CHAPTER-2

CO-OPERATIVE BANKING IN ANDHRA PRADESH
The Co-operative banks are the important constituents of the Indian Financial System. These institutions were set up with a view to provide credit to agriculturists at low rates of interest to free them from the clutches of the money lenders and to ensure that "credit" reaches the farmers, enabling them to meet their production needs so as to increase production and productivity in the rural areas. These objectives of the policy are still unchanged. Co-operative banks have played an important role in the development of rural credit. Co-operative banks exist in each state of the country. These banks have been functioning over a period of century.

Co-operative banks have a three tier inter-penetrative structure with State Co-operative Banks at the Apex / State
level, District Central Co-operative Banks at the middle / District level and Primary Agricultural Credit Societies at the base / Village level. Though registered under the Co-operative Societies Act of the Respective States (where formed originally), the banking related activities of the co-operative banks are also regulated by the Reserve Bank of India. They are governed by the Banking Regulations Act, 1949 and Banking Laws (Co-operative Societies) Act, 1965.

As a measure of institutional strengthening, NABARD provides refinance against the loans extended by these co-operative banks. Co-operatives are now envisaged as one-stop shops for meeting the needs of production credit, investment credit, indirect finance and actual credit flow to the farm sector.

PROFILE OF ANDHRA PRADESH

The new Andhra State was formed out of the composite state of Madras with eleven Telugu speaking districts in 1953. The nine telugu speaking districts were existing in a separate Hyderabad state. In accordance with the recommendations of the States Re-organisation Commission, the nine districts were merged with Andhra State from former princely State of Hyderabad for carving out the Andhra Pradesh State. In other words, the formation of new Andhra Pradesh State was the
result of fusion of two regions, namely, Telangana and Andhra regions. On 1st November 1956, the full-fledged state of Andhra Pradesh was born with twenty districts. Later, Prakasam, Rangareddy and Vizianagaram districts were created. On the basis of economic and geographical features, the state is divided into three regions Viz., Telangana, Coastal Andhra and Rayalaseema, having diverse political and economic background. It is the fifth largest state in India, both in area and in population.

**Geographical Area**

The total geographical area of the state is 2,76,754 square kilometers. Naturally, the state has a broad strip of coastal plan. It is located between 12'-14' north latitudes and 76'-50' east longitudes. It is situated on the eastern side of the peninsula and southeastern part of India. Orissa and Madhya Pradesh bound it on the north, on the northwest by Maharashtra, Karnataka on the western frontier and on the south by Tamilnadu.

A Map of Andhra Pradesh is given in Fig 2.1.
Fig 2.1

ANDHRA PRADESH
2001

[Map of Andhra Pradesh with cities labeled]
Population

The total population of the state as per 2001 census is 7,50,27,541. The rate of growth of population during 1991-2001 is 13.86 per cent representing an increase from 665 lakh persons in 1991 to 750 lakh in 2001. The density of population per square kilometer is 275 as per 2001 census, while it was 242 in 1991 census. The sex ratio is 978 females per 1000 males, whereas it was 973 in 1991 census.

Sources of Irrigation

There are three types of irrigation systems in the state Viz., canals, tanks and wells. The increase in area irrigated has been contributed by these sources. Canals are the important form of irrigation in the state.

Agriculture

Andhra Pradesh is often called as greenery and rice bowl of south India. The agriculture is the primary sector employing the largest segment of the working population. Nearly 70 per cent of the population of the state is depending on agriculture. The state is blessed with many congenial agro-climatic conditions suitable for agriculture. The crops both commercial and non-commercial are grown practically all-around the year. Rice, wheat, jowar, bajra, maize, ragi pulses,
ground nut, castor, oil seeds, cotton, tobacco, sugarcane and chillies are the principal crops grown in the state.

**Mineral Resources of the State**

The state possesses abundant mineral resources. It is the principal supplier of coal in south India. The state accounts for about 11 per cent of the total mining of mica and manganese ores in the country. There are deposits of iron ore, steatite, graphite, feldspar and chromite.

**Banking System**

The institutional credit system for the rural sector in the state is composed of both co-operative and non-co-operatives. In the co-operative sector, 22 Central Co-operative Banks and 4564 Primary Agricultural Credit Societies are providing financial and banking assistance to rural masses. In the co-operative sector, Commercial Banks are the important one. These banks are also drafted into the field of rural credit, but only after the nationalization of 20 major Commercial Banks i.e., 14 in 1969 and 6 in 1980. Thereafter, the Commercial Banks as a class began to enter the rural sector in a big way.

**CO-OPERATIVE MOVEMENT - GENESIS AND MOVES**

"Revolts grow from the anger of the people and movements grow out of their hopes".

--Jack Bailey
Co-operative movement owes its origin in the forties of the 19th Century in Europe when the poorer sections of the population saw in co-operation an effective means to secure salvation from the hardships of the rapid industrial revolution. But this was viewed as a conspiracy in restraint of trade and so tended to be suspected by the governments of the day. Moreover, co-operation in the urban areas in those days was often linked with trade unionism, which was then regarded as a revolutionary doctrine. In the second half of the 19th century, the movement was accepted as a legitimate effort but it was only tolerated rather than welcomed by governments. Gradually, with the turn of the century, the governments of Western Europe were not only prepared to accept the movement but also ready to promote it. And “today the co-operation is a world-wide movement. It exists in some form in every continent and in every considerable country”.

**International Scenario**

The movement has always been the brainchild of necessity and distress. The movement was originated in England in 1793, when Robert Owen, a poor Welshman, who was called as the father of co-operative movement, first propagated the ideal co-operation. Another staunch supporter of co-operative movement in England was William King (1828) of Broughton, popularly known as the ‘poor man's doctor’
whose main contribution was the publication of a periodical entitled 'British Co-operation' where he said:

"Union is strength. What one could not do, many might. But before many can work, they must join hands; they must know their object and feel a common interest and a common tie".

Table 2.1 depicts the spread of co-operatives in various countries (both developing and developed) of the world to solve their socio-economic problems.

<table>
<thead>
<tr>
<th>Types of Co-operatives</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer’s Co-operatives</td>
<td>England, Russia &amp; Sweden</td>
</tr>
<tr>
<td>Credit Co-operatives</td>
<td>Germany, Italy, Sweden &amp; India</td>
</tr>
<tr>
<td>Marketing Co-operatives</td>
<td>Canada, USA, &amp; Australia</td>
</tr>
<tr>
<td>Land Mortgage Credit Co-operatives</td>
<td>Germany, England &amp; France</td>
</tr>
<tr>
<td>Dairy Co-operatives</td>
<td>Denmark and New Zealand</td>
</tr>
<tr>
<td>Farming Co-operatives</td>
<td>Russia, Yugoslavia and Palestine</td>
</tr>
<tr>
<td>Housing Societies</td>
<td>USA, Sweden and Israel</td>
</tr>
<tr>
<td>Producers’ Co-operatives</td>
<td>France and England</td>
</tr>
<tr>
<td>Labour Societies</td>
<td>Italy</td>
</tr>
<tr>
<td>Insurance Co-operatives</td>
<td>England</td>
</tr>
<tr>
<td>Co-operative Education</td>
<td>England</td>
</tr>
</tbody>
</table>


Co-operation has thus been usefully adopted though with some structural and functional differences because of
socio-economic, political, cultural and geographical factors prevailing in each country, and the ideals of co-operation have thus been in a variety of spheres of human endeavor in countries as advanced as the USA and as backward as the pastoral economies which lie to the south of Sahara in the African continent.

**National Scenario**

The Indian co-operative movement, like its counterparts in other countries of the world, has been essentially a child of distress. It has emerged out of that turmoil and dissatisfaction which prevailed during the last quarters of the 19th century and worked as a direct consequence of the industrial revolution. The revolution led to the decay of cottage industries and growing pressure on land, making agriculture an uneconomic venture; greater mobility of rich people from villages to towns and of capital to new channels of investment; the growth of middleman acting as parasites to the disadvantage of small producers; new debt legislation which changed completely the borrowing and the lending system; the change in the method of payment of land revenue from kind to cash, throwing the cultivators into the clutches of the moneylenders, and the like. All these destroyed the self-sufficient economy of the villages. The failure of rains and
frequent famines added fuel to the fire. All these led to murderous uprisings of the debtors against creditors.

The Deccan Riots of 1875 brought the appalling problem of rural indebtedness to the forefront. It was only then that the Colonial government was required to find out some kind of an institutional alternative to the money lending class. On the suggestion of Justice N.G. Ranade and Sir William Wedderburn provincial Government in order to mitigate the sufferings of the peasants enacted several palliative measures, such as-

- Deccan Agricultural Relief Act, 1879,
- Land Improvement Loans Act, 1883, and
- Agriculturists' Loans Act, 1884.

But these measures were highly incommensurate in coping with the chronic and complex problems of rural indebtedness. The Government of Madras Presidency took the lead and in 1892 deputed one ICS officer Sir Frederick Nicholson to Germany to study the rise of the agricultural credit co-operative movement and its application to the Indian conditions. About the same time Mr. Dupernex in United Province, Mr. Maclagan in Punjab and Mr. Lyon in Bengal (all British Civilians) paved the way for co-operative movement in its modern form. However Mr. Nicholson was so impressed
with the achievement of the agricultural credit co-operative societies in Germany. He came back with the message "Find Raiffeisen" and in his two exhaustive Reports (1897 and 1899) recommended starting of credit co-operative societies in Indian villages to ameliorate the miserable conditions of downtrodden peasantry. Small locally worked institutions were the ideal agencies for the supply of rural credit as they would satisfy the postulates of proximity, security, facility, excite local influence and consequently draw in local capital, work cheaply, almost gratuitously, and thus provide cheap credit, influence the borrower towards the true use of credit, watch the utilization of loans in accordance with the contract, exercise educative influence in the matter of thrift, association and self-help and develop high forms, both of individual capacity and of public and national character.

In pursuance of the report of the Famine Commission (1898), which strongly advocated the idea of co-operation for Indian agriculturists, Lord Curzon in 1901 appointed a Committee under the chairmanship of Sir Edward law to study the prevailing economic conditions in the country. The Government accepted the Committee's recommendations to introduce co-operative credit societies on the Raiffeisen Model and passed the Co-operative Credit Societies Act (No.X) 1904.
The Act provided for the formation of credit societies only and postponed formation of non-credit societies due to the difficulty involved in the processes and backwardness of the Indian population. That's how co-operative movement started in India as a credit movement for the masses.

The passing of the Act 1904 was the first milestone in the co-operative movement in India -'a turning point in economic and social history'. To encourage the movement, the Government offered certain concessions and privileges to the co-operative societies e.g. exemption from income tax, stamp duty, and registration fee and grant of loans to societies free of interest for a certain period at the initial stage. That's why J.C. Ryan remarked that the co-operative movement in India grew not as a spontaneous voluntary movement as in some of the western countries but is the outcome of the policy and administration of the colonial government. In India the co-operative movement was initiated and sponsored by the Government.

Moves of the Movement

The co-operative sector provides a dimension of major positional importance in our endeavor towards achieving the socio-economic transformation of India, with special focus on the life of the masses in India's vast rural areas. The co-
operative movement can enable the unification of local human resources, material inputs and energies, and channelisation, development and expansion of the tremendous potential growth that exists in our towns, villages and hamlets across the length and breadth of India.

The progress of co-operative movement in India is shown in Table 2.2.

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of Societies (in lakhs)</th>
<th>Membership (in lakhs)</th>
<th>Working Capital (Rs. in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1906-10</td>
<td>0.02</td>
<td>1.60</td>
<td>6.80</td>
</tr>
<tr>
<td>1911-15</td>
<td>0.12</td>
<td>5.51</td>
<td>4.81</td>
</tr>
<tr>
<td>1916-20</td>
<td>0.28</td>
<td>11.30</td>
<td>151.70</td>
</tr>
<tr>
<td>1921-25</td>
<td>0.58</td>
<td>21.55</td>
<td>363.61</td>
</tr>
<tr>
<td>1926-30</td>
<td>0.93</td>
<td>36.90</td>
<td>748.80</td>
</tr>
<tr>
<td>1931-35</td>
<td>1.05</td>
<td>43.22</td>
<td>946.11</td>
</tr>
<tr>
<td>1936-40</td>
<td>1.17</td>
<td>50.7</td>
<td>1046.80</td>
</tr>
<tr>
<td>1941-45</td>
<td>1.50</td>
<td>72.18</td>
<td>1246.70</td>
</tr>
<tr>
<td>1945-46</td>
<td>1.70</td>
<td>91.63</td>
<td>1640.00</td>
</tr>
<tr>
<td>1946-47</td>
<td>1.41</td>
<td>91.01</td>
<td>1561.01</td>
</tr>
</tbody>
</table>


It is observed that the growth of co-operative movement till independence though made some quantitative progress from the year 1906-10 to the year 1946-47, in terms of
number of societies (71 times), membership (57 times) and working capital (230 times) but qualitatively they have suffered from several intrinsic and extrinsic factors viz., illiteracy among the masses, poor socio-economic conditions, irresponsible administration, inadequate infrastructure and improper environment for their even and healthy growth.

Despite all these impediments, the co-operative movement in pre-independence stage helped in arresting the monopoly of moneylenders and inculcated among the masses the habit of thrift and the spirit of co-operation.

Table 2.3 shows that the progress of co-operative movement in India (Five Year Plans).

Table 2.3

<table>
<thead>
<tr>
<th>Plan period</th>
<th>No. of Societies (in lakhs)</th>
<th>Membership (in lakhs)</th>
<th>Working Capital (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan (1951-56)</td>
<td>1.8</td>
<td>137</td>
<td>276</td>
</tr>
<tr>
<td>Second Plan (1956-61)</td>
<td>2.4</td>
<td>146</td>
<td>459</td>
</tr>
<tr>
<td>Third Plan (1961-66)</td>
<td>3.3</td>
<td>342</td>
<td>1312</td>
</tr>
<tr>
<td>Fourth Plan (1960-74)</td>
<td>3.3</td>
<td>555</td>
<td>4373</td>
</tr>
<tr>
<td>Fifth Plan (1974-78)</td>
<td>3.3</td>
<td>743</td>
<td>8648</td>
</tr>
<tr>
<td>Sixth Plan (1980-85)</td>
<td>3.0</td>
<td>1062</td>
<td>20022</td>
</tr>
<tr>
<td>Seventh Plan (1985-90)</td>
<td>2.62</td>
<td>1231</td>
<td>32748</td>
</tr>
<tr>
<td>Eighth Plan (1992-97)</td>
<td>3.51</td>
<td>1807</td>
<td>133816</td>
</tr>
<tr>
<td>Ninth Plan (1997-02)</td>
<td>5.28</td>
<td>2280</td>
<td>285843</td>
</tr>
</tbody>
</table>

Source: RBI, Statistical Statement relating to Co-operative Movement in India, (Parts I and II) various years.
Though quantitative expansion in terms of number of co-operatives there has been ups and downs. Between the third and fifth five-year plan period there was no change in the number of societies and then it declined from fifth plan to seventh plan. Afterwards again it starts augmenting up to ninth plan. Continuous advancement is seen both in the membership and the working capital in between the planning period, even though the numbers of societies are not in continuous increasing trend.

Since independence, the Central Government over the years has set up as many as 34 Committees and working groups to study specific problem and issue of the movement. Besides, the Central Government has also been arranging annual conferences of

- State Ministers of Co-operation.
- The Registrars, and
- National Seminars and Workshops

to discuss and analyse various policy issues and suggest administrative, financial and technical measures to give practical share to the future co-operative policies and programmes.
Several national level organizations have also been setup over the years at the behest of, and with the financial aid and statutory support of the Central Government, viz.

➤ National Co-operative Development Corporation (NCDC)
➤ National Co-operative Union of India (NCUI)
➤ National Agricultural Co-operative Marketing Federation of India Limited (NAFED)
➤ Indian Farmers’ Fertilisers’ Co-operatives Ltd (IFFCO)
➤ National Bank for Agriculture and Rural Development (NABARD).

These organizations have added a new dimension to the co-operative sector. It has been their endeavor not only to build up co-operative economy on a wide base but also to provide sufficient strength to the co-operative sector so that it can compete with other public and private agencies and to act as nerve centers for the respective co-operatives at State, district and local level. Appreciating the role and the moves of co-operatives in the economic development of the country, the then president Dr S.D. Sharma said, "we can take pride today in the scope and progress of the co-operative sector in India which is the largest in the world with 350 thousand co-operatives engaging 160 million co-operators; addressing
themselves to an enormous diversity of agricultural, agro-industrial and tertiary sector initiatives”.

The movement has now covered 100 per cent of villages in India along with 65 per cent of households. They have created niche for themselves in the fields of rural and urban banking, agriculture and agro-processing including sugar production, dairy products, fertilisers production, marking of agricultural commodities, distribution consumer articles through rural retail outlets and so on and so forth. Simultaneously, they are providing social services to their members besides providing employment opportunities and additional income generation and thus helping in promoting quality of life of the common masses.

As regards the future of the co-operative movement, the Ninth Five Year Plan (1997-2002) vows to strengthen the movement by initiating, inter alia, certain positive measures such as:

- Amendment of Multi-State Co-operative Societies Act, 1984 in order to inject autonomy, democratization and professionalisation of the co-operative credit structure.
- Amendment of National Co-operative Development Corporation (NCDC) Act in order to imbibe better operational freedom and free access to resources
Establishment of an Apex level Co-operative Bank of India.

Formulation of National Policy on Co-operatives.

If incorporation of all these measures in the Ninth Plan is at all any indication of the Government's food gestures towards ushering in vibrant co-operative system, it is certain that co-operative movement in the ensuring 21st century will emerge as a strong powerful force of our economy.

Co-operatives have been recognized as the best institution for supplying unexploitative and cheapest, sound and dynamic credit to the small borrowers particularly to the priority sectors. They are people's trusted friends, faithful philosophy and best guides as also the golden goose of socio-economic change towards better tomorrow.

State Scenario

At the time of formation of an integrated and reconstituted state of Andhra Pradesh in 1956, it may be pointed out that the stock of co-operation movement as it was obtained partly from Madras State of Andhra area and princely State of Telangana. The two regions have distinct features of their own. The co-operative progress in Telangana region under feudal and Princely impact and in Andhra Region under the British rule. Therefore, it is worthwhile to
study the co-operative movement both in Andhra and Telangana regions.

**Andhra Region**

Before Andhra State was constituted in 1953, the eleven Telugu speaking districts were included in the composite Madras State. The movement in Andhra region too went on similar lines of Madras state under the All India Co-operative Credit Societies Act, 1904. The progress of the co-operative movement in Andhra region till the commencement of planning is analysed here.

**Initial Period 1904-12**

The enactment of the Co-operative Credit Societies Act, 1904 was a landmark for the commencement of co-operative movement in the State. During the first stage of 1904-1912, the rural societies were divided into rural and urban and the Acts of 1904 and 1912 also provide only for the registration and organization of credit societies in rural urban areas. The movement made a significant progress during early period. Table-2.4 shows the progress of credit societies in Andhra area.
In 1909, there were only 44 societies divided into 35 rural and 9 urban societies, which recorded membership of 605. In the year 1912, the total number of societies increased to 271, comprising 266 rural and 5 urban societies. It is clear that rural societies constituted 98.15 per cent of the total. The total membership rose remarkably from 605 in 1909 to 5013 in 1912.

**Between 1912-1931**

The amended Act 1912 marked the second milestone and the movement entered in the second stage of its progress. Under the Act, 1912 all kind of societies, credit and non-credit could be registered. The societies were divided into agriculture and non-agriculture societies. A large number of

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### Table 2.4

**PROGRESS OF CREDIT SOCIETIES IN ANDHRA AREA (1909-12)**

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Credit Societies</th>
<th>Number of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Per cent</td>
</tr>
<tr>
<td>1909</td>
<td>35</td>
<td>79.50</td>
</tr>
<tr>
<td>1910</td>
<td>104</td>
<td>93.69</td>
</tr>
<tr>
<td>1911</td>
<td>172</td>
<td>96.63</td>
</tr>
<tr>
<td>1912</td>
<td>266</td>
<td>98.15</td>
</tr>
</tbody>
</table>

Source: The Administrative Reports of the Co-operative Department, from 1904-12, Madras State, Rural Credit in India, p. 68.
non-credit societies existed for sale of produce, supply of milk and cattle insurance.

The Madras Government appointed a Committee Known as Townsend Committee in 1927, which recommended among other things to have a suitable legislation to remedy the faults in the working of 1912 Act. However, finally the first Madras Co-operative Societies Act was passed by the Madras Legislative Council in 1932. The striking feature of this stage of movement was that it witnessed a hurried expansion in Andhra area of composite Madras State.

Table 2.5 shows the progress of the co-operative movement in Andhra area.

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>No. of Societies</th>
<th>No. of Members</th>
<th>Reserve Fund (Rs. in lakhs)</th>
<th>Working Capital (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Societies</td>
<td>1913</td>
<td>322</td>
<td>17400</td>
<td>****</td>
<td>9.28</td>
</tr>
<tr>
<td></td>
<td>1931</td>
<td>5217</td>
<td>310500</td>
<td>19.29</td>
<td>295.2</td>
</tr>
<tr>
<td>Non-Agricultural</td>
<td>1913</td>
<td>12</td>
<td>2200</td>
<td>****</td>
<td>1.67</td>
</tr>
<tr>
<td>Societies</td>
<td>1931</td>
<td>602</td>
<td>70900</td>
<td>4.85</td>
<td>80.22</td>
</tr>
</tbody>
</table>

Source: The Administrative Report of the Co-operative Department, from 1912 to 1931, Madras State.

It is apparent that there were 5,217 agricultural societies and 3,10,500 members with a reserve fund of
Rs.19.29 lakhs and a working capital of Rs.295.22 lakhs in 1931 and 602 non-agricultural societies with 70,900 members with a reserve fund of Rs.4.85 lakhs and Rs.80.22 lakhs of working capital.

**Between 1932-51**

The historical event into which the co-operative movement fell was that of the great economic depression. The Madras State was no exception to the economic depression. The depression of 1929 was the main cause for general decline in the movement. A fall in the prices of agricultural commodities and slump in the market caused serious threat to co-operative movement in the state.

The progress of the co-operative movement during 1932 to 1951 in Andhra area is depicted in Table 2.6. It is obvious that the number of societies which were 3,818 during 1932 rose to 6330 by 1951, showing an increase of 65.79 per cent during the period. The number of members was 2.32 lakhs during 1932 but they increased to 4.81 lakhs by 1951, thus recording a growth of 107.33 per cent during the period.

The working capital, loans disbursed and loans outstanding which stood in the year 1932 at Rs.207.20 lakhs, Rs.34.84 lakhs and Rs.165.70 lakhs respectively and were
advanced to Rs.484.21 lakhs, Rs.362.13 lakhs and Rs.350.6 lakhs by 1951.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1932</th>
<th>1951</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Societies</td>
<td>3818.00</td>
<td>6330.00</td>
</tr>
<tr>
<td>No. of Members (in lakhs)</td>
<td>02.32</td>
<td>04.81</td>
</tr>
<tr>
<td>Working Capital (Rs. in lakhs)</td>
<td>207.20</td>
<td>484.21</td>
</tr>
<tr>
<td>Loans disbursed (Rs. in lakhs)</td>
<td>34.84</td>
<td>362.13</td>
</tr>
<tr>
<td>Loans Outstanding (Rs. in lakhs)</td>
<td>165.70</td>
<td>350.66</td>
</tr>
</tbody>
</table>


**Telangana Region**

Telangana region of the state has nine Telugu speaking districts, was part of the former Hyderabad State ruled by feudal lords for many centuries. Less importance was given for the rural development in this region than that of Andhra area and so, the credit conditions and other socio-economic conditions were deplorable. The Co-operative Societies Act 1912 did not have jurisdictions over this region because Telangana regions were a part of the princely state of Hyderabad.

Subsequently, the first Co-operative Credit Societies Act, 1914 was passed and a separate Department of Co-operation
was established. The advent of the movement in this region happened in a period of crisis of banks, agricultural distress, failure of some crops, influenza and plague epidemic led to a large scale evacuation of villages in some parts. As such the co-operative movement could make only a limited progress. By the end of 1915 there were only 24 societies and rural banks. In 1915 the first Central Co-operative Bank was organized for Hyderabad district for assisting the agricultural societies and rural bank.

The progress of the co-operative movement in Telangana region is presented in Table 2.7.

Table 2.7

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1915</th>
<th>1925</th>
<th>1935</th>
<th>1945</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apex banks</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Central Co-operative Banks</td>
<td>1</td>
<td>N.A</td>
<td>39</td>
<td>48</td>
</tr>
<tr>
<td>Societies of all types</td>
<td>24</td>
<td>N.A</td>
<td>2768</td>
<td>6278</td>
</tr>
<tr>
<td>Membership of all societies and Central Banks</td>
<td>607</td>
<td>45644</td>
<td>69884</td>
<td>288048</td>
</tr>
<tr>
<td>Working Capital of all societies and Central Banks (Rs. in lakhs)</td>
<td>1.7</td>
<td>102.69</td>
<td>184.66</td>
<td>343.95</td>
</tr>
<tr>
<td>Loans and Advances made by all societies and Central Banks (Rs. in lakhs)</td>
<td>1.5</td>
<td>29.60</td>
<td>20.38</td>
<td>68.86</td>
</tr>
<tr>
<td>Recoveries made by all Societies and Central Banks (Rs. in lakhs)</td>
<td>N.A</td>
<td>18.50</td>
<td>32.01</td>
<td>81.73</td>
</tr>
</tbody>
</table>

Note: N.A- Not Available
Source: The Administrative Report of the Co-operative Department, from 1912 to 1931, Madras State, Rural Credit in India, pp. 81-87.
It is evident that the central co-operative banks and societies of all types had reported a remarkable increase over three-decade period. It signifies the tremendous progress in co-operative sector in the region. Working capital of all societies and central banks also augmented from Rs.1.7 lakhs in 1915 to Rs.343.95 lakhs in 1945. Loans and advances of all societies and CCBs were recorded at Rs.1.5 lakhs in the year 1915, which rose to Rs. 68.86 lakhs by 1945. The recovery position of all societies and CCBs was satisfactory in the year 1925. The recoveries of all societies and central banks registered at Rs.81.73 lakhs by 1945. It may be said that the recovery performance was quite appreciable over the three decades.

Present Scenario

The Indian Co-operative Movement is almost a 100 year old. In this long journey, the movement has passed through various phases of development. Moreover, the movement has entered into every sphere of the economic activity. In terms of size and volume of business, it has made a remarkable progress. In 2004 the movement is having the network of 5,28,249 co-operative societies with a membership of more than 228 million. The working capital of the co-operatives is to the tune of Rs.28,564.335 billion. The co-operatives have
made significant contribution in the area of credit disbursement, despite of keen competition from nationalized and private sector banks. The co-operatives have established 100 per cent institutional network with villages. The role of co-operatives particularly in procurement of food grains, marketing of agriculture produce, agricultural price support system to the farmers, credit disbursement, milk procurement and marketed by dairy co-operatives, fertilizer production and distribution, sugar production, houses constructed by the co-operatives are fairly well. The urban co-operative banks and housing sector are the areas of co-operatives that are marching towards their self-reliance.

Even though the co-operatives of different types especially PACS have spread their tentacles to almost every nook and corner of the country, the movement lacks certain basic characteristics; to cite a few:

- lack of minimum level of education to grasp co-operative principle and accrued there from;
- lack of a certain level of honesty among the masses leading to nepotism, misutilisation, non-repayment fictitious repayment of loans;
- lack of co-operative spirit among the well-to-dos who are supposed to lead the poor;
• lack of minimum income of the members because too poor cannot take advantage of co-operative organizations;

• lack of efficient work culture so as to earn at least modest profit to compete with other players in the market and survive;

• lack of adequate and timely credit to the members indirectly forcing them to be the victims of local moneylenders; and

• lack of proper supervision on the end use of funds lent.

**CO-OPERATIVE BANKING IN ANDHRA PRADESH**

Andhra Pradesh has attained reasonable progress in different spheres of co-operative movement. Andhra Pradesh, like other states, has developed two parallel co-operative credit structures, namely, three-tier credit structure for short term and medium term credit and two-tier credit structure for long-term credit.

The co-operative credit structure in Andhra Pradesh (both pre-existing set up and re-organised set up) is given in Fig 2.2.
CO-OPERATIVE CREDIT STRUCTURE IN ANDHRA PRADESH
(both before and after the introduction of single window system)

Pre-existing credit setup

St

6695 PACS at village level

27 CCBs in 22 Districts

APCOB at state level

Lt

218 PADB at taluk level

APCCAD B at state level

Re-organised ST/LT credit setup

4564 PACs for ST, MT & LT loaning and other services

22 DCCBs for ST, MT, LT loan amount and other services

APCOB for ST, MT & LT refinance
The ever growing credit needs of the farming community has exposed the glaring ineffectiveness of the system under which the farmer had to borrow credit and other services from a host of co-operative institutions. To remedy the deficiencies and to make the co-operatives more effective, the government of Andhra Pradesh introduced the concept of 'Single Window System' in 1987 by reorganizing and re-structuring the existing co-operative institutions. The "single window system" provides multi-term credit and multi-functional services 'under one roof'.

After the introduction of the 'single window system' in Andhra Pradesh, 22 District Central Banks (DCCBs) came into existence in the place of the 27 Co-operative Central Banks, which hitherto existed. As intermediaries, the DCCBs play a pivotal role in the disbursement of co-operative credit. They form the connecting link between the State Co-operative Banks and the Primary Agricultural Credit Societies (PACSs). The progress of Co-operative credit programmes largely depends on the financial strength and viability of these banks.

But, the majority of DCCBs are in financial distress in view of operational inefficiency. Overdues have become the bane of co-operative credit. The long cherished dream of liberating the poverty-stricken rural masses from the clutches
of exploitative moneylenders has remained unfulfilled. Further, co-operatives as tools of rural development, have more or less, failed to accomplish the objectives for which they were established. Hence, an evaluation of DCCBs in the state of Andhra Pradesh would enable to pinpoint their drawbacks and deficiencies.

EMERGENCE OF SINGLE WINDOW SYSTEM IN A.P

The Agricultural Credit Co-operatives in Andhra Pradesh were making progress since the advent of independence. In view of special role assigned to them in the successive Five Years Plans, by 1983 there had been a growing feeling that the existing co-operative credit delivery systems was not equal to the tasks set before it that of the principal and potent instrument for bringing about rapid development of the rural areas through the requisite growth in agricultural sector.

The servicing of the needs of the rural masses from several contact points inhibited the development of a comprehensive mechanism for bringing about all-round development of rural areas. The farmer had to draw his short and medium-term credit requirements from the Primary Agricultural Credit Society at village level, long-term credit requirements from the Primary Agricultural Development Banks at taluk level and his agricultural inputs mainly from
taluk level agencies. The various other needs of the agriculturists were by and large not being serviced at the village level by the co-operatives. To remedy the deficiencies, the concept of "Single Window System" has been suggested and thought of.

An Expert Committee was appointed at the instance of Government of India in 1975, under the Chairmanship of Sri. R.K. Hazare, Deputy Governor, Reserve Bank of India. Based on the recommendations of Hazare Committee, the Government of Andhra Pradesh in the year 1983 constituted a 4-Men Committee to study and report on the existing rural credit delivery structure in Andhra Pradesh with a view to bringing about necessary changes in the co-operative credit structure. As a result a more dynamic mechanism for rural development would be established. The 4-Men Committee observed that despite the viability programme in 1977, the Primary Agricultural Co-operative Societies that were the vital organic links in provision of credit and rural services to the rural families, continued to be weak and were mostly unfunctional in their activities. To rectify the situation and to make the PACS effective retail outlets of credit and multiple services, the Committee recommended the re-organisation of the societies as "single window service units".
These single window service units provided multi-term credit and multi-functional services such as supply of inputs, essential consumer articles, seeds, fertilisers, besides provision of other facilities like storage, processing and marketing. The committee also recommended the integration of the two parallel, short term and long term co-operative credit institutions based on the recommendations made by Hazare Committee. The Committee also suggested the re-organisation of marketing structure in Andhra Pradesh from three-tier to two-tier by eliminating the general-purpose taluk level marketing societies and by linking the PACS with DCMS and with the state federation. The committee further recommended the re-organisation of the 27 Co-operative Central Banks in Andhra Pradesh on the criteria of one bank for one district.

The emergence of the single window scheme in Andhra Pradesh has transformed the potential of the village level co-operative and today the PACS stand as dynamic economic units positioned to serve all the needs of the rural folk, particularly the agriculturists at the gross root level. The PACS at the village level under the single window scheme is enabled to provide short term, medium term and long term credit for agricultural production and investment. This apart,
the essential commodity needs of the rural folk as also banking facilities are to be met at village level through the village co-operatives under the single window scheme. The list of services to be provided at the village level is expected to be further widened to encompass insurance, primary health and other services in the years to come. A new canvas of co-operative credit mechanism has, therefore, emerged in Andhra Pradesh at the village level to play a dynamic role in the process of rural development through co-operatives with the single window scheme.

**ANDHRA PRADESH STATE CO-OPERATIVE BANK**

The Andhra Pradesh State Co-operative Bank, popularly known as APCOB is the federation of Central Co-operative Banks in the state. It is the nucleus around which all the credit matters of co-operative movement revolve. A federal structure consists of PACs at the base level, the DCCBs at the district level and at the state level the State Co-operative Bank (SCB), called as APCOB.

Consequent on the formation of Andhra State in 1953, from composite Madras State, the Composite Madras State Co-operative Bank was divided. The Andhra State Co-operative bank with its head quarters at Vijayawada was carved out on the pattern of its parent institution. In 1915,
the first Central Co-operative Bank was organized having jurisdiction only to the Hyderabad district for providing assistance to the agricultural societies and the rural banks. The lending activities were restricted to the agriculturists adjoining Hyderabad city. The Hyderabad Central Co-operative bank was converted into provincial Co-operative Bank in 1925. With effect from 1st November 1956, two apex Co-operative Banks were functioning in the integrated State of Andhra Pradesh. The two regional state Co-operative Banks were operating separately in both the two regional State Co-operative Banks were operating separately in both the regions. They were named as the Andhra State Co-operative Bank ltd., Vijayawada in Andhra area and the Hyderabad Co-operative Apex Bank Ltd., operating in Telangana area. By amalgamation of these two banks, the Andhra Pradesh State Co-operative Bank came into existence in 1963.

Thus, today the APCOB is the only premier Apex institution of the co-operative credit structure with district banks (DCCBs) at the intermediary level and PACS at the village level in the state. The bank has been playing an important role in providing credit to its affiliated central banks to meet the credit requirements of the farmers for seasonal agricultural operations, medium term loans for
agricultural operations, and to finance weavers societies, sugar factories in co-operative sector, industrial societies, welfare of weaker sections, adopted villages, implementation of crop insurance, rural storage projects, fisheries co-operatives, rehabilitation of weak DCCBs, integrated rural development and finance to other State Apex bodies in the State.

The APCOB has 6 regional offices and 13 branches with 22 DCCBs. Over the years, the bank’s financial position has shown considerable improvement with an expanded resources base. The performance of APCOB is shown in Table 2.8.

<table>
<thead>
<tr>
<th>Year</th>
<th>Owned Funds (Rs. in crores)</th>
<th>Deposits (Rs. in crores)</th>
<th>Borrowings (Rs. in crores)</th>
<th>Working Capital (Rs. in crores)</th>
<th>Loans and Advances (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>2.46</td>
<td>17.28</td>
<td>6.85</td>
<td>29.93</td>
<td>33.75</td>
</tr>
<tr>
<td></td>
<td>(10.78)</td>
<td>(26.83)</td>
<td>(28.35)</td>
<td>(17.17)</td>
<td>(10.21)</td>
</tr>
<tr>
<td>1998</td>
<td>3.32</td>
<td>25.31</td>
<td>9.93</td>
<td>40.44</td>
<td>35.80</td>
</tr>
<tr>
<td></td>
<td>(21.46)</td>
<td>(15.47)</td>
<td>(13.03)</td>
<td>(15.32)</td>
<td>(5.00)</td>
</tr>
<tr>
<td>1999</td>
<td>3.78</td>
<td>29.28</td>
<td>10.93</td>
<td>48.41</td>
<td>39.89</td>
</tr>
<tr>
<td></td>
<td>(14.09)</td>
<td>(15.69)</td>
<td>(10.08)</td>
<td>(14.76)</td>
<td>(11.43)</td>
</tr>
<tr>
<td>2000</td>
<td>4.41</td>
<td>33.17</td>
<td>25.31</td>
<td>52.22</td>
<td>33.61</td>
</tr>
<tr>
<td></td>
<td>(16.52)</td>
<td>(21.46)</td>
<td>(15.47)</td>
<td>(12.51)</td>
<td>(15.74)</td>
</tr>
<tr>
<td>2001</td>
<td>5.02</td>
<td>36.17</td>
<td>11.36</td>
<td>56.70</td>
<td>34.05</td>
</tr>
<tr>
<td></td>
<td>(13.96)</td>
<td>(10.91)</td>
<td>(5.21)</td>
<td>(8.57)</td>
<td>(1.30)</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses represents percentage of growth over the preceding year

Source: www.co-operative.org.in
The total resources of the bank had no large difference from Rs.33.75 crores in the year 1997 to Rs.34.05 crores in 2002 of loans and advances. The loans and advances had declined from Rs.39.89 crores in the year 2000 to Rs.33.61 crores in 2001, afterwards there is a snub increase. The bank had shown good performance in increasing their owned funds from Rs.24.65 crores in 1997 to Rs.50.24 crores in 2002 through capital and reserve. The owned fund consists of paid up capital and reserves. Deposits of the bank are drastically increasing from Rs.17.28 crores in 1997 to 36.17 crores by 2002.

ADMINISTRATIVE SET-UP FOR CO-OPERATIVES IN A.P

At the State level, the nature and strength of the co-operative organisation varies from State to State. In Andhra Pradesh co-operation is regarded as an important subject and has always been in charge of a Minister of cabinet rank. The work of the State Government at the highest level is divided between the Secretariat and the Directorate. The Secretariat is the top layer and the nerve centre of State Administration. It has staff agency and is primarily meet to assist the State Government in policy making and in discharging its legislative functions. It also provides overall supervision, guidance and leadership.
The secretary in-charge of the Ministry of Co-operation is its administrative head. The Registrar of Co-operative Societies heads the executive organization. He is generally appointed from amongst the personnel of IAS Cadre. He occupies a key position in the Government setup\(^{18}\). He is responsible for overall co-operative policy, proposing new developments and suggesting changes in administrative structure, prosecutions under co-operative laws, amendments to bye-laws of Co-operative institutions and winding up and liquidation of co-operative societies\(^{19}\).

The organizational setup below the departmental level in Andhra Pradesh has been subjected to frequent re-organisation\(^{20}\). Prior to 1963 all the powers were concentrated in the head quarters without any intermediary organization. But, in the context of the need for the successful implementation of the five year plans and to ensure a closure, more effective and intensive supervision and the speedier disposal of all matters, the Co-operative Department was decentralized and powers were delegated from the office of the Registrar of Co-operative Societies to four Joint Officers, who were made as Regional Officers\(^{21}\). These Regional Officers were intended to coordinate the work of District Co-operative Officers and to give them guidance from time to time. The
regional offices were abolished in 1967, when the district administration was re-organised on the recommendations of the M.T. Raju Committee.

AT THE DISTRICT LEVEL

In the re-organised setup the District Collector is actively associated with the co-operative department in the district. He is assisted by a special category Deputy registrar, who was later designated as District Co-operative Officer (DCO) to function as personal assistant to collector in respect of matters relating to co-operation. The functions and powers of the Regional Officers and some of the powers of the Registrar have been delegated to the District Collector's and the DCOs. The collector with the assistance of DCO is expected to assume direction and control of the co-operative moment in the district. It is expected that under the protection of the Collector, other co-operative officials can resist local pressures and act in a fair and objective manner.

Below the district level there are divisions into which the district is divided. Each division is headed by a DLCO. He has to supervise the work of Taluk (Mandal) Co-operative Officers. He should also conduct the annual inspection of marketing and other primary societies. Mandal Co-operative Officers (MLCOs) are responsible for the achievement of financial and physical targets relating to primary societies, to
attend the enrolment of new members and canvas for strengthening of share capital and deposits of the primary societies and responsible for educating the non-official co-operations in the Taluks.

**SUMMARY**

On the basis of economic and geographical features the State is divided into three regions viz., Telangana, Costal Andhra Pradesh and Rayalaseema. The total geographical area of the state is 2,76,754 sq.kms and the total population of the state is 7,50,27,541 as per the 2001 census. Agriculture is the primary sector, employing the largest segments of the working population. Both commercial and non-commercial crops are grown all round the year. There are three types of irrigation systems - canals, tanks and wells. The State is endowed with abundant mineral resources like coal, mica, manganese, iron ore, steatite and the like. Co-operative movement was originated in England in 1793. The co-operative movement has emerged in India, out of the turmoil and dissatisfaction, which prevailed during the last quarter of the nineteenth century and worked as direct consequence of the industrial revolution. The co-operative sector provides a dimension of major positional importance in our endeavour
towards, achieving the socio economic transformation of India with special focus on the rural masses.

The enactment of Co-operative Credit Societies Act 1904 was the landmark for the commencement of co-operative movement in the State. The amendment of Co-operative Societies Act in the year 1904 marked as the second milestone in the progress of co-operatives. In its long journey, the co-operative movement has passed through various phases of development. In terms of size it has made a remarkable progress having the network of 5,28,249 co-operative societies with a membership more than 228 million in India. In the year 1987, Government of Andhra Pradesh had introduced the concept of single window system by reorganising and restructuring the existing co-operative institutions.
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18. Between 1958-63, the post was held by the departmental Officer.


