CHAPTER-I

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Rural Sector has occupied an important place in the national economy of India. Gandhiji’s statement “India lives in its villages” is found to be valid even today as 74.3 percent of India’s population still lives in some 5,80,000 villages. Agriculture and allied activities contribute 29 percent of India gross domestic production (GDP) at factor cost at the current price in 1994-95 offering livelihood & employment to about two third of country’s population\(^1\). Thus the development of rural sector may be considered as the foundation of overall development of the nation. In fact rural development is the most important device to achieve the twin objectives Growth and Social Justice.

CONCEPT & SIGNIFICANCE OF RURAL DEVELOPMENT

Rural development has positioned as a distinctive field of research and public policy worldwide, particularly in the developing countries like Africa and Asia. It has got much prominence after inception of the new strategy for development planning by the World Bank and UN agencies. Rural Development is a flexible concept and everyone interprets it from his own point of understanding but the broad consensus is that the approach has put more emphasis on those activities which are mainly concerned with the rural areas. The World Bank Policy Paper (1975)\(^2\) defined rural development as a strategy to improve the economic and social status of a specific group of people, the rural poor including small and marginal farmers, tenants and the land less. Rural Development includes development of agriculture and allied activities, economic and social infrastructure, public health, education, housing etc.

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The new strategy concerns with different issues of rural areas which includes inequalities in income and employment, non-availability of public goods & services and the alleviation of poverty. John Harris (1992)\(^3\) refers to Rural Development as a process of change in rural societies in the sense of poverty and inequality with State intervention in the economies of underdeveloped countries. It is much more broader than 'Agricultural Development.' According to a UN Report\(^4\) Rural Development has come into international usage to connote the process by which the efforts of people themselves are united to those of governmental authorities to improve the economic, social and cultural conditions in the life of the nation and to relate them to contribute fully to national programmes\(^5\). It reveals that the rural development is a subset of the broader term 'Development'. Broadening the horizon of rural development. V.M. Rao (1995)\(^6\) has commented that it is not only a strategy for economic betterment of people but a device of broader social transformation which break away all the structural disabilities of rural masses. In similar line Katar Singh (1999)\(^7\) has defined the 'Rural Development as a process leading to sustainable improvement in the quality of life of rural people.' It comprises with both the spatial and functional integration of all relevant programmes for agricultural growth, reduction of unemployment and poverty among the rural people. Analysing the importance of rural development in Indian Context, Hon'ble Prime Minister Shri Atal Bihari Vajpayee (1998) commented that "Rural development is the engine of India's national development".\(^8\)

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\(^3\) Harris, John (Ed) (1992) *Rural Development*, Rout Ledge, " New Fether Lane, London EC AP4EE P-16-72

\(^4\) Quoted ii "Administration of Rural Development in India, Hoshiar Singh (1495), Sterling Publishers Pvt Ltd.


\(^6\) Singh, Katar (1999), *Rural Development*, p-21

\(^7\) Prime Minister, Shri Atal Bihari Vajpayee's speech at the conference of State Ministers of rural Development, Rural Housing and Panchayati Raj held in New Delhi on May. 13 1998.
Thus the Rural Development includes the development of economic, social and cultural activities which improve the overall standard of life of the rural people. Here development of economic activities includes development and extension of agriculture and allied activities, village & cottage industries etc. where as development of socio – economic infrastructure, community services, extension of social institutions comes under social and cultural activities. All these developmental activities can be ensured through a technological transformation. The rural development therefore, is a multi-disciplinary phenomenon with an objective of overall improvement of the rural areas.

STRATEGIES AND APPROACHES

India has a long history of government involvement in rural development. Poverty alleviation has been the primary objectives of policy makers in India. Since the British rule the recommendations of the Famine Commission of 1860, 1898 and 1901 had formed the basis for the rural development policy in British India. The commission of 1880 suggested the removal of obstructions in front of the trade, internal communications, agriculture etc. Introduction of land tenure system, opening up of communications, promotion of export trade, creation of Forest Department in 1864 and the Dept of Agriculture in 1871, the appointment of Royal Commission on Agriculture in 1926 were some of the strategies taken by the British government during their rule.

Prior to Independence, a number of rural development experiments were conducted by the nationalists and social reformers during the period of national movement; the most pronounced among them were Sriniketan experiment (1920), Mathandam Rural Reconstruction experiments (1921), the

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8 Technological Transformation, for the present study, refers i) Land development ii) Land use Planning iii) Farming System iv) Shift cropping pattern v) Level of Technology adoption in agriculture and allied activities. (For further details see. GOI, (1952) First Five yr. Plan. P-102-105)
Gurgaon Experiment on Self-help, Self – respect and Mutual help (1921) Construction Programmes of Gandhiji (1925) , The Baroda Rural Reconstruction Movement (1932), the Firka Development Scheme, Madras (1946), the Mazdoor Manzil – Nilokheri Experiment (1947), the Etawah Pilot Project (1948) and so on⁹.

Rural Development Approach in independent India began with the multi-purpose approach and passed through different phases. The Community Development Approach started in 1952 and aimed at building grass root level democratic institutions and contributing to the material well – being of rural people. In fact it was viewed as a programme which facilitates transfer of technology and extension of agencies for the transformation of social and economic life of the villagers. This programme included multifacet activities like agriculture and animal husbandry, irrigation, co-operation, village and small scale industries, health and sanitation, education, communication and housing.

Self – sufficiency in food-grains was one of the main objectives of the third plan which resulted the adoption of Intensive Agricultural District Programme (IADP). This programme was initiated in 1960-61 with the objective of achieving rapid increase in agricultural output through better access to technical, financial, extension and administrative resources. This programme was re-named as Intensive Agricultural Area Programme (IAAP) and extended to all over the country in 1964. Though the Programme resulted in a spectacular increase in food grain production, it was observed that it helped only the well to do farmers in the rural areas but the benefits did not reach the rural poor. In order to enable the weaker section of the society to raise their productivity and income, Target Group Oriented Programmes were initiated. These programmes included Small Farmer Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers Development

Agency (MFALDA) which provided assistance in transfer of capital, physical inputs and technology by means of extension, training, marketing and concessional finance.

Area Development Programmes include Drought Prone Area Programme (DPAP), Command Area Development Programme (CADP), Hill Area Development Programme (HADP), Tribal Area Development Programme (TADP) and Desert Development Programme (DDP). These programmes were adopted with the objective of achieving all round development of identified under-developed areas through optimum utilisation of all productive resources of those areas. Minimum Needs Programme was initiated in view of the two main objectives of fifth plan; Removal of poverty and Attainment of economic self-reliance. The programme ensured the flow of public goods and services and the extension of opportunities for earnings of the poor. In this plan period multilevel planning was emphasised and concentration was put on human resources development through promotion of investment in rural health, rural water supply, nutrition, sanitation, elementary and adult education, rural roads, rural electrification, housing for landless, public distribution system etc.

Several employment oriented programmes were adopted in order to generate additional gainful employment for unemployed and underemployed rural poor. Major programmes in this area are National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme, (RLEGP) Training of Rural Youth For Self Employment (TRYSEM) Development of Women and Children in Rural Areas (DWCRA), and Jawahar Rozgar Yojna (JRY).

Among other rural development programmes Integrated Rural Development Programme (IRDP) is most talked about. It was initiated in 1978 in selected districts and extended countrywide by 1980. The basic objective of
IRDP was to bring the identified rural families out of the poverty line (GOI, 1981)\textsuperscript{10}. Through this programme identified families of rural areas who are below the poverty line are given assistance enabling them to generate income and to raise their standard of living. The emphasis of the programme was to create opportunities of self-employment by the way of transferring productive assets to beneficiaries in different sectors\textsuperscript{11}.

In recent years the outlays for rural development and social services in the union budget have more then doubled and stood at 31.3 percent in 1995-96. In the approach paper to the Ninth Five Year Plan, the following objectives are listed (GOI : 1997)\textsuperscript{12}.

1. Priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty.

2. Accelerating the growth rate of the economy with stable prices.

3. Ensuring food and nutritional security for all, particularly the vulnerable sections of society.

4. Providing the basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter and connectivity to all in a time bound manner.

5. Containing the growth rate of the populations.

6. Ensuring environmental sustainability of the development process through social mobilisation and participation of people at all levels.

7. Empowerment of women and socially disadvantaged groups such as SCs, STs and OBCs and minorities as agents of serio-economic change and development.

8. Promoting and developing people's participatory institutions like panchayati raj institutions, co-operatives and self-help groups.


It is contemplated from the above objectives that the plans and policies taken by Government are designed to improve the conditions under which rural people work and live.

In spite of untiring Governments' efforts, it is realised after fifty years of Independence that the rural development programmes could not achieve the desired result and they left out vast majority or rural households below poverty line. The Study Group on anti-poverty programmes headed by Indira Herway, the chairperson, the National Commission on Rural Labour (1991) observed that though initially the performance of poverty alleviation programme were positive in results, consequently the poorer sections of back ward regions could not enjoy the benefit of the programme (GOI : 1991)\textsuperscript{13}. IRDP, which was considered a focal programme of bringing out the poorer sections from the clutches of poverty failed to show a very encouraging result. As various studies revealed, the percentage of people crossed the poverty line ranged between 17-49 only. Likewise the outcome of other rural development

programmes also indicate yawning gaps in reducing poverty, generating employment and raising the standard of living of the rural folk.\footnote{Rajakutty, S. (1999) Rural Development in India Since independence An introduction. R.K.Choudhury et al (ed), Fifty Years of Rural Development in India, NIRD, Hyderabad.}

**INTERFACE BETWEEN CO-OPERATIVES & RURAL DEVELOPMENT**

It has been manifested by various authorities that despite putting great efforts by the government still a majority of rural people continue to be poor. The rural sector contributes about 69 percent to national income of India but its share in facilities available is very negligible. Rural sector constitutes 85 percent\footnote{Singh, R.P. (Ed) (1997) New Economic Policy and Perspective to Rural Development, Hyderabad, NIRD p-57} of total illiterates of the country, rural electrification accounted for 15 percent of the total, a very little medical, water supply and other facilities are available for the rural people. Out of total commercial bank credit, rural sector receives only 12.7 percent (RBI, 1995).

Many factors like lack of trained and dedicated personal, red-tapism and most importantly non-participation of people and non-availability of credit are responsible for this State of affairs. It has been realised that the government efforts through full sponsorship of rural development programmes alone cannot re-construct the rural economy. For greater degree of success the larger participatory approach where poor may involve themselves in the process of return of their socio-economic conditions is indispensable. In this perspective co-operatives play a pivotal role as a “Welfare Instrument”. The co-operative form of organisation ensures group efforts for each and every member who joins the group. The idea of co-operative essentially based on the principle of involving people directly in the management of their different problems because it is the people who know best what their problems are, what their priorities are and what could be the best solutions to suit their needs. On the other hand, the process of rural development is restrained by

another factor, the oppressive burden of debt. A majority of Indian villagers live in a state of perpetual debt. Money lenders or rich farmers exploit the rural poor by paying low for the produce at harvest and collecting a large part of it through exorbitant interest charges. The reason behind this fact is inadequate access to resources and lack a institutional support. Here also co-operatives play a significant role in catering to the credit needs of rural poor for the betterment of their living standard. Co-operative credit opens up opportunities for the rural masses to enable them to improve their living standard by providing different types of credit. An analysis of definition and principles of co-operation will give a better understanding regarding the place of co-operatives in rural development.

DEFINITION AND PRINCIPLES OF CO-OPERATION

The word co-operation is originally derived from the Latin word `co-operi' which means working together. Numerous opinions and definitions have been offered by various economist, co-operators and thinkers in the context of the circumstances prevalent in their respective countries for a proper understanding of the meaning of co-operation.

H. Clavert\(^\text{17}\) defines co-operation as "a form of organisation where in persons voluntarily associate together as human being on a basis of equality for the promotion of the economic interest of themselves". In the same line India's leading co-operator Prof. V.L. Mehta (1986) commented to co-operation as a vast movement which brings the people together for fulfillment of their common economic needs. C.R. Fay (1948)\(^\text{18}\) defines the co-operative as association formed by the individuals of the weaker sections of the society for the purpose of sharing the rewards among them out of joint trading. This definition contracts the scope of co-operatives and confined to the weaker sections only. In fact it is an association of individuals may be of any section

\(^{17}\) Citied in Hough, E.M., The co-operative Movement in India p-5
of the society with a motto to provide service to themselves and not to make profit on capital. A renowned co-operator P. Lambert (1968)\textsuperscript{19} defined the co-operations as an enterprise formed and directed by an association of users, applying with in itself the values of democracy and directly intended to serve both its own members and the community as a whole. Here the ambit of co-operation was expected to be wider and co-operatives were supposed to extend services for the interest of general public in addition to the members of the societies.

In due course the definitions of co-operatives have undergone a change and extended it's preview of operations. In addition to the main objectives of achieving the common economic needs of the members, the co-operatives were considered to be instruments for protecting the social and moral interest (R.B.Tyagi 1968).\textsuperscript{20} Widening the scope, the International Co-operative Alliance (1995)\textsuperscript{21} defined the co-operative as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise."

Therefore the concept of co-operative may be conceived as a voluntary association of individual with common goals who work together on democratic way for the promotion of economic, social and moral interest of community in general and of the members in particular.

Although co-operation has been defined in various ways to suit the individual requirements of a country all of them indicate some common principles of co-operation essential for the movement. These principles are broad guidelines which direct the co-operative movement at present and

\textsuperscript{19} Lambert, P. (1958), \textit{A Fresh Analysis of Rochdale Principles}, p-11.
\textsuperscript{20} Tyagi, R.B., (1968) \textit{Recent Trends in the co-operative Movement in India}, Asia Publishing House, Calcutta. P-7
\textsuperscript{21} ICA (1995), Manchester session
indicate the follow-up action to be taken up in future. Co-operative principles are the ways of organising & conducting co-operative activities which will lead the organisation towards the achievement of the movement.

Co-operative principles have been formulated on the basis of experience gained by the co-operators in various countries. Thus the principles of co-operative have been changing from time to time.\textsuperscript{22} International Co-operative Alliance in its report in 1995 considered the following principles as essential for an effective co-operative movement.

1) Voluntary and open membership
2) Democratic Control
3) Member Economic Participation
4) Autonomy and Independence
5) Education Training and Information
6) Co-operation among co-operatives
7) Concern for Community.

\textbf{RURAL DEVELOPMENT THROUGH CO-OPERATIVES}

Involvement of co-operatives in rural development is not a new approach. Since time immemorial co-operatives has been used as a device of

\begin{itemize}
\item The committee set up by the International Co-operative Alliance in 1937 selected the following as Rochdale co-operative principles:
\begin{enumerate}
\item Open membership
\item Democratic control
\item Limited interest on capital
\item Distribution of surplus to members in proportion to their transactions
\item Political and religious neutrality
\item Cash Trading and
\item Promotion of education
\end{enumerate}
\item In 1966 the International Co-operative Alliance reformulated the co-operative principles taking the following principles:
\begin{enumerate}
\item Voluntary and open membership
\item Democratic control
\item Limited interest on share capital
\item Patronage Dividend
\item Co-operative dividend and
\item Co-operation among co-operatives
\end{enumerate}
\end{itemize}
rural development by different countries. The reason for success in Germany was that the ideology and methodology of co-operative which encourage people to organise to help themselves as well as the society (D. Jha, 1995)\textsuperscript{23}. Taiwanese co-operatives also have been offering excellent services for the advancement of farming techniques and knowledge and improvement of rural living conditions. These societies includes the activities of co-operative marketing and processing of farm products, purchase of farm supplies, extension of farm loans and acceptance of farm deposits, distribution of fertilizers, sponsoring agriculture extension services and other rural welfare services (Katar Singh : 1999). Among the other Asian countries Japan, Korea, Thailand and China are the countries where one sees a full-fledged co-operative activities (SS.Puri, 1987)\textsuperscript{24}. China’s Farmer Credit Co-operatives have played a very significant role in rural economic development and have become one of the major sources of finance for China’s rural development. More over, co-operative movement in China enabled the farmers to put in enormous manpower, material resources and funds to build water conservancy projects, improve the soil, reclaim and cultivate new variations of breed, develop rural resources, etc. (APRACA : 1991)\textsuperscript{25}.

In India also co-operatives occupy an important place in rural economy. The co-operative movement has gradually expanded its network to almost every nook and corner of the country and to-day it is covering 100\% of the rural India. India can rightly claim to have largest network of co-operatives with its almost 5 lakhs societies constituting of 207 million members. Besides providing employment opportunities and additional income generation through various spares of economic activities like credit and banking, agro-processing,


\textsuperscript{25} APRACA (1994), Rural Credit Co-operatives in China, \textit{Asia-Pacific Rural Finance}, Mumbai, p-21-23
manufacturing, fertilizers and dairy products and so on, the co-operatives have been providing a variety of social services also to their members (B. S. Vishwanathan 1999)\textsuperscript{26}. Indian co-operatives have been dominating the field of agro-processing activities, Co-operative sugar industry and Diary co-operatives achieved the distinction of largest producer of sugar and milk in the world. The two giant co-operative fertilizer plants Indian Farmers Fertilizer Co-operative (IFFCO) and Krishak Bharali Co-operative Ltd (KIRIBCO) produce over 21 percent of total fertilizer in the country. In the marketing system also co-operative has an integrated channel for the flow of commodity from production to the consumption comprises the National Agricultural co-operative Marketing Federation of India Ltd.(NAFED) at the national level, 29 State level co-operative marketing federations and 8236 primary marketing societies. Moreover, for the development of the weaker sections, co-operatives entered in the various employment generating area like Fisheries, Poultry, Piggery, Handloom and Labour co-operatives.\textsuperscript{27}

Co-operative Credit plays a vital role in increasing agricultural production in India where agriculture has predominance in the economy. To meet the increasing demand for agricultural credit, which is made in the Green Revolution, the State's responsibility to provide with the required credit to the farmers and weaker section on easy terms also increased. Thus, for the agricultural and rural development, institutionalization of rural credit has been considered as immense important. Co-operatives are operating in the rural sector for approximately a century and it is a fact that among institutional agencies which provide finance for agriculture & rural development, co-operatives are the most suitable agencies under Indian phenomenon.\textsuperscript{28} This is because in a country like India co-operative credit societies can bring several advantages to the rural society. As the Indian rural society is made up of

\begin{itemize}
\item \textsuperscript{26} Vishwanathan, B.S., (1999), \textit{The Co-operator}, Vol.- xxxvii. No. 1, July, p-6
\item \textsuperscript{27} P.P. Singh (1999), KIRIBCO and Co-operative Development, the Co-operator, vol.xxxvi no. 10 April 11, 1999, p-425
\end{itemize}
mostly agriculturist and a majority of them are with very limited resources at their disposal, it is very difficult for them to save necessary finance for investing in agricultural and allied activities. The flow of credit from profit oriented commercial banks, despite their large branch network in this sector, is not adequate. This situation compels farmers to enter in to the exploitative grip of the indigenous money lenders. The only way to free the farmers from that grip is to provide enough credit through co-operative societies. Another important advantage of co-operative credit system is that the rate of interest charged by it is comparatively lower than other institutional agencies which is a great help for the rural masses. Moreover, co-operative credit societies work in those remote areas where other agencies are not at all interested to extend their services.

Thus, in India, co-operative has been regarded as the most desirable form of institutional credit for rural development among all the institutional sources of finance. Emphasizing the role of co-operative credit societies, Mrs. Indira Gandhi rightly pointed out it as the most potential powerful institution.

To combat rural indebtedness and supply credit to farmers the idea of co-operative took concrete shape in India for the first time in 1904 when Co-Operative Credit Societies Act was passed. Many committees on Rural Credit and Agricultural Credit starting from Maclagan Committee many times advocated the co-operative credit for rural development.

Following the recommendations of the Rural Credit Survey Committee Report (1954), promotion of co-operatives was accepted as a part of State Policy in the development of various economic activities specially in rural areas. In the three-tier system of credit co-operative, State Co-operative Banks at the apex level are expected to play a significant role in rural development. In co-operative credit system, State Co-Operative Banks are operating as a key-stone of co-operative credit movement in the State for
ensuring rural development (Mathur 1975). However, Shollapur (1995) called the State Co-operative Bank not only a leader of credit co-operation rather the leader of the entire co-operative movement in the State. With a deep rooted commitment to serve the farmers and strengthen the rural development today co-operative credit societies provide more than 50 percent of agricultural credit to the rural farmers in forms short term and medium term loans. The co-operative banks support both the land based and non-land based investments to the farmers. Land-based investments consists of minor irrigation, farm mechanisation, land development and development of plantation and horticulture. Under non land based investments dairy, poultry, sheep rearing, pisciculture etc. are included. Recently co-operative banks have taken up financing the non-farm activities covering rural artisans, small transport operators, cottage industries and other small rural enterprises.

SOCIO-ECONOMIC PROFILE OF ARUNACHAL PRADESH

The Break – drop

Arunachal Pradesh, the largest State (areawise) of north eastern India is one of the least developed States of the country. This State, formerly known as North – East Frontier Agency (NEFA) was under the control of Ministry of External Affairs of Government of India till 1964. This responsibility was transferred to Ministry of Home Affairs in 1965. On 21st January 1972 the NEFA was christened as Arunachal Pradesh and constituted as Union Territory. It was bestowed with legislative power with effect from 15th Aug 1975 and attained the present Statehood status on 20th Feb ‘1987.

This is a hilly State spread over an area of 83,743 sq. km. with altitudes varies between 2940 metres in the north to 135 metres in the south (as per

29 Mathur, B.S. 1975, Co-operatives in India, p-245
31 National Resource Centre, NCUI, 1998
1991 census). However, few places are found to be plain land which are adjoined with the neighboring State of Assam.

For the smooth functioning of the administrative machinery the State is divided into 13 districts with 36 Sub Divisions, 56 Blocks and 135 Circles as on 31st March 1997. Besides, 13 Zila Parishads, 78 Anchalik Panchayats and 2012 Gram Panchayats were organised in order to help the administration of the State.

As per 1991 census, Arunachal Pradesh has a population of 8,64,558 persons with an average population of 78,596 person per district. It is the most thinly populated State in the country registering a density of population 10 persons per sq.km. Demographically the State is dominated by the tribal people constituting 63.66 percent of total population. Major tribes living in the State are Adi, Nishi, Monpa, Miji, Tagin, Idu, Misimi, Sperdupen, Khamti, Apatani, Nocte, Wancho, Singfu etc.

Rural Character

The economy of the State is predominantly rural in character. This is evident from the fact that nearly 87 percent of its population live in 3649 villages and over 67 percent of main workers are engaged in agriculture & allied activities. Moreover, no place is yet declared city or town in the State and no municipal act is enacted or applied. However, for certain administrative purposes a few places have been declared as urban areas on empirical basis.

Agricultural Economy

Agriculture has been occupying a significant place in the State’s economy contributing over 28 percent to GSDP at factor cost at current prices in 1995-96. In 231000 hect. of gross cropped area with 187000 net sown

area, a number of cereal and commercial crops are cultivated. The main cereal crops are Rice, Maize, Wheat, Millet and Pulses. Among commercial corps Oilseeds, Potato, Ginger, Turmeric, Chilly, Sugarcane and Vegetable are produced largely. The remarkable feature of agriculture in the State is the large scale practice of jhuming (shifting cultivation). About 60 percent of the net cropped area is under shifting cultivation. However, the terraced cultivation is also practiced in some areas. The total production of food grains during 1996-97 was 1.99 lakh M.T. followed by Oil Seeds production of 24.23 thousand M.T. and pulses production of 6.67 thousand M.T. Agriculture alone provide livelihood to 65.48 percent of main workforce of this State. Horticulture also plays an important role producing a large quantity of fruits and by that way engaging the rural people for their livelihood. Apple, Plum, Banana, Orange, Walnut, Guava, Pear, Pineapple, Peach, Lemon are major among horticulture produces.

Natural Resources

Arunachal Pradesh is endowed by a number of natural resources viz., mineral resources, water resources, forest resources etc. Among mineral resources the important are Dolomite, Graphite, Coal, Limestone, Crude oil, Natural Gas, and Marble. The main rivers of the State viz., Lohit, Siang, Kameng, Subansiri and their contributories are making Arunachal Pradesh a hydro potential State. Forest covers an area of 51.54 thousand sq.k.m in Arunachal Pradesh accounting for 62 percent of total area. It has been providing a vital life support to the tribal people of the State. Many small forest based industries have grown up in this State. In the year 1996-97 State government earned a revenue of Rs. 2523.60 lakhs from forest resources.

Besides, the economy is having a huge number of livestock. As many as 346000 cattle’s, 612000 other animals, 13 poultry / duck farms with 1172

33 Govt. of Arunachal Pradesh, Statistical Abstract of Arunachal Pradesh, 1996
34 op cit.
birds (poultry & ducks) and 15 animal farmers are there as on 31st March 1997. Pisciculture also another important area of the State economy. Total area under Pisciculture in 31st March 1997 stood at 2257 hact., as against 2058 hact. In 31st March 1996. Annual fish production also reached at 2002 tones registering a growth rate of 8 percent over the previous year.

Industry

In spite of having bright prospects for Tea industry, Food Processing Industries, Fruit Processing Industry, Handi Crafts, the State remains poor in industrialisation. Although a number of 3363 SSI and village industries with 19 medium scale industries were there a few of them only economically sound.

Banking Infrastructure

In Arunachal Pradesh, a very little banking services are available particularly in rural and remote areas. A few nationalised banks opened their offices in the State but their operations are mostly confined to the urban centres only. In fact among the nationalised banks SBI is the lone bank to extend its network of branches to every districts in the State. Other nationalised banks are operating in one or two districts, according to their convenience (See-Table-1). Even the RRB of Arunachal Pradesh has not extended its operations to all the districts. Although the average population served by bank offices in the State is quite favorable being 873335 when viewed against the norms of 10000 suggested in the RBI study report on Banking Development in N.E. Region, due to scattered inhabitant of people covering a large area under a bank branch, the banking services do not reach the people of far flung areas. As a result, the needy farmers and rural poor are always being deprived from receiving the bank finance. It restrains the development of rural economy and consequently the rural poor continues to be poorer.

### TABLE – I

**District-wise Distribution of Bank Offices in A.P**

<table>
<thead>
<tr>
<th>District</th>
<th>State Bank of India</th>
<th>RRBs</th>
<th>State Co-operative Apex Bank</th>
<th>Other Banks</th>
<th>Total Bank Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAWANG</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>WEST-KAMENG</td>
<td>7</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>EAST KAMENG</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>PAPUMPARE</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>LOWER SUBANSIRI</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>UPPER SUBANSIRI</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>WEST SIANG</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>EAST SIANG</td>
<td>3</td>
<td>7</td>
<td>1</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>UPPER SIANG</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>DIBANG VALLEY</td>
<td>2</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>LOHIT</td>
<td>4</td>
<td>-</td>
<td>3</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>CHANGLANG</td>
<td>4</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>TIRAP</td>
<td>4</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>42</strong></td>
<td><strong>19</strong></td>
<td><strong>31</strong></td>
<td><strong>7</strong></td>
<td><strong>99</strong></td>
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</tbody>
</table>

*Source: SBI (Lead Bank), Itanagar, A.P*

Considering the structure and the conditions of the State’s rural economy it is felt that the co-operative credit may play a very significant role in rejuvenating the rural economy of the State. To achieve rural development in such an economy, the people’s participation and group efforts are preconditions where geographical and other barriers are very strong. Cooperatives are indeed fit in this situation because they bring people closer to one another and ensure common participation in meeting their needs.
Launching Of APSCAB

Till December 1970, there was hardly any credit institution in NEFA. All the funds were disbursed through Governmental agencies. The private trading activities were financed from the funds brought by the outsiders and/or own funds of the local people. It was December 1970 that the first branch of the State Bank of India was opened at Pasighat.

Realising the difficulties connected with getting timely finance for co-operatives from the budgetary resources and also the absence of co-operative credit structure through which RBI and ARC funds are channelised, a proposal for establishing a co-operative bank was discussed during 1968. However after examining in detail it was found to too premature, taking in to account the communication problem and socio-economic conditions of the various tribes and non-viability.

With the objective of meeting the credit requirement of the rural folk and promoting the rural economy of the State the first and only bank in the co-operative sector was established in Sept’1978 under the name and style “The Arunachal Pradesh State Co-operative Apex Bank Ltd. (APSCAB). The bank has expanded its network not only to every districts of Arunachal Pradesh but also to many remote places of it. With the head office at Naharlagun presently as many as 31 branches of the bank have been serving to different groups of people. The APSCAB provides both short term & medium term finances to various activities. Major schemes among them are seasonal cultivation of crops, cultivation of oil seeds like mustard, seeds, cash crop cultivation, farm mechanisation, weavers, animal husbandry and allied activities, horticulture fisheries, tea garden & transport operator. Besides, the bank provides all type of loans to co-operative societies of the sector. The bank also provides finance to anti-poverty programmes mainly Integral Rural Development Programme (IRDP). As on 30th June 1998 the APSCAB accounted for 40 percent share in States total agricultural advances provided by all banks. The
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bank's percentage of priority sector advances to total advances is 52 percent. As on 31st March 1997 APSCAB sanctioned Rs.10.78 Lac to the IRDP beneficiaries out of the total bank finance of Rs. 21.99 Lac to this scheme accounting for over 49 percent. In addition to the above, it caters to the financial needs of the different co-operative societies under various schemes viz. short term (agri) medium term (agri) procurement loans medium-term (industry) cash credit (socy.) etc.

CONCLUSION

Despite being rich in natural and other resources Arunachal Pradesh still continues to be a poor State. Inaccessibility and long-isolation of areas have been posing as constraints to the efforts for the socio-economic development. Inadequacy of infrastructural facilities like roads, bridge, power, communications and most importantly institutional finance stand as obstacles to the process of all round development. Co-operatives, in this process, are contributing a lot in the State. In the tryst of catering to the credit needs of rural people the "Arunachal Pradesh State Co-operative Apex Bank" being the leader of credit co-operation in the State has been providing finance to various groups of people. During its two decades of lifetime the first and only co-operative bank has occupied a very significant place in the rural economy leading a successful co-operative movement in the State. The researcher felt that it is high time to evaluate the performance of the bank in regard to promoting the rural economy of the State. Therefore, the present study has been undertaken to make an investigation on the role of the Arunachal Pradesh State Co-Operative Apex Bank, the only bank in the co-operative sector.