Rs. 5 crores for long term loans.

(3) The Plan stressed the need for having adequately trained staff for a healthy growth of the movement. The idea for developing cooperative marketing societies was also emphasized from the viewpoint of ensuring better prices for agricultural products.

This clear thinking on the part of the planners notwithstanding, it was not easy to achieve the broad objectives of the First Plan on the Cooperative front. The first set of factors that were mainly responsible for the retardation arose from the internal weakness of the cooperative structure. They included involvement of a very small number of people as members, weak capital base, inadequate loan operations, heavy overdues and a failure to mobilise local savings. The cooperative society cannot appreciate the precise role assigned to them in the sphere of economic development and cannot gear up their activities accordingly. The policy of different States towards cooperative movement was ill defined and both the State apparatus as well as the cooperative movement itself could not come up to the market for implementing the programmes drawn up inadequately.
Secondly, the different schemes of cooperative sector of different States were not uniform. An agreed framework of policy for the entire country was yet to take shape in terms of defining targets excepting only the quantum of agricultural loans to be advanced to the cultivators. The movement was not sufficiently broadbased and an inevitable linking of the credit aspect with that of marketing was yet to be concretely conceived and implemented.

The next important landmark in the history of the movement was the survey of the All India Rural Credit Survey Committee and the publication of its report, which was the first detailed documentation making in-depth probe into the cooperative movement of the country as a whole and delicate an over-all assessment of the country's economic problems. The serious problem of rural indebtedness and exploitation by the money-lenders of the cultivators in general were sought to be sorted out in a strategic way.

The emergence of a cooperative sector for the industries and its role in parallel with State enterprises

The idea of cooperation was found relevant not only to the rural agricultural sector of the economy but it held out important consequences for the industrial map of the country as well. Prior to Independence, India fulfilled primarily a
complementary role in the economy of the British Empire. She still retained the essential characteristic of an agricultural economy and continued to be a reservoir of raw materials which were exported in bulk to cater the manufacturing units located elsewhere. Her industrial development was, therefore, un-coordinated and unimpressive. No planned efforts had been made to mobilise her enormous resources of raw materials and natural advantages in establishing economic production, more particularly in the field of basic industries, had also come to be constantly disregarded. The Partition of the country in 1947 brought a further imbalance in her industrial production by severing the traditional and established sources of raw material supply from her jute, cotton textiles and a few other processing industries.

After Independence, the Government issued in April 1948, its Industrial Policy Resolution defining clearly its objective in the field of industrial development. This was to promote a rapid rise in the standard of living of the people, by exploiting the latent resources of the country by increasing production and offering opportunities to all for employment in the service of the community. It was recognised that for fulfilling these objectives careful planning and integrated effort over the whole field of national activity was called for, with the State progressively playing a more positive role in securing a continuous increase in production and its equitable
distribution. At the same time the importance of individual and corporate initiative in supplementing industrial expansion was not overlooked. In order to ensure a more planned development of her industrial potential, special treatment was to be accorded to industries vital to India's economic life, by reserving to the State the exclusive right to establish new units. But at the same time, the part that private enterprises should play was also clearly recognised by allowing the private units already established every freedom to develop for a initial period of 10 years during which all facilities for efficient working and reasonable expansion would be offered to them. Even in this restrictive field, if the national interest so demanded, the cooperation of private enterprises would be enlisted, but it would be subject to such control and regulation as might be required. The rest of the industrial field was left open to private enterprises, but it was made clear that where the progress of an industry was not satisfactory, the State would be at liberty to intervene and participate in its development.

Generally speaking, the State intervention and control were limited to projects, the scope and magnitude of which placed beyond the capacity of private enterprise to undertake and also those whose future development could not in the interest of the national economy be left entirely to be controlled by the private enterprise sector.
Planning had proceeded on an organised basis through the agency of the Planning Commission constituted in March 1950 and the First 5-Year Plan, with its primary objective of securing self-sufficiency in agricultural production, has also been completed. The Second Plan which was then in the final stages of making, had shifted emphasis to the development of industries and processing facilities. Against this background, a new approach and a re-submission of policy had become imperative.

Without disturbing the basic concept of complementary roles of the public and private sectors, the Industrial Policy Resolution of 1956 gave a new orientation and meaning to the role of the State in India's industrial development. It had become necessary to accelerate the rate of past economic growth further to speed up industrialization and in particular, to develop heavy industries and machine tool industries. The State had, therefore, assumed a predominant and direct responsibility for setting up new production units, developing transport facilities and undertaking state trading on an increasing scale. This ensued a re-classification of industries with reference to their relative importance in the national economy and a substantial enlargement of the scope of the State enterprises.
The private sector, however, was allowed continuance of support and importance in the field of diversification and expansion of respective fields of business. In fact, the economists of the country thus wanted to multiply the growth of production with the help of both the existing established and organised private sector and the developing State sector.

But with the passage of time, the future course of development had, of necessity, to be fitted in the framework of the social and economic policy of the State. This implied a measure of control and regulation alone, the purpose of this was not to retard the initiative but to secure a more planned development and the mobilisation of the limited resources of competent manpower and finance to serve the best interest of national economy.

The question of the form of management of industrial enterprises, established and financed wholly or predominantly by the Government, had also been carefully considered in 1950. It was recognised that subject to the observance of certain general principles, the organisation of management suitable for each industrial undertaking must be determined with reference to its particular requirements. The method of recruitment, the regulations of scale of pay, conditions of service and discipline of employees, the procedure for
financial control, the system of accounting and the methods of procurement applicable to the normal activities of Government could not obviously be adopted for the efficient administration of an industrial enterprise. Besides, when Government undertook industrial activities, side by side and at times in competition with private enterprises, competitive efficiency and mass production became a viable factor, if not essential. A dependable standard of comparison had to be established. This could be done only if the State units were managed on commercial lines, if they adopted commercial forms of accounting and if they were operated, financed and taxed in the same manner as in case of the private enterprises. The largest measure of finance and administrative autonomy commensurate with public accountability had, therefore, to be conferred on the agencies responsible for these undertakings. The conditions of autonomy varied naturally from phase to phase and certain specified matters had also to be kept separately or marked for the Government's final seal and approval.

All these points are very much relevant in analysing the role of cooperative activities in our country as well as in our State. In the case of statutory corporations, the control of parliament is well defined and certain matters are specifically reserved for its considerations. In the case of State enterprises incorporated as companies, Government control is, however, of more an intricate nature.
In the case of a cooperative organisation, this dichotomy and the controversial aspect of dual control often devolves upon the Government in the shape that Government intervention is more frequent in the arena of cooperative activities than as actually required. Nevertheless, the point of enormous assistance granted by the Government to all types of cooperative societies remains a fact. Naturally the question of squandering the public money often crops up and to safeguard the State from that jeopardy of threatened loss persuades the Government to depute departmental officers to various cooperative institutions. Here also amusingly enough, the question of accountability oft becomes a misnomer and is tried to be shifted on different locus. As a result a ceaseless in-fighting in any cooperative organisation continues to prolong as to whether the nominated non-Governmental persons are responsible for any lapses or the Government official deputed there should be made liable and often a scape-goat made politically so without any major lapse on his part. This is mainly in regard to the lowest categories that a controversy has developed on the quantum of accountability. The problem has to devise a satisfactory arrangement by which the private companies as well as cooperatives could be endowed with the maximum degree of freedom in movement and operation without disturbing or diluting the essentials of Parliamentary control. The reconciliation of these two conflicting requirements has so far proved to be intangible and often hinges on a fulcrum of uncertainty.
Cooperatives as an instrument of economic planning and the areas of cooperative development

For an even overall growth throughout the country, the Five Year Plans accorded a special recognition to the principles of decentralization of the developmental agencies and units and the cooperative organisations properly synchronised with this outlook of economic decentralization. The planners thought the principle of cooperation could be applied to the myriad facets of economic life particularly to agriculture, rural industry, distributive trade, housing etc. Accordingly the State created statutory bodies like National Cooperative Development Corporation, Agricultural Refinance and Development Corporation, Rural Electrification Corporation, etc. to provide special assistance to various types of cooperatives. Plan allocations were made for various sectors of cooperation like, agriculture, marketing, processing, industrial cooperatives, consumer cooperatives, etc. Cooperatives were utilised as agencies of the State apparatus. As for example, the Food Corporation of India appointed the cooperatives the procurement agencies. In selected fields of activities, specific targets were stipulated for the cooperative sector in physical and financial terms.

The main areas which had been specifically identified for development are: agricultural credit, agricultural supplies; agricultural marketing; agricultural processing;
functional cooperatives in fields like dairy, poultry, fishery, fruits, vegetables, etc.; industrial cooperatives and distribution of essential commodities through consumer cooperatives and the like.

It is worthwhile to make a brief review of the role of the cooperatives in all these important areas.

**Agricultural credit**

The allied inputs for scientific agriculture technology like the use of hybrid and high-yielding varieties of seeds, major irrigation projects, or minor lift irrigation projects, increased application of chemical fertilizers and use of insecticides for eliminating pests and crop diseases required huge financial resources. For centuries, scarcity of capital had traditionally been a major constraint on increased agricultural yield. Agricultural indebtedness had also been a chronic feature in Indian agriculture. While the first sign of cooperation in India began with the aim of attaching the problem of rural indebtedness, since Independence, the sphere of cooperative activity reached a new dimension. The cooperatives were sought to be not only the drug for eradicating rural indebtedness but they were also to be applied as the institutional set-up to provide large amount of additional agricultural finance for
a steady growth of planned economic development. The Rural Credit Survey Committee initiated in working out a blueprint for an integrated cooperative credit structure with a rationalized crop loan scheme. The integrated cooperative banking structure was to receive massive State assistance through massive State participation in the shape of share capital, managerial subsidy, etc. Newly emerging cooperative sector of agricultural credit also enlisted the full support of the financial structure consisting of the Reserve Bank of India and the State Bank of India as well as such financial promotional institutions as the National Cooperative Development Corporation and the National Warehousing Corporation.

India’s economic development may be traced from 1950-51 which is the base year of our planning. During that year, the agricultural loans issued through primary credit cooperative societies were of the order of Rs. 22.90 crores. By the end of First Five Year Plan, they went up to Rs. 20.16 crores. By the end of Second Five Year Plan, the figures touched Rs. 200 crores of short and medium term credit and Rs. 26 crores of long term credit. By the end of Third Five Year Plan, the total quantum of short term and medium term credit was Rs. 427 crores, while the long term credit was Rs. 166 crores. By the end of the Fourth Five Year Plan, short and medium term credit rose to Rs. 815 crores and the long term credit to Rs. 860 crores respectively. Then again by the end of the Fifth Five Year Plan, the
short term credit went up to Rs. 1340 crores, medium term credit to Rs. 450 crores and long term to Rs. 890 crores. Thus from the base year 1950-51, till the end of Fifth Five Year Plan, the total agricultural credit had gone up by more than 100 times. By any reckoning, this must be considered to be a remarkable achievement in any single sector of India's planning.

It has been often argued that most of these agricultural credit advances through the cooperative sector reached mainly the affluent class of farmers. But this is not a correct appraisal of the situation. In each State, the small and marginal farmers were identified on rational basis and were enrolled as members of the cooperatives especially in the Small Farmers Development Agency and Marginal Farmers and Agricultural Labourers Authority areas. The concept of a very over-sized farmers' service societies was translated into reality which aimed at meeting all types of requirements of the small and marginal farmers from credit to input and in certain areas even consumer loans for sustenance of the poor farmers during the lean season. A sizeable quota of agricultural credit was earmarked for small and marginal farmers and thus all these measures led to the increase in the share of small and marginal farmers upto to nearly 35 per cent of the total credit.
Despite all these, there has been a steady increase in the total credit requirement and it was felt ultimately that no single agency was adequate enough to meet the entire credit need. Accordingly, the multi agency institutional finance project in the field of agricultural credit came in.

Agricultural supplies

The Rural Credit Survey Committee report constantly emphasized the need of monitoring and supervising proper utilisation of the credit and introduced the system of giving part of the total credit in kind. A crucial agricultural input for modern scientific agriculture is the chemical fertilizer. According to available figures, taking the year 1968-69 as the base, the fertilizer retailed by the cooperatives was of the value of Rs. 200 crores. By the end of Fourth Plan, the value of the fertilizers sold through cooperative sector rose to Rs. 400 crores and by the end of Fifth Plan, this figure came to Rs. 900 crores. From these figures, we can infer that the value of the fertilizers distributed by the cooperative sector was more than half of the total short term credit distributed. In this field, the progress actually surpassed the contemplated target.
The number of rural godowns constructed at the end of the Second Five Year Plan was 3570. At the end of the Third Plan, the number of godowns went up to 15000 and at the end of the Fourth Plan, the godown capacity was 3.8 million tonnes as compared to the base year capacity of 2.6 million tonnes for 1968-69. The capacity went up to 4.3 million tonnes at the end of the Fifth Five Year Plan. The increase, however, in the number of godowns lagged behind the target. Nevertheless, the success was substantial at least in building up a network of cooperative credit and storage structures throughout the country.

During the last few years, the recommendation of the Rural Credit Survey Committee for re-organising the primary credit societies on the basis of the viability criteria was given reiterated emphasis. As a result, the number of credit cooperative societies which was 1.15 lacs in the base year 1950-51 went up to 2.10 lacs in 1960-61 and again came down to 1.19 lacs at the end of the Third Five Year Plan. At the present moment it has been decided to have about 80000 viable primary credit cooperative societies which would become the focal points for credit supply and marketing. In this connection, mention may be made of the focal points in the Punjab scheme of integrated rural development. The cooperatives at the focal point were able to provide successfully a package of
services like credit, supply of inputs, storage, repairs of tractors and agricultural implements, marketing and supply of consumer goods.

The latest statistical report of the Reserve Bank of India brings out that the cooperative credit institutions of all types recorded further growth during the year ended 30.6.78. But the claim is partially valid. It is true that membership, working capital deposits, advance to weaker sections, etc. have all shown a rise during the year under review, but basically the structure of credit cooperative societies seems to have remained weak as before. In the case of Central Cooperative Banks e.g. the Reserve Bank, shows that their advances have registered a substantial increase of Rs. 128 crores, but the position in respect of overdue had deteriorated in respect of both amount of percentage of outstanding loans when compared with that of the previous year. With overdues forming 36 per cent of the loans outstanding, the capacity of these Banks to secure funds as well as to raise their investment is severely constrained. Besides in spite of rising advances, more than 50 per cent of these banks do not have adequate business, when considered on the basis of the viability norms of a loan business of Rs. 2 crores, the process of reorganisation through viability programmes has brought down the number of primary credit societies by 7200 yet of the remaining
over 1.16 lac societies, approximately 9000 are dormant. The membership of primary societies had increased from 3 million to 48 million, but this rise is also illusory in the sense that of the total membership, only 33 per cent could borrow showing a decline from the level of 40 per cent which could borrow in the previous year. More than 52 per cent of the borrowers became defaulters and overdues amounting to more than Rs. 800 crores from 45 per cent of the loanees were still outstanding. The overdues of the Central Cooperative Land Development Bank also increased to Rs. 127 crores forming as high as 48 per cent of the total demand.

Performance of the marketing cooperatives

One effective way to deal with the problem of overdues is to link credit with the supply of inputs and marketing. The latter function had been entrusted to the cooperative marketing societies functioning mostly at the Block level and affiliated, in turn, with the State level marketing federation which were again affiliated to the National level agricultural marketing federation. There are 3200 primary marketing societies and as against a target of Rs. 650 crores worth of fertilizers retail distribution by the end of 1973-74, their actual performance was of the order of Rs. 400 crores. However, by the end of the period, the actual retail sale of fertilizers
by the cooperatives was of the order of Rs. 900 crores as against the target of Rs. 860 crores. This performance is impressive but here again the linkages between the primary marketing societies and the primary credit societies and that between primary marketing societies and the farmers are tenuous. These societies are yet to develop their advisory and consultancy services. There is a lot of scope for improvement in the matter of timely supply of appropriate doses of fertilizers to all the farmers and not just to the comparatively influential amongst them.

The problem of marketing

The performance of the marketing societies has been dismal because of the fact that there is very limited diversification of business. Only a small number of marketing societies are engaged in marketing, most of them confining their activities to the supply of agricultural inputs. In reality, marketing is a dynamic function which would ensure better price to the farmers so that the repaying capacity of the loanee cultivators may be assured directly from the sale proceeds of the marketing societies to the lending societies. The role of the cooperatives is notable in respect of sale of
foodgrains and sugarcanes and the reason is that in the first case, the cooperatives are the sole procurement agents of the Food Corporation of India and in the later purchase of sugarcane is made by the cooperative sugar federations.  

Erratic Policy Planning in respect of the cooperative sector

As we look back from the present day to the beginning of the First Five Year Plan of our country, we find with interest that during each Plan period the policy decisions adopted regarding the development of the cooperative sector passed through a series of aberration, deviation and modification. It is also worth observing that during each Plan period one aspect was more emphasized than the other and degree of emphasis was just redistributed amongst the different sectors of the cooperative movement. After the completion of each Plan period it has also been noticed that a few of the policy decisions in respect of the cooperative movement were implemented fruitfully even exceeding the targets while in some other sectors there were shortfalls. Thus it is found that no uniformity and

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consistency were followed in the matter of re-grouping of priorities in respect of cooperative development and it seems amusing as though we followed a very crude trial and error method in the matter of implementing the cooperative plans and programmes. The result is that the trend and pattern of cooperative development were found to be uneven over the years and the growth was also varying. In fact we never tried to know the reason of these variations in respect of fulfilling the objectives of the cooperative sector.

The trend line of the pattern of cooperative development

In support of the above contention above, it would be useful to note some of these variations in the adoption and implementation of policies from the beginning to the end of the Fifth Plan period. The Second Five Year Plan set before itself the broad objective of evolving a socialistic pattern of society. Quite naturally this new concept, though not new in my opinion, but basic criterion for determining the lines of advance was not the private profit but fulfilling the ethics of social gain. Accordingly the pattern of development of the structure of socio-economic relation was planned in such a way that they would result not only in a considerable increase in
national income and employment but also greater equitable
distribution of income and wealth. In order to achieve this
broad objective, the role of cooperatives was given priority
importance. In the Second Plan, the financial outlay in
respect of cooperatives was targetted at Rs. 57 crores against
an allocation of Rs. 7.11 crores in the First Plan.

The different schemes of cooperative development were
drawn up by different States for the expansion of agricultural
credit and marketing. During the Second Plan special emphasis
was attached on the following schemes:

1) The rationalisation of cooperative banking structure
   with a view to establishing of strong central
   cooperative bank in each district.

2) The promotion of processing activities as adjuncts
   of cooperative marketing societies or through
   separate societies organised for the purpose.

3) The strengthening of departmental and institutional
   staff for improving the arrangements for supervision,
   inspection, audit and performance of other statutory
   functions.

4) An adequate provision of arrangement for training of
   personnel of Cooperative Departments as well as in co-
   operative institutions and for educating the cooperative
   members and office bearers of the societies.
The National Development Council in the policy resolutions adopted in 1958 made certain recommendations, among which two deserve special mention:

(a) Taccavi loans and other facilities should be made available through the cooperatives so that farmers and others may find it advantageous to join the village cooperative societies.

(b) The States should strengthen the Cooperative Departments and make it a point to draw more non-officials for honorary service so that cooperatives could retain their dynamic character.

But most of the recommendations of the National Development Council were strongly criticised by different stalwarts of cooperative movement. Dr. E. M. Hough regarded the Council's resolution as drastic and sweeping in its rejection, and vague in its positive directions. She also observed that it seemed to her hardly possible to reconcile many of the Council's proposals with the provisions of the integrated rural credit already in operation.4

4. E. M. Hough - Cooperative Movement in India (1959) pp. XIII to XIV
During the Second Plan period a number of Committees and Working Groups were constituted to examine and report on the working of various aspects of the cooperative movement. The Working Group on Panchayat and Cooperatives suggested to bring about coordination and collaboration between Panchayati and Cooperative set up. The Committee on Consumers’ Cooperatives called upon the Government to adopt positive approach towards the development of consumers’ cooperatives.

The Third Plan (1961-66) Assigned the cooperative movement a major role in implementing different schemes of economic development. A rapidly growing cooperative sector, with special emphasis on the needs of the farmers, workers and consumers was considered to be a vital factor for social stability for expansion of employment opportunities and for rapid economic growth. The Third Plan provided for Rs. 80 crores for the development of cooperatives as against Rs. 34 crores during the Second Plan.

A few of the broad objectives of the Third Plan in respect of the cooperative movement are briefed below :

(a) The Plan stressed upon the need of greater participation of the Government in the management of cooperative organisations at all levels. The primary cooperatives were made eligible to receive State participation in the share capital on matching basis, the ceiling from the Government being Rs. 5000/-.
(b) The consumers' cooperatives should come in a big way in the process of distribution of essential commodities both in rural and urban areas.

(c) Small industries were sought to be developed on co-operative basis.

(d) The personnel of the Cooperation Department should be strengthened at different levels.

(e) The Third Plan included a large programme of non-credit cooperative activities in the field of housing, fisheries, dairying, etc.

The Working Group on Non-agricultural Sector recommended that urban cooperative banks should be organised in every town with a population of more than 1 lac. The Study Group on Transport Cooperatives recommended the organisation of 1000 transport cooperative societies (viable) by the end of the Fourth Plan. The Working Group on Fisheries Cooperatives recommended larger doses of financial assistance to the fisheries cooperative societies from the Government and share capital participation. In the year 1963, a Committee under the chairmanship of Shri V. L. Mehta was appointed to review the existing departmental set up in the various State Governments and to suggest lines for determining the strength of the departmental staff at various levels. The Committee made very useful suggestions for sound
cooperative administration, audit, supervision and training of staff. In 1964, the Government appointed an Expert Committee under the chairmanship of Prof. M. L. Dantwala to review the present pattern of cooperative marketing of agricultural produce, distribution of production requisites and supply of consumer articles at different levels and indicate the future pattern of development with particular reference to inter-se relationship between the organisations at different levels and to indicate the role of cooperative marketing in the participation of an integrated credit structure, supplies and processing and how best this role could be discharged. The Committee's recommendations were of much utility for efficient functioning of the marketing societies. It recommended a two-tier structure, mixed membership and location of primary marketing societies at mandi centres. Under the suggestion of this Committee it was made obligatory for all the PACSs to become affiliated to the Block level marketing cooperative societies.

In 1964, the Government of India constituted another Committee under the chairmanship of Shri R. G. Mirdha. The terms of reference of this Committee were to lay down standards and criteria by which the genuineness of cooperative societies of various types might be precisely ascertained and to suggest measures for weeding out fake cooperative societies and preventing their registration. The other major aspect under the purview of this Committee was to review the existing Cooperative
 Laws, Rules and Practices with a view to identifying the anage which enabled the vested interests to entrench themselves in the cooperative institutions and recommend legislative as well as administrative measures for elimination and prevention of such vested interests.

The Committee had submitted its report in August 1965, wherein it observed that the cooperative movement offers the organisation most suitable measures to protect the small men from exploitation by the powerful and the rich. The Committee suggested stringent restrictions in the matter of admission to the membership of cooperative societies and all these recommendations are of great emphasis even today, but unfortunately very least of these have been implemented over the last 17 years. The recommendations contained restrictions on the money-lenders to be admitted as members of credit societies, on traders in agricultural commodities to be admitted to marketing societies, contractors to be admitted into labour cooperatives. It also confined the membership of transport cooperatives within the workers and transport mechanics. The Committee also stipulated that membership of housing cooperatives should be restricted to persons having incomes not exceeding certain ceiling to be prescribed.

One important recommendation of this Committee was that audit of cooperative societies should be entrusted to any agency under the Government but independent of the Registrar of Cooperative Societies. The setting up of a National Cooperative Bank
as the apex of the cooperative credit structure was also envisaged in the recommendation of this Committee which is going to be implemented since early '80s.

During the Fourth Five Year Plan, the planners intended to have growth with stability which should be the keynote of the cooperative movement during the Fourth Plan. Agricultural cooperatives and consumers' cooperatives were accorded influential position in the stages of cooperative development. The Fourth Plan also aimed at ensuring that the services which the farmers require should be institutionalised to the greatest extent possible, preferably in the cooperative form of organisation.

In the Fourth Plan, one of the main endeavours was to orient the policies and procedures of credit cooperatives and Land Development Banks in favour of small cultivators. Thus the priority of distributing the benefits of cooperatives was remarkable oriented specifically to the poor section of the community. The big cultivators were called upon to contribute relatively higher proportion of their borrowings towards the share capital. Under the Fourth Plan, the cooperative marketing societies were expected to handle 800 million tonnes of foodgrains, 36 million tonnes of sugarcanes, 0.6 million tonnes of groundnut, 10000 tonnes of fruits and vegetables and 1.3 million tonnes of cotton by the end of the Fourth Five Year Plan. These
marketing societies were also expected to handle agricultural commodities worth Rs. 25 crores within the State and Rs. 10 crores in the export trade. It was proposed to organise about 550 cooperative processing units during the Plan so that at the end of the Fourth Plan there would be 2150 such units in all. These cooperative processing units should be organised after a thorough feasibility study, advance location planning with reference to supply of raw material, storage and marketing of finished products and overall economics of each project. It was also desired to maximise operational efficiency of the existing units and ensure fuller utilisation of the total installed capacity. The State Federation and National Federation in cooperative marketing sector were also strengthened so that they can play an effective role in procurement and supplies, besides promotional and service functions. During the Fourth Plan efforts were also made to spread and diversify the distribution of consumer articles in the rural areas through affiliated marketing societies. The object was to utilise cooperative societies in the villages for ensuring distribution of consumer articles to the tune of about Rs. 500 crores at the end of the Fourth Plan while the retail sale of the urban consumer cooperatives would amount of Rs. 400 crores.

The All India Rural Credit Review Committee was set up by the Governor of the Reserve Bank of India in 1969 for
reviewing the supply of rural credit in the context of the Fourth Plan and intensive agricultural programme. The Committee was headed by Shri B. Venkatappiah, member of the Planning Commission. The reorganisation of rural credit in Reserve Bank of India marked a beginning with the establishment of an Agricultural Credit Board, setting up of Small Farmers' Development Agency in each of a number of selected districts all over the country, the creation of a Rural Electrification Corporation with the object of benefiting the under-developed areas with an agricultural potential. Along with these came the formulation of a more active and larger role for the Agricultural Refinance Corporation. Various measures were adopted to ensure timely and sufficient flow of credit for agriculture through the cooperative banks as well as the commercial banks. The scheme of rehabilitation of weak central cooperative banks was another major line of action. Active administration and also measures for keeping down the overdues were recommended including improved supervision. Steps were also taken to activise the cooperatively under-developed areas of the country. Major portions of all these functions were assigned to the State Cooperative Banks of all the States. The SFDA was established in 30 selected districts in different States.
Recruitment of employees

The Committee emphasized the need for cooperatives to attract competent personnel in sufficient numbers. It also recommended to evolve right convention in regard to demarcation of responsibilities between the elected boards of management and the paid executives and other managerial personnel. The institution of cadres for key personnel of cooperative credit institutions was recommended as a measure in order to tone up their administration and give a new dimension to cooperative employment. At the end of the Fourth Five Year Plan it was found that in the field of consumers' cooperative, the performance was far from satisfactory. This was partly due to reduction in sales resulting from relaxation of control of foodgrains and sugar. But one redeeming feature was that sufficient diversification in the range of business by the consumers' cooperative stores could be achieved. The non-controlled commodities which accounted for 39 per cent of the sales turnover in 1968-69 accounted for more than 50 per cent in 1973-74. Another significant development during the Fourth Plan was the establishment of a consultancy and promotional cell at the National Cooperative Consumers' Federation for providing expert guidance of the consumers' cooperatives.
The project in the Fifth Five Year Plan

The draft Fifth Five Year Plan (1974-79) defined the role of cooperatives in the following words:

"Cooperation is mainly a study to bring about the desired socio-economic changes in the context of the existing conditions of the country. There is no other instrument as potentially powerful and full of social purpose as the cooperative movement."  

Certain specific objectives were set out in the Fifth Five Year Plan for attainment through cooperative sector. The first objective was to strengthen the network of agricultural cooperatives so as to serve as the principal institution underpinning for a process of sustained agricultural development. The second objective was to build up the viable consumers' cooperative movement, in order to rationalise the distribution system. The third objective was to make sustained efforts towards rectifying the regional imbalances in the level of cooperative development particularly in the sphere of agricultural credit. The last objective was to restructure and re-orient all cooperative organisations so as to shift the focus on their activities increasingly in favour of small farmers and unprivileged section of the community.

Apart from the structural changes, reliance was placed mainly on introducing measures for professionalized management in the cooperative sector. Besides modification in the bye-laws and the procedures, building up of a cooperative managers would be given special emphasis. A growing collaboration was envisaged between the commercial banks and the cooperative credit societies. In order to accelerate the pace of cooperative credit societies. In order to accelerate the pace of cooperative development in the cooperatively underdeveloped areas, special central sector schemes were provided for in the sphere of credit, marketing and processing cooperatives.

The Cooperative Credit Programmes in the Fifth Five Year Plan

The total production credit requirement for the entire country for the last year of the Fifth Five Year Plan i.e. 1979 had been roughly estimated at Rs. 3000 crores. Of these, the cooperatives were expected to meet about 40 percent of its total requirement. During the Fifth Plan, the target for medium term credit was fixed at Rs. 325 crores and the target for long term credit was fixed at Rs. 1500 crores during the total Plan period. It was contemplated to appoint at least one paid Secretary to all the PACSs of the country. The Central Cooperative Banks were called upon to ensure that at least 20 per cent of their borrowings from the apex bank is covered by outstanding loans to societies for small and
marginal farmers and weaker section of the community. During the Fifth Plan attempts were made to ensure that cooperative institutions were suitably and adequately manned by professional managers. Suitable measures were taken for the establishment of cadres at appropriate levels in the different sectors of the cooperative movement. Cooperative legislation were proposed to be suitably amended to provide a competent legal base for the establishment of management cadres. In order to reduce regional disparities the following rates of increase in short term production credit were fixed up in the Fifth Plan:

(a) In the advanced States in Group - A (Punjab, Kerala, Gujrat, Tamil Nadu and Maharashtra) – an increase of about 10 per cent per annum.

(b) For those States in Group - B (Andhra Pradesh, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Madhya Pradesh and Uttar Pradesh) – 15 per cent annual rate of growth.

(c) For the States in Group - C (Assam, Bihar, Meghalaya, Orissa, Rajasthan, West Bengal, Manipur, Tripura and Nagaland) – the growth rate was fixed at 20 per cent per annum.

Regarding the Plan outlay in the Fifth Plan, the cooperative sector was earmarked a sum of Rs. 423 crores as against an estimated expenditure of Rs. 258 crores in the
Fourth Plan. The following break-up of the Plan outlay may be of interest.

<table>
<thead>
<tr>
<th>Name</th>
<th>Rs. in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>States and Union Territories</td>
<td>286</td>
</tr>
<tr>
<td>Centrally Sponsored Sector</td>
<td>44</td>
</tr>
<tr>
<td>Central Sector</td>
<td>93</td>
</tr>
<tr>
<td></td>
<td><strong>423</strong></td>
</tr>
</tbody>
</table>

During the Fifth Five Year Plan, the concept of deofficialization in the cooperative movement was re-considered. It is true that non-officials are continuously taken into the field of cooperatives but the self-sufficiency of the organisation is not at all dependable on the efficiency of those non-official cooperators. As a result, while the process of deofficialization is encouraged, the role of the Government officials cannot be reduced considerably. The management of societies and the power to take decisions have now become the primary responsibility of the members of the concerned societies and their elected representatives. But rational decision making by themselves is yet to become fully effective as analysed in terms of the success achieved by the cooperative organisations. Nevertheless, nomination by the Government to the managing committee of the cooperatives is generally kept at the minimum and does not
exceed one-third of the committee members or 3 whichever is less. Regarding the entry of politics and politicians in the arena of cooperative movement, the degree of involvement of politics or politicians in the cooperatives varies from State to State and so does the impact of their influence. In this connection, the observation of the All India Rural Credit Review Committee (1969) are relevant:

"The experience of the last few years does seem to suggest that there is a real danger of the operational policies and methods of cooperatives being governed by political considerations, though neither the entry of politicians into the ranks of cooperative leadership nor the emergence of cooperators as political leaders need be an undesirable development in itself. From the limited point of view of rural credit, it is clear to us that political interests in certain institution have begun to affect the working of the institution in various ways causing credit to be divided to certain groups or to be provided to others in transgression of the rules in force or causing repayment of cooperative dues to be delayed or ignored."}

Diversification of cooperative activity

The role of the cooperative societies in advancing agricultural credit to the rural people was of prime importance since the inception of the cooperative movement. The importance of the cooperatives in the sphere of agricultural credit has since increased persistently with the growing magnitude of the credit gap. The total requirement of agricultural credit in any State far exceeded availability of supply. As a result along with the cooperative sector, the necessity of multi-agency approach in the field of agricultural finance was accepted both in principle and in practice. The commercial banks also came forwarded in a big way to supplement the total requirement of agricultural credit in West Bengal. Despite encroachment of the commercial banks in the sphere of agricultural credit, the size of cooperative credit was still largest in the total of advancement of agricultural loan.

The field of cooperative marketing societies occupied the second position in importance and the purview of their activity are still on the increase. The problem of marketing of the agricultural produce for the purpose of fetching remunerative prices to the cultivators is a vexed one and the entire chain of process of marketing activity is equally complex. To begin with we can take up the problem of providing adequate supplies from the West Bengal State Cooperative Marketing
Federation to its affiliated primary marketing societies spread throughout the districts of West Bengal. Whatever the actual situation may be the BENFED was created fundamentally to procure and make bulk purchases of various commodities and transmit them onward to their affiliates in the districts. Excepting the supply of fertilizers, the BENFED had evinced a very poor show in the matter of supplying other commodities like pulses, mustard oil, spices and various other agricultural commodities to the marketing cooperative societies in the districts. The task was assigned to the BENFED for the good reason that only this apex institution had enough of resources to procure agricultural commodities by way of bulk purchases from the source countries both inland and external at a very cheaper rate and pass on the profit margin to the primary marketing cooperatives. But this fundamental task was performed in a very slipshod manner by the BENFED. On the other hand, the fundamental job of the primary marketing societies in the districts were to pool the agricultural commodities produced by their members and arrange for proper marketing of those to ensure better prices to the cultivators. Naturally in order to expand their activities, the primary societies began trying on other lines of business to meet its overhead costs and earn a profit margin to run themselves viably. The Government again came to the rescue by framing new schemes of linking the consumers business with the marketing societies and financial assistance was given to the marketing cooperatives for the specific purpose
of dealing with the consumer goods. An initiative in this
direction could be justified also on the plea that the district
level wholesale consumers societies could not develop their
retail outlets in the remote village corners and it was
desirable that the already existing infrastructure of marke-
ting cooperatives could take the responsibility of supplying
essential consumer goods to the rural people. Apart these
things, the marketing cooperatives very much acted as procure-
ment agents for the procurement of paddy, wheat and jute on
behalf of the Food Corporation of India and Jute Corporation
of India. The marketing societies were also allowed to open
ancillary units like rice mills, cold storages and jute bailing
plants for further diversification of their business and all
these functions combined could make the marketing societies
run on an even keel. The point of inter-cooperative relation-
ship should be re-considered in the context of different utili-
ties it could serve. As regards ideological considerations,
some of them are best summed up in the following words :

"If inter-cooperative relations are established, element
of a moral order reappear in feeling on always an appre-
ciable degree. Throughout the cooperative chain forged
by common efforts, the goods which pass along it no
longer reap more economic values, more de-humanized
commodities. Cooperators of both town and country side
develop an awareness of the bonds uniting them. Between
them is established a community of feeling which gradually wins acceptance for rules of equity reciprocity in their dealing with each other and have respect of one another's conditions of life and labour. Inter-cooperative relations thus bring new life to the old moral conceptions of the just price and the just wage. Like all cooperative development, they help to re-establish the ascendancy of the social from the economic".

At a conference held in London in 1943, under the auspices of the International Cooperative Alliance, a resolution was adopted "emphasizing that collaboration between the consumers and agricultural cooperative organisations is of particular importance in view of the great problems of rehabilitation with which the movement would be confronted after the War and recommending that the basis for collaboration must be conception of the cooperative movement in all its ramifications as an economic and spiritual whole and the recognition that mutual understanding and unity of purpose are indispensable to successful cooperative action". The conference also recommended that "a definite division of functions of consumers and agricultural producers' societies must be agreed upon and wherever possible, a jointly administered central organisation established as a firm foundation for collaboration".

7. Resolutions of the Conference held in London in 1943 by the International Cooperative Alliance.
To sum up, the areas where mutual collaboration may be possible are mentioned below:

1) Consumers' societies and credit societies;  
2) credit societies and marketing societies; and  
3) consumers' societies and agricultural marketing societies.

Shifting of priorities in the different areas of cooperative development sector-wise

We have already stated earlier that during the last Five Year Plans, the major policy orientation in the field of cooperatives was re-grouping of priorities in one sector or the other. Just after the large scale supply bottlenecks experienced during two successive War situations (Chinese Aggression 1962 and Indo-Pakistan War in 1965) brought how the wisdom of setting up extensive introduction of Consumers Cooperative Shops. A number of primary consumers cooperatives were set up throughout the country and similarly in West Bengal also. In all the districts of West Bengal at least one wholesale consumer cooperative store was organised to cater to the needs of urban population in the State. Again during the Fifth Five Year Plan period from 1974-79, greater emphasis was placed upon the expansion of agricultural credit programme through the cooperative sector. In order to review the growth and trend of the different cooperative sectors, we append
table indicating the development of cooperative credit programmes during the last 5 years i.e. from 1980-85.

It appears from the table that the quantum of total short term credit advanced to the cultivators marked a marginal decrease during the last five years, the highest being Rs. 51.00 crores (approx.) during the year 1977-78. During the year 1981 it came down to Rs. 37 crores and odd. If we analyze the reasons we will find that one of the major reasons for a marginal decline in the total advance of short term credit is that a conscious effort was made by the Government to ensure that liberal advancement of loan resulted in over-financing in the different parts of West Bengal. In addition to this, the problem of recovery was a baffling one and the overdues mounted steeply over the years. Under such a perspective, larger investment would only mean over-financing of the ineligible cultivators by extending them additional finance which were not likely to be utilised as production credit and in reality there was significant diversification of funds by not spending those in cultivation and thus yielding increased agricultural production. The recovery climate was gradually becoming more bleak, there being political propaganda for not repaying the loans. This was an additional deterrent in the matter of recovery besides the regular problem of flood and draught in some districts or other every year. The State Government from time to time declared certain areas as
flood affected and often Government loans were not to be repaid. Although it was clearly known that the cooperative dues were never waived as per the rules of the Reserve Bank of India, the vested interest-groups always confused the people by pursuing them not to repay their loans. Nevertheless under the Sixth Five Year Plan (1980-85), the following projections were made in respect of advancement of short term credit during the Sixth Plan period:

( Rs. in lacs )

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of Short Term Loan to be advanced</th>
<th>Level of Contribution to be achieved by the State Government @ 3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>3875.75</td>
<td>116.27</td>
</tr>
<tr>
<td>1981-82</td>
<td>5135.00</td>
<td>154.05</td>
</tr>
<tr>
<td>1982-83</td>
<td>6015.00</td>
<td>180.45</td>
</tr>
<tr>
<td>1983-84</td>
<td>7090.00</td>
<td>212.70</td>
</tr>
<tr>
<td>1984-85</td>
<td>8405.00</td>
<td>252.15</td>
</tr>
</tbody>
</table>

The requirement of funds under this scheme for each of the year of the Sixth Five Year Plan is calculated as below with the aim that at the end of the Plan period, the level of
It contributes towards the fund comes to Rs. 252.15 lacs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rs. in lacs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>116.27</td>
</tr>
<tr>
<td>1981-82</td>
<td>37.78</td>
</tr>
<tr>
<td>1982-83</td>
<td>26.40</td>
</tr>
<tr>
<td>1983-84</td>
<td>32.25</td>
</tr>
<tr>
<td>1984-85</td>
<td>39.45</td>
</tr>
</tbody>
</table>

Meanwhile we would take up the discussion regarding the monetary problems in the matter of credit administration.

Each central cooperative bank has one Government officer of the rank of Deputy/Assistant Registrar of Cooperative Societies as the Chief Executive of the institution. The central bank undertakes the task of dispensing rural agricultural credit as per district-wise target fixed up by the Cooperative Directorate. Again the central cooperative bank makes its own programme for re-allocating those credit according to the provisions of the District Credit Plans to all the areas of the district concerned. While the Managing Committee of the central cooperative bank draws up action programme according to the suggestions of the Chief Executive for recovery of old seasonal loan and fresh investment during the year, there is a network
of large number of branches of the district central cooperative bank in all the important places of the district. Each branch has got a Branch Manager and other supporting staff for effecting recovery of last year's loan and disbursement of fresh loan for the current year. Now the programme of investment is essentially linked up with the prospects of recovery. In the field of recovery also a detailed plan is drawn up at the head office by fixing up year-wise targets for each supervisor of the bank posted in the fields. These targets are fixed up in a joint conference of the central bank staff and the departmental officers of the Cooperation Department working in the office of the Range Assistant Registrar of Cooperative Societies. The primary responsibility of crop loan recovery rests with the management and staff of the Central cooperative bank. The supervisors are the village level officers of the bank who are entrusted with the full responsibility of effecting recovery of short term loans. The central bank supervisors are to maintain a demand register of their respective areas society-wise as well as memberwise. The cooperative inspectors and auditors posted in different blocks are tagged with the field supervisors of the central banks to chalk out a joint programme for collection of loan and they are to fix up four programmes every month for intensive collection drive. The managers of each primary agricultural credit society in the village is in over-all charge of the loan collection in respect of his society. In fact, these managers are to go round the doors of the loanee members
and realise the outstanding loans from them and deposit the
same to the supervisor for re-depositing the same to the
central cooperative bank.

The role of the central
bank supervisors

In fact, the supervisors posted in the fields are to
contact the managers as well as individual members of all the
credit societies in his area of operation. The supervisors are
the employees of central cooperative bank and their primary duty
is to arrange for recovery and re-disbursement of crop loan.
In fact, the total performance of every district central coopera-
tive bank depends on the initiative, labour and sincerity of
these field supervisors. Our field experience shows that
majority of these supervisors have a very low level of integrity,
and they being mostly local people, take little effort to put
the required pressure on the loanee members to repay their
loans. The managers of the Primary Agriculture Credit Societies
are also of a very low standard of morality as well as efficiency.
The main reason of such low standard of these managers are that
the society-people elected in the managing committee recruit
mostly their relatives or familiar persons as managers. In
order to replace these inefficient personnel of the societies,
the Government has taken the step of setting up a common cadre authority for recruitment of qualified managers for this purpose through an independent recruiting body. But at the same time the problem remains equally serious because replacement of these old managers by the new ones involve retrenchment of the existing personnel on a mass scale which may be difficult task. Despite the difficult situation, we have to recruit qualified managers by the cadre authority and if the old inefficient managers are not retrenched, they may be retained at next lower level. In fact, the regular repayment of loan of every credit society depends entirely on the capability, force of character and personality of these managers. Next comes the problem of the efficiency of the bank supervisors. By bargaining through unions, these bank supervisors have managed to grab a quite lucrative scale of pay. But it is very difficult to make them work satisfactorily with a greater efficiency. Any penal action, if contemplated to be initiated against any inefficient supervisor, the Chief Executive is often placed under a tremendous pressure and criticism by the existing unions of the employees of the bank. Sometimes they also receive the support of the elected managing committee. In the matter of proper distribution of credit, an appropriate and speedy streamlining of these linear staff structure of the cooperative banks is essential. This is a fundamental problem and if left unattended even now, the prospect of better recovery and increased investment on the part of the central
Improvement of the role of the Chief Executive

The Government officers of high rank from the Cooperation Department are still manning the key positions in all the central banks in West Bengal. It is true that most of these high officials are given advanced banking training by the training colleges and institutions sponsored by the Reserve Bank of India and an on-the-spot analysis reveals that at any point of time, about 40 per cent of the total Chief Executives of the district central cooperative banks of the State, have no banking background and because of regular rotation of officials on deputation to such banks through transfer poses a serious problem and an optimum level of efficiency in banking operations can hardly be maintained continuously. Added to this is the problem of acute dearth of banking knowledge on the part of the elected members of the managing committee of each central cooperative bank. These committees who are entrusted with the responsibility of framing the loan policies of the banks handle huge financial resources have less or no banking background at all. They should also be trained properly so long as they are to guide the banking operations of such vitally
important financing institutions dispensing with the production credit requirement of the entire agricultural base of the country.

Priority-wise growth of the marketing cooperatives and their administrative problems

All India perspective

In most of the States throughout India, there is a two-tier structure of cooperative marketing, with primary marketing societies at the level of secondary markets and Apex marketing federations at the State level. However, in some States like Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Maharashtra, Punjab and Uttar Pradesh there is also an intermediate tier at the district level mainly as legacy of the past, though efforts are being made to devoid these societies of the functions which ultimately fall within the purview of either the primary or the State level marketing societies. On 30.6.74, there were 3262 primary marketing societies covering nearly all the important secondary markets in the country. Of these, 2539 societies were State partnered. The super-structure of cooperative marketing consisted of the National Agricultural Cooperative Marketing Federation, 24 State level cooperative marketing federations and 166 district/regional marketing societies.
The main emphasis during the Fifth Plan was to consolidate and strengthen the existing system and to develop the cooperative marketing in the cooperatively under-developed areas so as to reduce the regional imbalances. For this purpose efforts are being directed towards forging an effective link between the cooperative and the public sector organisations like the Food Corporation of India, Cotton Corporation of India and Jute Corporation of India, revitalization of weak societies, streamlining of the structures and operations of the cooperatives and providing for technical assistance to the marketing cooperatives for improving their operational efficiency. The table appended below indicated the total value of the agricultural produce marketed by the cooperatives during the year 1973 to 1975:

<table>
<thead>
<tr>
<th>Year</th>
<th>Agricultural produce handled (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Year ending June, 1973</td>
<td>921.00</td>
</tr>
<tr>
<td>Cooperative Year ending June, 1974</td>
<td>1110.00</td>
</tr>
<tr>
<td>Cooperative Year ending June, 1975</td>
<td>1215.00</td>
</tr>
</tbody>
</table>

It may be mentioned in this connection that during the year ending June, 1975, all marketing cooperatives handled food-grains worth about Rs. 446.00 crores as against Rs. 355.00 crores during the preceding year. In the field of procurement of wheat also the cooperatives made satisfactory progress. During the Ravi season, 1975 - 76, commencing from April 1975, marketing cooperatives procured 14.95 lac tonnes of wheat as compared to 9.70 lac tonnes procured during the last season. The total procurement made by the cooperatives was of the order of about 36 per cent of the total wheat purchased by all State procuring agencies.9 In the sphere of procurement of jute by the marketing cooperatives, it may be indicated that during the co-operative year ending June, 1975, 3.33 lac quintals of jute were purchased by the cooperative against 4.12 lac quintals during the cooperative year 1973 - 74. During the cooperative year starting on 1st July, 1975, the marketing cooperatives had already purchased 3.28 lac quintals of jute upto 31.12.75. Maximum purchases had been made in West Bengal where cooperatives had purchased 2.53 lac quintals of jute. The NCDC had played an important role by helping the cooperatives in their purchase operation. The NCDC had provided a margin money assistance to the concerned marketing cooperatives to the tune of Rs. 123 lacs including Rs. 16 lacs provided during the year 1975 - 76.

9. ibid p. 346
Steps taken by the Government for development of marketing cooperatives

From the first year of the Fifth Five Year Plan a new Central Sector Scheme for development of cooperative marketing, processing, storage and supplies in the cooperatively under-developed States is under operation. Under this scheme, the NCDC assisted the State Governments for strengthening the share capital base of the selected marketing societies in the relatively under-developed States in order to enable them to improve and expand their business activities in marketing of agricultural/minor forest produce, distribution of agricultural inputs and supply of consumer articles in rural areas as also for purchase of transports. The NCDC had sanctioned during the year ending June 1975 a sum of Rs. 6.31 lacs to 26 cooperative marketing societies in Himachal Pradesh, Rajasthan and West Bengal as the first instalment under the Scheme.

It has been envisaged that during the last year of the Fifth Plan, Cooperatives will handle agricultural produce worth Rs. 1900 crores, consisting of foodgrains worth Rs. 800 crores, sugarcane worth Rs. 600 crores and the balance of other crops. Inter-State trade by cooperatives would be around Rs. 80 crores annually by the end of the Fifth Plan. Cooperatives were expected to step up their export operations to Rs. 15 crores by 1978-79 (Fifth Plan, Vol. II, p.82).
The activity of the marketing and processing cooperatives in West Bengal

With the State patronage and assistance on continuing basis, the marketing and processing sectors have become powerful instruments in helping the farmers, especially the small and marginal farmers in the field of agricultural production as well as in the field of marketing of agricultural produce. With a view to increasing agricultural production, the marketing sector has been making concerted efforts to augment the supply of farm inputs like chemical fertilizers, improved seeds, pesticides as well as agricultural implements. The processing sector also has been geared up to press and market agricultural commodities procured both under Price Support Operation and the Commercial Purchase Operation. Major breakthrough in agricultural development of this State can be achieved through proper functioning and extension of marketing and processing sectors. Keeping in view these objectives and the strategy of the Sixth Plan, the Annual Plan for 1982-83 has been drawn up for accelerating the growth of the marketing and processing sectors with further augmentation of managerial schemes, financial management and strengthening of infra-structural facilities.
An extensive programme has been taken up for completing a large number of rural and main godowns, both at the level of primary marketing cooperatives as well as PACSs and the construction projects in the processing sector, jute bailing press-cum-transit godowns and cold storages will continue to receive greater attention during the Annual Plan period of 1982-83. The BENFED has been entrusted with the work of supervising over the construction of various warehouses, jute bailing complexes and cold storages of normal schemes under the NCDC. However, in the mean time, the NCDC is sanctioning further cold storages under the IDA Scheme (NCDC-II project) which will be implemented through the West Bengal Central Land Development Bank as per the decision of the State Government. On the strength of such Government decision, the CLUB is going to create a technical cell. During the Annual Plan period of 1982-83, 8 cold storages will be taken up for construction under the NCDC-II project to bridge the gap between the existing capacity in the cold storages and the available storable surplus of potatoes. At present units of cold storages with a capacity of 24,400 MT are working this year and another 9 units with a capacity of 36,000 MT are expected to be completed.

Need for rehabilitation of the existing cooperative rice mills has been recognised from the last Annual Plan on the basis of which 10 rice mills are under the process of rehabilitation. 5 more rice mills will be taken up under second phase of the
rehabilitation programme as per the recommendation of the Expert Committee. After renovation, these 15 rice mills will crush 45000 MT paddy every year. For supervising of rehabilitation programme of the rice mills and smooth functioning of all those, the technical cell of the BENFED is to be strengthened by recruiting a few more rice mill engineers. The role of fertilizer distribution on the part of the BENFED will be given due momentum. The quantum of fertilizers distributed in the first year of the Sixth Plan was 63,000 MT. The target of distribution and sale in 1982-83 has been fixed at 1.20 lac MT.

The jute marketing under Price Support Scheme is going to continue as a major scheme in the marketing sector under the supervision of BENFED. In spite of various odds like non-lifting of bailed jutes by the Jute Corporation of India and shortage of funds, the target of 4.75 lac bales has been kept for marketing societies this year of which 2.10 lac bales has already been achieved. The target will be stepped up further during the year 1982-83 Annual Plan period. It is also envisaged alongside the paddy procurement as agents of Food Corporation of India, the marketing societies will start procurement of pulses in a big way in various districts of the State. In the matter of marketing of ginger and fruits, attempts are being made to systematize marketing of these products through the cooperative channel.  

It may be relevant here to mention some targets of

production and physical achievements in the field of agricultural produce marketing in West Bengal. During 1979-80, the base year level, the value of the agricultural produce marketed stood at Rs. 6.70 crores. The terminal year target at the end of the Sixth Five Year Plan i.e. 1984-85 has been fixed at Rs. 23.65 crores. The actual achievement made during the year 1980-81 stood at Rs. 12.76 crores. The target for 1981-82 is Rs. 16.75 crores and the anticipated achievement during the year 1981-82 comes to Rs. 20.00 crores.

The Annual Plan for the year 1982-83 provides a sum of Rs. 22.50 lacs for share capital contribution by the State Government of the agricultural marketing societies. The scheme of strengthening share base of the marketing cooperatives has been taken up for enabling the marketing societies to take up diversified business activities. Accordingly, the quantum of Government assistance has been revised in the following manner. The State share contribution will be made into ratio of 1:5 as against the existing ratio of 1:3 in all the areas excepting the backward. If the society is located in a backward area, the ratio of contribution would be 1:10 which has been fixed in conformity with the National Policy Resolution. The programme for the year is to assist 45 cooperative marketing societies at the rate of Rs. 50,000/- each. Thus a total amount of Rs. 22.50 lacs as indicated earlier has been provided under the said Scheme. The Annual Plan also provides for rent subsidy to marketing and
primary agricultural credit societies to the tune of Rs. 2.50 lacs. Government assistance will also be given under another scheme of managerial subsidy to the primary marketing societies by way of reimbursement for maintaining one Manager, one Clerk and one Nightguard. A sum of Rs. 2.00 lacs has been provided for under the said scheme. Most of the marketing societies have already drawn the full amount of assistance i.e. Rs. 4,500/-. The quantum of assistance under this head may, however, have to be increased to Rs. 10,000/- as 50 per cent of the societies have not yet been able to earn adequate profit to meet their obligatory expenses. The break-up of the assistance at the enhanced rate will be in the following scale:

- First year : Rs. 5,000/-
- Second year: Rs. 3,000/-
- Third year : Rs. 2,000/-

Marketing and processing societies during the last few years have been undertaking schemes for outright purchase of various agricultural produce directly from the farmers either as agents of the public sector undertakings like the Jute Corporation of India and Food Corporation of India or as agents of the BENFED. In order to enable the society to absorb the loss resulting from price fluctuation, it has been proposed that such society will be given grant at an appropriate rate. The
marketing societies will get 2 percent and the processing societies 5 per cent on the total amount involved in such business.
The provision of Rs. 2.50 lacs has been kept under this scheme of price fluctuation fund.

A sum of Rs. 28.00 lacs has been kept apart for assisting the BENFED. During the year 1982-83, an additional share capital of Rs. 15 lacs will be given to the BENFED. During the year a programme has been drawn up by the BENFED to increase its storage capacity and for this purpose the BENFED will receive Rs. 7.90 lacs as grant for creation of storage space in order to cope with the increasing business of jute and other commodities. The rate of assistance will be Rs. 400/- per MT and the amount provided under the State Budget will be given as grant in two instalments which represents 25 per cent of the total cost of construction. The balance amount of the cost will be met by the NCFC by way of loan and grant. The BENFED will also receive a sum of Rs. 3.00 lacs under the Price Fluctuation Fund and a sum of Rs. 2.00 lacs under the scheme of Branch Subsidy. It is proposed that the State Government will provide Branch Subsidy to the BENFED to reimburse the cost of staff of its branch offices in the pattern of primary marketing societies so as to relieve the Federation from its financial burden for 3 years at least. The other forms of Government assistance which will be extended to the BENFED are
as follows:

(a) Rent Subsidy

(b) Establishment of Jute Baling Plant

(c) Construction of Storage godowns

Rs 1.00 lac

Rs 15.95 lacs

Rs 61.40 lacs

There is a proposal for completing construction of 400 rural godowns and 40 main godowns for increasing the storage capacity of the BENFED. Cost of construction being regulated, it has been proposed that a sum of Rs. 12.00 lacs and another sum of Rs. 49.40 lacs will be provided by the Government to the BENFED for construction of the main and rural godowns respectively.

A provision has also been made in the budget for share capital contribution to the BENFED for purchasing shares of the IFFCO and accordingly an amount of Rs. 25.00 lacs has been provided under the scheme. Another sum of Rs. 15 lacs has been provided in the Budget for share capital contribution to BENFED for purchasing the shares of the Krishak Bharati Cooperative Ltd. Under another scheme for the development of processing cooperative societies, a sum of Rs. 38.25 lacs has been provided under the State Government Budget. The assistance under this scheme will be given under a joint programme of the NCDC and 12½ per cent of the project cost only will be given by the State Government in the shape of share capital. During the year an amount of Rs. 35 lacs will be allocated for giving financial assistance in the shape of share capital to the processing societies.
including rice mills under the rehabilitation scheme, including the Darjeeling Food & Vegetable Processing Cooperative Society Ltd. A sum of Rs. 2.50 lacs has been provided in the State Budget for loan assistance to processing societies like rice mills, fruit processing societies, dal mills, etc. Under the scheme of establishment of establishment of cold storages a Budget provision of Rs. 119.02 lacs has been earmarked. During the year 1981-82, 9 cold storages would be completed and in view of this improvement in the construction position, the Annual Plan of 1982-83 envisages for assisting another 8 new cold storages which will be financed under the IDA financed project. Here also 20 per cent of the establishment cost of these cold storages (Rs. 50 lacs approximately for each) will be given from the State Budget, 75 per cent will be reimbursed by the NCDC as loan to the State Government and OLDB and 5 per cent will have to be raised by the beneficiary cooperatives, the 9 new cold storages to be completed during the year 1981-82 will increase the existing capacity of 24,400 MT (10 units) by 36,000 MT.

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**CUE**

1. Prioritywise growth in the sphere of consumer cooperatives.

2. Administrative problems of both the marketing and consumer cooperatives - from Cooperative Law, Administration and Management Cooperative News Digest, June 1976, p. 87.
Consumers' Cooperatives

Broad objectives in the Sixth Five Year Plan:

The consumers' cooperatives movement in West Bengal which gained momentum since 1962 with massive State assistance in all the important urban sectors, suffers from three major shortcomings. In the first place, its coverage is mostly confined to the urban sectors and that too in localized pockets in the absence of wide base of primary societies covering the entire urban areas. Secondly, in the absence of vertical integration between manufacture and distribution of commodities within the cooperative fold, the consumers' cooperative movement is entirely dependent on either supplies from the private trade or the Government controlled commodities. This lopsided dependance of the consumers' cooperative stores on external sources had led to a stunted growth in the consumer sector. In the third place, although the consumer federation and wholesale societies could achieve a turnover of Rs. 82.00 crores at the end of the Fifth Plan, personnel management and modern business techniques which are essential for successful functioning of business enterprises are yet to be fully developed. Even after a period of two decades, the consumers' cooperative societies are as yet to depend exclusively on officers on deputation from the Government and have not been able to build up their own personal cadres of managers.
In the Sixth Five Year Plan, major emphasis has been laid on providing the rural link of the consumers' cooperative movement so that all the re-organised rural primary societies as also the Block level marketing societies may be in a position to become focal points of sale and wholesale consumers' societies. This will enable the rural population to obtain essential commodities like cloths, sugar, pulses, mustard oil, cement, etc. at a fair price. Similarly a network of Janata shops has also been planned for the distressed pockets in urban areas. While the development of major consumer industry in the cooperative sector during the Sixth Plan will depend on the over-all policy of the Central Government, attempts will be made to initiate small or medium scale processing units attached to the wholesale societies or the West Bengal State Federation of Wholesale Consumers' Cooperative Society, e.g. oil mills, spices grinding unit, etc. Special emphasis will also be given in strengthening of the business links with public sector industries like the National Textile Corporation, The Essential Commodities Corporation, etc. so that the consumers' cooperatives may have an assured source of supply of essential consumer goods.  

The strategy for development of consumer cooperative movement in the State would mainly pivot round consolidation

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11. Sixth Five Year Plan (1980-85), Government of West Bengal, Department of Cooperation, pp. 5-6.
and expansion. Priority will be assigned to the distribution of consumer articles in rural areas and re-organisation and re-vitalisation of the weak wholesale consumers' cooperatives and strengthening of the State Consumers' Federation. As such, the Federation as well as the wholesale consumers' societies will have to take up definite schemes for improvement and expertise in business management with streamlined system of proper accounting, inventory control, business management for sale and procurement. The entire rural area has to be covered by opening different cooperative societies for each mandi. The societies engaged in distribution of consumer articles in rural areas will have to be assisted with share capital, loan-sun-grant for business premises and godown, furniture and fixtures and opening of medicine shops. Eating houses will have to be opened for the benefit of rural and urban people.

The State Federation should be so geared up as to play its appropriate role in the matter of bulk procurement of agricultural commodities from other States and distribute the same to the remotest villages through the chain or consumers' cooperative stores and PACSs. Accordingly it will have to provide for an adequate buffer stock so that there may not be any breach in the continuous flow of supply of commodities in any area of the State. The State Federation could not form this role successfully due to various reasons, inter alia, paucity of funds and constraints in organizational expansion.
The existing two branches of the Federation requires to be strengthened sufficiently, and at least one more branch at Murshidabad need be opened. The branches of the CONFED will be closely involved in the public distribution system in West Bengal and these branches will be converted into Regional Distribution Centres with godown facility for buffer storage and adequate number of personnel for proper coordination and monitoring. A few wholesale societies including three colliery works centre cooperatives stores which are now running at losses, but are potentially viable, will have to be re-organized and revitalized through liberal Government assistance and assistance from the coal mines welfare board to strengthen their capital base. The necessity of consumers' cooperatives to stop the price spiralling and ensure steady supply of daily necessities can hardly be overemphasized. The existing wholesale consumers' stores should open further departmental stores and retail outlets for the benefit of the community and also to expand the business considerably. There should be at least one retail outlet in each municipal ward area. Necessary provision for the funds for the purpose will have to be made. Financial assistance will also be required for construction of business premises and purchase of trucks. The wholesale societies making bulk purchases of agricultural commodities should also be given

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12. ibid. pp. 37-38
suitable contribution for creation of Inventory Losses Fund during the Plan period with a view to absorb the losses, if any, sustained in course of handling such commodities. The urban consumers' stores which are viable or potentially viable should be given further financial assistance for opening large sized retail outlets, business premises, furniture and fixtures and opening of medicine shops. The consumers' cooperatives in plantation areas will have to be strengthened with further share capital and managerial subsidy. Emphasis will also be given for strengthening of the students' cooperatives in Universities, colleges and schools with adequate financial assistance in the shape of share capital loans for business premises, grant for furniture and fixtures and managerial subsidy for longer periods. The advantage of the scheme introduced by the NCDC should be taken.

The position of the consumer movement at a glance at the end of the year 1978-79 was as follows:

1. Number of wholesale societies .. 29
2. Number of primary consumers' societies .. 2205
3. Number of departmental stores .. 15
4. Number of large-sized and small-sized retail outlets .. 783
5. Number of Janata shops .. 83
6. Number of retail outlets in rural areas .. 1915
7. (a) Sales of wholesale societies (retail) .. Rs 625.61 lac
   (b) Sales to primary societies .. Rs 5018.32 lac
   (c) Sales to rural societies .. Rs 1042.68 lac

13. ibid p. 39
The performances of the consumers' cooperative societies at the wholesale and retail levels are indicated below:

<table>
<thead>
<tr>
<th>Item</th>
<th>1979-80</th>
<th>1980-81</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Volume of sales (CONFED)</td>
<td>1102.00</td>
<td>1020.00</td>
</tr>
<tr>
<td>(b) Volume of sale (Wholesale)</td>
<td>3808.00</td>
<td>4422.70</td>
</tr>
<tr>
<td>(c) Total retail sales</td>
<td>7520.00</td>
<td>7850.00</td>
</tr>
</tbody>
</table>

During the year 1982-83 every attempt will be made to consolidate the position at all levels through re-organisation of societies and diversification of business. A programme has already been drawn up to revitalize the primary cooperative societies which have either stopped their business or which are in a moribund state or which are doing business below the minimum level incurring losses every year. A survey of the working of the primary consumers' cooperatives has already been undertaken. The assistance of the Consultancy and Promotional Cell of the NCCC has also been sought for. The primary consumers' stores having potentiality for development will be given fresh doses of assistance from the State Budget. Good working societies will be given financial assistance for construction of their business premises. In the rural areas, the NCDC scheme will be further extended for re-organization and strengthening of village societies and the marketing societies
so that the distribution for consumer goods in rural areas gets the fillip and the rural consumers get the benefit of the scheme.

The target for the year 1981-82 and the projections for 1982-83 are indicated below:

<table>
<thead>
<tr>
<th></th>
<th>1981-82</th>
<th>1982-83</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Anticipated achievement</td>
</tr>
<tr>
<td>(a) Total sale of consumer goods</td>
<td>132.40</td>
<td>90.00</td>
</tr>
<tr>
<td>(b) Retail sale of consumer goods through cooperatives in rural areas</td>
<td>16.00</td>
<td>12.00</td>
</tr>
</tbody>
</table>

In the years to come, the wholesale societies will be more and more involved in the distribution of essential commodities coming under the Public Distribution System. The requirement of working capital for dealing in these items is more while the margin of profit is low. Hence it will be a losing proposition if the wholesale societies have to borrow funds from the banking institutions for building up stock of PDS items. During the year, it is, therefore, proposed that the wholesale cooperatives will be given soft loan from the State Budget for undertaking business in PDS items. The administration
of the State Federation will also have to be toned up so that it acts as distributor of different consumer goods. The CONFED will be given loan and additional State share in order to strengthen its financial base.

The quality of staff in the consumers' cooperatives is not very good. As these societies are yet to become good employers by offering better service conditions and remunera-
tive scales or pay. The pay structure of the employees of the consumers' cooperatives at the wholesale and at the primary levels will be rationalized on the recommendation of the Pay Committee set up by the State Government for the employees of the cooperative sector. In order to mitigate the burden of cooperative societies consequent on the introduction of recom-
mendations of the Pay Committee, it is proposed to introduce a scheme for providing managerial subsidy to the wholesale societies and also to reorganise potential primary cooperative societies during the year. In most of the wholesale societies there is no second officer next to the Chief Executive being a Government official on deputation, it is proposed that a post of a Manager will be created in each wholesale society next to the Chief Executive in rank and power. Such societies will be given subsidy for retention of the post of the Manager.

A few important schemes during the Annual Plan period of 1982-83 in the sphere of consumers' cooperative sector are
briefed below:

1.1 Development of Urban Consumers' cooperatives - Rs. 140.00 lacs

(a) Assistance to CONFED .. Rs. 20 lacs

The existing scheme for State share contribution to the share capital of CONFED, grant to create the Inventory Losses Fund, loan for business premises and loan for advance in PDS items will continue during the year 1982-83. A total amount of Rs. 20 lacs is earmarked for the CONFED.

(b) Assistance to wholesale consumers' cooperative societies - Rs. 70.00 lacs.

The existing scheme for State share participation, grant to inventory Losses Fund, subvention, loan for business premises and transport vehicles and loans for business in PDS items and assistance for opening mini-booths for perishable commodities will continue. It is proposed that the wholesale societies will be given a minimum loan of Rs. 2 lacs or 40 per cent of its requirement in undertaking business in PDS items. It is also proposed that each wholesale society will be given a fresh dose of managerial subsidy @ Rs. 12,000/- in the three years to meet a part of increased cost of establishment consequent on the recommendation of the Pay Committee for rationalization of the pay structure of the employees.
(c) Assistance to urban primary consumers' stores .. Rs 37.00 lacs

The existing schemes for providing assistance for development of the urban primary consumers' stores in the shape of State share contribution, loan-cum-grant for furniture and fixtures, business premises, drug stores and rent subsidy will continue. The re-organised primary consumers' stores will be similarly given a fresh dose of managerial subsidy in order to implement the pay structure as recommended by the Pay Committee. An amount of Rs 800/- will be given to each primary society over three years.

(d) Assistance to plantation and students' cooperatives .. Rs 6 lacs

The existing schemes for development of such types of societies will continue during the year 1982-83. A survey of the working of the existing consumers' stores in the plantation areas and students' cooperatives has been undertaken. Provision has been made for assistance to a large number of societies during the year.

(e) Assistance to consumer industry .. Rs 2.00 lacs

The scheme for starting consumer industry although continuing for the last few years is yet to become a popular
scheme, as no society is coming forward for setting up any such consumer industry. However, provision has been made to start such industry on pilot basis in some selected societies during the year.

(f) Regional Distribution Centres .. Rs 5.00 lacs

A survey has already been undertaken with the assistance of the Consultancy and Promotional Cell of the NGCO for opening Regional Distribution Centres, one in North Bengal and another in Midnapore district. The idea is to influence purchase discipline at different levels of the consumers cooperative structure. The required funds under the scheme will be available from the Government of India. Accordingly a provision has been made in the State Budget for drawal of assistance under the scheme for construction of warehouses and purchase of transport vehicles for storage and movement of different consumer goods to the societies willing to work under the scheme.

(g) Distribution of consumer articles in rural areas .. Rs 15 lacs

Rural consumers' stores and other rural societies dealing in consumer goods will be given financial assistance from State Budget under the approved pattern of assistance. The scheme provides for loan for construction of shop/retail outlets and also for share capital contribution to be used
as working capital. The scheme also provides for assistance for furniture and fixtures. During the year it is proposed to provide where capital contribution to 50 societies and business premises loans to 30 societies. Assistance for furniture and fixtures will be given to 50 societies.

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The Credit Sector in West Bengal

Since the very inception of the First Five Year Plan till the middle of the Sixth Five Year Plan in 1982, all along the topmost priority was accorded on the credit sector of the cooperative movement. Traditionally the primary cooperative credit societies at the village level have been the base of the cooperative movement. During the Fifth Plan period, the task of re-organisation of the primary credit societies in the State has almost been completed. The State will be covered by 6600 re-organised societies. In terms of coverage of population, increase in membership and operational efficiency, a great deal, however, is yet to be achieved. At the end of the Sixth Plan, the societies would achieve a membership coverage of about 46 percent.
of the total rural families. Average loaning per hectare was, so far, only Rs 80/- as compared to the minimum need of Rs 125/- for non-irrigated land and Rs 250/- for irrigated area. With universalization of membership and State providing initial share capital of Rs 10/- to the weaker sections of the population as also SFDA loan assistance of Rs 40/- for purchase of 4 shares, it is expected that with adequate drive it will be possible to entice small and marginal farmers into the cooperative societies during the Sixth Plan and the target, for membership will increase accordingly.

Another important task is to forge structural change in the management of these cooperatives so that these societies can no longer remain under the clutches of the vested interests of rural elite. Small and marginal farmers and other weaker sections can take effective leadership in management of these societies.

Some of the District Central Cooperative Banks (DCOBs) in West Bengal, e.g. Burdwan and Midnapore could achieve significant growth in deposits and investments in the Fifth Plan. During the Sixth Plan it is contemplated to cover each Block in the entire State by a branch of DCOBs. Improved banking practices like introduction of pass-book system, switching over to cash credit system in multi-crop areas etc. are also under contemplation, to start with, in the cooperatively advanced districts. The short term credit flow at the end of the
Fifth Plan is Rs 51 crores and at the end of the Sixth Plan it is anticipated that the credit flow will mark the figure of Rs 105.80 crores. Together with lending programme of commercial banks, we hope that the major part of the credit need of the farmers can be made to sustain agricultural production programme.

Significant breakthrough was made in the field of long term credit in the Fifth Plan by the Land Development banking network. The level of investment in the long term credit sector have increased from Rs 107.62 lacs in 1973-74 to Rs 1137.13 lacs in 1978-79. Adoption of area development projects under the ARDC scheme, creation of technical cells in the Cooperative Land Development Banks (CLDB) opening of units of Primary Land Development Banks (PLDBs) have helped a lot in achieving this remarkable rate of growth. In six districts in West Bengal covered by the World Bank programme, the CLDBs had nearly achieved about 25 per cent of their revised target of sinking 32100 shallow tubewells.

In the Sixth Plan, a major role has been assigned to the CLDBs. It is expected that we will be able to significantly expand its role in minor irrigation and other diversified schemes e.g. fishery, horticulture, etc. The level of long term investment has been contemplated to be Rs 26 crores at the end of the Plan and the total investment target of Rs 100 crores has been worked out in details. Liberalisation of existing
procedure for grant of long term loan is effected through introduction of "gehan" system and it will be in the nature of declaratory mortgage, thus accelerating the pace of investment.

In the field of cooperative banking covering both long and short term sectors, the major reorientation necessary is development of professional manpower. The DCCBs as also the RLDBs are exclusively dependent on borrowed officers from the Cooperative Directorate and have not yet developed duly qualified professional personnel of their own. During Sixth Plan, development of common cadre of managers duly qualified and trained at the base level as also induction of professional bankers in Apex institutions will be essential to achieve the required rate of development.

The total outlay in respect of the credit cooperatives both in the Annual Plan of 1980-81 and during the total period of Sixth Plan i.e. 1980-85 are indicated below:

( ₹ in lacs)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approved Outlay</td>
<td>Anticipated Expenditure</td>
<td>Projected Capital Outlay</td>
<td>Capital Content Outlay</td>
</tr>
<tr>
<td>1980-81</td>
<td>236.18</td>
<td>594.81</td>
<td>746.39</td>
<td>3872.05</td>
</tr>
<tr>
<td>1981-82</td>
<td></td>
<td></td>
<td></td>
<td>543.07</td>
</tr>
</tbody>
</table>

In this respect it may be relevant to mention that the total outlay for the Cooperation Department itself in West Bengal amounts to ₹ 73.09 crores.
The approach of credit programme through the cooperative sector

It is a hard reality that every alternate year the State of West Bengal is becoming regularly prone to either drought or flood in respect of a number of districts of the State. As a result, the total quantum of flow of cooperative credit in this State is showing a very unstable and erratic curves. Accidentally if there is a good crop area, the flow of credit through the cooperative institutions go up substantially but the very next year due to the vagaries of nature, the recovery of the total investment becomes bogged down very precariously. Under such a situation the Government has but to fall back upon schemes like interest subsidy and other concessions like conversion of the short term credit into medium term credit. By that way of conversion the actual overdue of short term credit is not reflected correctly in our official records. The reason is that by conversion of short term credit into medium term credit, the borrowing figure of overdue comes down substantially. In addition to that, the interest subsidy scheme which has been introduced very recently for the benefit of the small and marginal farmers affected during the flood or drought also equally cuts down the figure of actual overdue. In fact, the total overdue in the realm of short term credit if calculated actually by eliminating the conversion and interest subsidy will appear to be much higher. In my opinion, the existing structural arrangement and organisational as well as
Government supervision will be too inadequate to restore a reasonable balance in the steadily alternating position of recovery of the old overdues. Thus in real terms, the investment in the short term credit sector is going down and it may happen so that within a year or two unless the stringent fiscal discipline is thrust upon, the entire credit structure will come to a halt.

On the other hand, the commercial banks which have already come into the field of agricultural credit will raise a hue and cry that the cooperative credit structure has proved its incompetence in meeting the requirement of farm credit in West Bengal. We have seen for quite a past few years that a large number of credit societies have been ceded to the commercial banks on the plea that in some districts the existing cooperative banks are not in a position to meet the credit requirement. This will pose a serious problem and a severe threat to the potential extension of cooperative credit in this State. A number of surveys have been conducted by the Reserve Bank of India and many other important Committees like Sivaraman Committee in the recent past and they revealed that these Committees in their findings have located the existing loopholes in the cooperative credit structure and suggested certain remedial measures. But in the actual practice, year after year is passing by and no effective measure is being taken to remedy the basic ills of the cooperative credit structure.
It is high time that the Cooperation Department takes adequate steps to boost up the functions of the Central Cooperative Banks by way of reinforcing the supervisory agency and the regulatory control with the help of the departmental machinery of the Government to gear up the activities and ensure a steady flow of credit over all the coming years to the cooperative banks by taking adequate precautions and safeguards so that the recovery of overdues is monitored and followed up severely, in order to scale down the mounting overdues substantially and create a situation under which all the Central Cooperative Banks in all the districts can take advantage of the Reserve Bank of India's credit by reducing the overdues and reverse the trend of declining and gradually step up the quantum of short term credit investment through the cooperative structure. The present study will highlight in the following paras a few concrete suggestions to reverse the declining trend and boost up the short term credit investment through the cooperative sector.

Background of the entry of commercial banks in the field of agricultural credit

The cooperative credit movement suffered from the very beginning by the circumlocution of the bureaucratic formalities and modalities and added to these so-called infrequent political
interference being an adjunct of State Government, it has unfortu-

nately brought into a straight jacket of roles which are

inflexible and stereotyped. And the cooperative managers in

charge of cooperative credit are not dynamic decision makers.

The movement has always over-emphasized the supply side and has,

by and large, neglected the demand aspect. The main role of a

cooperative society is one of credit dispensing agency rather than

of deposit accepting agencies. The cooperatives have no doubt
done much better when judged in terms of quantitative value, in

the dispensation of credit as compared to their role in deposit
mobilisation. But unfortunately the loans disbursed have often
gone wrong very frequently, due to lack of caution while advan-
cing credit, not judging the credit-worthiness of the cultivator-
borrowers. The roles have been diverted from productive to non-
productive purpose and have created the problem of a huge back-
log of overdues. So long the cooperative credit often percolated
mostly to the affluent borrowers than the poor who needed the
same more. Of late, however, there has been a tangible shift in
the Government policy aimed at providing the agricultural credit
to the small and marginal farmers. It is a peculiar phenomenon
revealed from our experience that the well-off borrowers have a
tendency to defer repayment to a disproportionately greater extent
than the poor farmer-borrowers. According to an economist, it
has been maintained that "substantial expansion in cooperative
credit in certain areas in recent year represents in effect more
increase in the accounts operated by a limited number of members
rather than widening of the area over which the benefit of co-operative credit is broad". Shri B. Sivaraman, Acting Chairman of the National Commission on Agriculture while releasing the interim report stated that the cooperative sector was not presently meeting the small farmers' needs and credit was getting clogged up. Obviously no credit institution can claim success which leaves small and marginal farmers to take care of themselves, meet their credit needs from other sources and thus preventing them from joining the select band of viable cultivators. The All India Rural Credit Review Committee in 1969 has rightly pointed out that if the fruits of development continued to be denied to large sections of rural community while property allowed to some, the resulting tensions, social and economic, means not only upset the process of regular and peaceful change in the rural economy but even frustrate the national effort to step up agricultural production. The report of the Banking Commission (1972) mentioned that the short term agricultural credit needs in the last year of the Fourth Five Year Plan i.e., 1973-74 were likely to be of the order of Rs 2000 crores while the medium term credit needs for the Plan period were put at Rs 500 crores. For the last year of the Fourth Plan, a target of Rs 750 crores had been fixed for the cooperatives in respect of short and medium term agricultural advances. By this time, it was evident that the banks would have to steeply accelerate their advance to agriculture to meet the credit needs of the farmers which just could not be possible made by the cooperative sector
alone. Naturally, the cropping up of the question was quite relevant that other commercial banks also should come forth to meet the credit gap in respect of agricultural credit required by all the farmers of the country and this became also the social responsibility of them. The cooperative sector was yet to develop itself to be in a position to meet the entire credit requirement. It is in this perspective that the entry of commercial banks into the field of agricultural finance is to be viewed and judged. One of the reasons for steadily increasing credit requirement by the cultivators and the yawning gap resultant to this was adoption of improved modern technology in the field of cultivation which required greater amount of capital investment.

While even the combined resources of the cooperative and commercial banks might be relatively inadequate to meet the demands of modern agriculture, it was obviously desirable that these two major financing institutions should work in coordination with a view to avoid unhealthy competition, to ensure financial resources, to bankable agricultural purchase and to ensure that duplication and wastage of resources were avoided. In order to prevent a competitive role from emanating in the working spheres of both the commercial banks and cooperative banks, at the initial stage it was necessary to work out the identification and delimitation of areas in which those should operate. At the same time the leaders of the commercial banking industry were equally concerned to see that the activities of the commercial banks in the
field of agricultural finance did not, in any way, impair the operation of the cooperatives.

The entry of commercial banks in the farmers' sector in a big way coincided with the imposition of social control over these banks. In early 1968, the Government of India introduced a scheme of social control over commercial banks. Under this scheme, the banks were expected to diversify bank credit more widely and extend credit to the priority sector like agriculture and small scale industry. The policy of social control over commercial banks sought to correct this lopsided distribution of bank credit, in the sense that 4/5th of the bank credit were being syphoned to industry and commerce which again accounted for roughly 1/3rd of the national income, so that the credit needs of all productive sectors could be met more effectively.

A few limitation of the commercial banks in dispensing with farm credit may be indicated below:

1) The inadequate network of commercial banks in remote villages inhibit them to deal directly with thousands of individual cultivators residing within its jurisdiction; and

2) The rights and privileges conferred upon a cooperative society under the Cooperative Societies Act in each State were not available to the commercial banks with the result that the administration cost of dispensing of agricultural credit was much higher.
On account of the above limitations commercial banks had but to adopt a selective approach in providing agricultural credit to the cultivators. In the above context it was felt that the commercial banks might in addition to the finance provided directly to the individuals, consider financing PACSs on behalf of their members in areas where the concerned Central Cooperative Bank of the district was not in a position to advance adequate financial support to the societies. The proposal was considered and approved in 1969 by the Study Group of the National Credit Council headed by Dr. D. R. Gadgil. The said Council framed the following three broad objectives of the scheme as under:

1) To meet the production and medium term investment credit gaps in agriculture in areas where the Central Cooperative Banks are extremely weak;

2) To revitalize the working of the societies so that they could develop themselves into efficient business organisations operating at the village level; and

3) To simultaneously draw up and implement a positive programme for the rehabilitation of the weak Central Cooperative Banks which had to give up certain societies to be financed by the commercial banks.
Realising the need for rehabilitating the weak central cooperative banks (CCBs), the Reserve Bank of India launched in 1971 a programme of rehabilitation in respect of the CCBs whose bad and doubtful debts, accumulated loss and overdues over three years exceeded 50 per cent of their owned funds. The Reserve Bank of India reviewed the position from time to time to decide as to which bank needs such rehabilitation. From an initial number of 64 CCBs on the basis of the financial position as on 30th June 1970 included under the programme of rehabilitation, the number of weak banks identified for this purpose had increased to 180 by June 1977, besides rehabilitation programme covered by 5 State Cooperative Banks (SCBs) in areas where two-tier structure existed. In November 1979, the Reserve Bank of India modified the norms for the deletion from the list of weak CCBs and in the light of new criteria excluded 70 banks from the list. Even with this exclusion by June 1979, the number of weak banks stood at 106 with reference to their financial position as on 30th June 1978.

In 1972, the Government of India introduced a Central Sector Plan scheme to enable the Central/State Government to provide grants-in-aid to weak CCBs so that they could right-off their irrecoverable dues. 146 CCBs in 15 States and 3 SCBs in States where two-tier system is in operation have been assisted under this scheme and the Government of India released assistance amounting to Rs 781.42 lacs and Rs 14.71 lacs respectively upto
30th June 1979. The scheme has been discontinued by the Government of India since April 1980.

By and large the efficiency of the COBs was assessed taking into account their (a) performance in mobilization of adequate internal resources, (b) performance in meeting credit needs of the area, (c) performance in ensuring recovery of loss, (d) ability in regard to the efficient management of funds and (e) role played as federal body of PACBs. By applying the above standards, the Study Teams identified 7 out of 28 SCBs in Bihar, 16 out of 43 in Madhya Pradesh, 10 out of 25 in Rajasthan, 6 out of 21 in West Bengal, 9 out of 55 in Uttar Pradesh and both the COBs in Himachal Pradesh as inefficient units. Of late, the role of COBs should not be realigned to conform to the role assigned to the NABARD on the one hand to the ground level delivery system, on the other without which the vertical integration of the system would not be possible.

To play their new role properly, these banks have to be not only an effective channel for flow of funds for a much wider range of purpose than hitherto, but have also to improve their own capacity as well as that of PACBs to cover target groups not only in respect of agriculture and allied activities but also cottage and village industries and other avenues of self employment.

The focus, therefore, has now to shift from one of rehabilitation of weak COBs to one of developing COBs into capable district level institutions to undertake a wide range of function. These
would include formulation and implementation of schemes designed for promoting investment in the desired areas and for achieving productivity increases through application of improved technology, skills and management practice in the beneficiary units.

It is an established fact that apart from inadequacy of supply of finance, several other factors have come in the way of progress of the rural industries sector, such as non-availability of supply of raw materials or high cost thereof, lack of market arrangements for their products, especially lack of linkages with the urban consuming centres and lack of facilities to upgrade the skills of rural entrepreneurs. Insofar as cooperative credit is concerned, the CCBs will have to use their influence as financiers for bringing together cooperative agencies in charge of supply of raw materials and marketing of the products on the one hand and producers' cooperatives on the other. For the aforesaid purpose, the development wings of the CCBs will have to be sufficiently geared up.

Resources Management

Resources mobilisation by way of deposits and borrowings and resources deployment are the two sides of the same coin viz., resources management. It may be mentioned in this connection that deposit mobilisation scheme introduced by the Reserve Bank of India in July 1973 under which the higher rates of interest allowed on deposits of cooperative banks vis-a-vis commercial banks and

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priority was accorded to the cooperative banks for attracting deposits from Government and quasi-Government institutions. The extension of the Deposit Insurance Scheme to cooperative banks was also one such incentive. These steps definitely marked a significant increase in the deposits of the cooperative banks during the last few years.

Simultaneously the SCBs and the CCBs are also provided by the Reserve Bank of India’s refinance assistance liberally on concessional terms to enable them to provide assistance for agriculture and allied activities on easy terms. The relatively high cost of deposits on the one hand and the liberal concessional refinance linked to providing loans on easy terms on the other, have given rise to problems of management of resources. Some of the SCBs represented that they were facing a problem of surplus funds which they were unable to utilise for loaning within cooperative fold.

One solution to the high-cost deposits remaining surplus with some of the cooperative banks lies in their developing other cooperative banks like agro-processing such as cooperative sugar factory, cooperative fertilizer factory etc. to all to offset losses arising from utilising a sizeable portions of their deposits for agricultural finance. Of late, however, most of these cooperative banks have succeeded in diversifying their business to a considerable extent thus rescheduling their loan
portfolios. Financial assistance is now being provided by them for a variety of purposes including the marketing and processing of agricultural products, storage and distribution of fertilizers, etc. Pursuant to the recommendations of the Study Group on Interest Rates in the Cooperative Credit Structure, 1979, appointed by the Reserve Bank of India, the SCBs are now permitted to loan to institutions outside the cooperative fold viz. dairy development cooperation, agro-industries corporation, State Electricity Boards, subject to the restrictions that the total advance of SCBs for such non-agricultural purposes should not exceed the deposit resources raised from sources other than cooperatives and the institutions financed should be related with activities which facilitate rural production, processing and marketing. SCBs are also permitted to invest surplus fund temporarily in call deposits with commercial banks upto the prescribed ceiling, taking into account the resources position, composition of deposits, investment in various sectors etc. The problem arises in some of the banks due to the fact that they had mobilised mainly term deposits bearing interest from 7 to 10 per cent and which they were not able to employ on commercial terms. Keeping in view the average interest costs on deposits, the cooperative banks should be allowed to charge higher interest rates on agricultural loans to large farmers compared to small farmers.
Given the structure of interest rates for agricultural loans, for concessional finance and for the deposits mobilization by the banks, and given the limited scope for financing such agro-based activities as can absorb high cost funds, SCBS/OCBs are found to have surplus resources. In this context, the learned members of the CRAPICARD recommended that in order to mitigate the problems of surplus funds with SCBs, the cooperative banks should also take the initiative to enter into consortium arrangements with commercial banks for financing agro-industries including processing units. 14