CHAPTER - III

POLICY INTERVENTION : CO-OPERATIVE MOVEMENT IN WORLD AND INDIA

CO-OPERATIVE MOVEMENT: WORLD WIDE

The Co-operative movement today is compelled to develop more and more at the international level. In its spirit it knows no national boundaries, but the process of its development is varied depending upon natural, social, economic and political situations in the respective countries. Accordingly, it is necessary to take into consideration the circumstances under which the co-operatives are placed in South-East Asia. In most Asian countries, agricultural co-operatives were developed initially to save the farmer from the onerous terms of the moneylender.

As most countries in the region are predominantly agricultural, co-operative organisations are helping farmers to procure finances, market their supplies and obtain consumer goods for household requirements. In several countries, as a consequence of land reform measures, there has been an emergence of small holdings. Farm production can be augmented by the organisation of co-operative institutions by providing the required services.

The provision of credit to agriculture by co-operation in Europe and Asia is one of the oldest forms. For more than a century the names Raiffeisen and Schulze-Delitzch have been accepted as international
technical terms originating from Europe. In Asia, for several centuries, various forms of saving and lending at the village community level are known to have existed in the region according to rural economic historians. Owing to the predominantly agricultural character of the economies of most Asian countries, and because of the initial emphasis on that sector, most co-operative movements show main development in the field of agriculture and especially in the provisions of credit. India has the largest number of primary co-operatives in existence among the Asian countries; of a total of around 332000 societies in 1960/61 a little over 70 percent were credit societies (around 95 percent of these being agriculture credit societies)\(^1\).

Table No.3.1: Formation of the First Co-operatives in Asian and African Countries

<table>
<thead>
<tr>
<th>Asian Countries</th>
<th>Year of Formation</th>
<th>African Countries</th>
<th>Year of Formation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. India</td>
<td>1900</td>
<td>Egypt</td>
<td>1908</td>
</tr>
<tr>
<td>2. Srilanka</td>
<td>1904</td>
<td>Kenya</td>
<td>1908</td>
</tr>
<tr>
<td>3. Burma</td>
<td>1905</td>
<td>Botswana</td>
<td>1910</td>
</tr>
<tr>
<td>4. Philippines</td>
<td>1910</td>
<td>Mauritius</td>
<td>1913</td>
</tr>
<tr>
<td>5. Thailand</td>
<td>1917</td>
<td>Uganda</td>
<td>1913</td>
</tr>
<tr>
<td>6. Indonesia</td>
<td>1920</td>
<td>Libya</td>
<td>1915</td>
</tr>
<tr>
<td>7. Malaysia</td>
<td>1920</td>
<td>Senegal</td>
<td>1916</td>
</tr>
<tr>
<td>8. Jordan</td>
<td>1922</td>
<td>Burundi</td>
<td>1921</td>
</tr>
<tr>
<td>9. Syria</td>
<td>1934</td>
<td>Morocco</td>
<td>1922</td>
</tr>
<tr>
<td>11. S.Yemen</td>
<td>1957</td>
<td>Togo</td>
<td>1931</td>
</tr>
<tr>
<td>12. Saudi Arabia</td>
<td>1961</td>
<td>Guinea</td>
<td>1940</td>
</tr>
</tbody>
</table>

The Co-operative movement which saw the light of the day in Europe has spread throughout the world. "Co-operation" Dr. Fauguent writes, "is perhaps more widely distributed geographically than any other modern form of organisation".

France has played an important role in the promotion of agriculture co-operatives. The co-operative movement in Sweden is divided into three distinct parts, viz., the agricultural co-operative movement, the consumers co-operative movement, and housing co-operative movement. Sweden is a small agricultural country. There is no organisational and structural connection between these three branches of the movement as each works independently.  

The genesis and the rise of a co-operative movement are greatly influenced by the historical conditions and the economic and social systems in which it operates. Co-operation in the U.S.A. developed faster and more extensively among farmers than among urban population. Thus the movement is predominantly in the agricultural sector. Germany and England exerted their influence on Japan in choice of co-operatives to be founded. The Japanese farming villages, realizing the important place of co-operation in farming, formed co-operative societies.

Germany is the birth place of the co-operative credit movement in the world. In India, the inspiration for the co-operative movement came largely from Germany. Mr. Fredick Nicholson, who was sent to Europe to study the working of agricultural banks and suggest measures for the introduction of co-operative movement in India, based his
recommendations mostly on the pattern of credit societies in Germany. His important advice to Indian co-operators is Find ‘Raiffeisen’ and he gave importance to the Raiffeisen system of credit as a means of solving problems of indebtedness in India.3

CO-OPERATIVE MOVEMENT IN INDIA

Co-operative organisations often arise on the initiative of the working people themselves.4 “Co-operation” is derived from the latin word ‘co-operari’. ‘Co’ means ‘with’ and ‘operari’ means ‘to work’.5

Co-operation as an organisational feature of the community and the farm life in india is as old as the village community. Interdependence or co-operation has always been the key note of the Hindu family; joint in food, worship, and estate. During very early days of the Maurya Dynasty, Chanakya in his Arthshastra remarked, "Who ever stays away from any kind of co-operative understanding shall send his servants and bullocks to carry on the work, he shall have a share in the expenditure but not in the profit". Vedas and the Law of Manu also mention craft guilds with banking as a feature of their activity. The village has been a sort of co-operative body since ancient days. In feudal days, although the villages were controlled by feudal landlords, they were co-operatively in charge of their own management.6 Co-operation is the backbone of economic activities and social progress. Co-operation leads to social and economic harmony. Co-operation is that form of economic organisation in which persons wilfully and voluntarily pool their resources on a basis of equality for advancement of their economic interests.7 Co-operation is a special
mode of doing business and at present is applied for the solution of many economic problems. Co-operation is harnessed to almost all forms of economic activity, though co-operation was introduced in this country as a remedy for rural indebtedness. The co-operative movement is a symbol of hope to the down-trodden and embodies self-help and mutual aid among its votaries producing a sense of self-respect and brotherhood amongst them. ⁸

In most of the countries of the world an attempt has been made to develop institutional credit for agriculture on co-operative lines. The co-operative form of organisations are considered best for providing credit to the farmers. The increase of agricultural production is ultimately bound up with organisation of agricultural credit, which places at the disposal of agriculturist the necessary capital on favourable terms. Towards the end of the last century, the peasantry was in the grip of the Sahukar and the rural debt was daily mounting. The condition of the agriculturists was really deplorable. The joint family system was breaking down. As a result of increase in population and the absence of rapid industrialisation more and more people depended upon agriculture resulting in too much pressure on land. The land got increasingly divided and sub-divided. Farmers who were once prosperous became petty peasants with tiny holdings of a few acres and were finally reduced to the status of landless labourers. They were in the clutches of the moneylenders.⁹

A cultivator is in almost perpetual need of credit both for production and consumption. Traditionally, his needs were met by the landlord,
traders, money-lender nexus involving usurious interest rates and other exploitative practices. Official cognizance of his needs goes back to 1793, when the system of taccavi loans was introduced providing loans at low rates of interest for agricultural improvements, mainly for the digging of wells. During the rule of Lord Mayo (1869-1872), the land Improvement Act 1871, was passed. It was amended in 1876 and repealed in 1883 when a more comprehensive piece of legislation was enacted, the Land Improvement Loans Act 1883, 'to consolidate and amend the law relating to loans by the government for agricultural improvements. Taccavi Loans were to be repayable in instalments which could be extended over a period of 35 years depending upon the durability of the work (or) the purpose for which the loan was advanced. Further, the Agriculturists Loans Act was passed in August 1884 to provide the advance of loans to the owners and occupiers of arable land for the relief of distress, the purchase of seed, cattle (or) any other purpose not specified in the Land Improvement Loans Act 1883, but connected with agricultural objects. Government finance continued to be channelled under the provisions of the Acts of 1883 and 1884. Some special regulations for advancing loans for specific purposes like natural calamities, pump-sets and agricultural machinery were also passed by a number of states/provinces.¹⁰

The term village banks was first used by Nicholson, in his report of 1895. The Deccan riots created the necessary background for thinking about banks for the famine struck, indebted farmers. The condition of the farmers, who participated in the Deccan riots was too bad to lead a normal life, because of their indebtedness. The landlords and Savakars were the
major factor responsible for the farmer's indebtedness. The idea of establishing agricultural banks has been a much discussed subject ever since the Deccan riots. The drought situation and the extravagant expenses in the social and cultural activities of the agriculturists resulted into the borrowing from the moneylenders and traders. Their exploitation was the outcome of the riots. Sir Wedderburn and Justice Ranade were the first proponents of agricultural banks. In 1892, Government of Madras directed Sir Frederick Nicholson to study agricultural banks in the province. Mr. H. Dupernex supported the concept of village banks as peoples bank. He discovered the historical fact that, even before Schulze Delitsch, Raiffeisen, Luzzatti and Well Emberg, the advantages of association on co-operative lines had been perceived by the great philosopher and warrior king Frederick the Great of Prussia. F. Nicholson suggested in his very valuable report on "Land and Agricultural Bank", the kind of credit, primarily needed by the ryots of this presidency i.e., continuous small loans for current needs, including maintenance, cultivation expenses, purchase of stock, payment of revenue, rent and the like, and secondly, long-term loans for permanent improvements. Whatever may be the necessary additional capital for improvements be, a more pressing and immediate need is for cheap and safe credit in current transactions.

Before the introduction of the official co-operative movement in India in 1904 steps were taken by the government to alleviate the sufferings of the farmers by the provision of Taccavi loans. Taccavi loans for land development/improvement (for long-term purposes) were given under the Act of Land Improvement Loans Act of 1883 and loans for
cultivation purposes (short-term) were given under Agriculturists Loans Act of 1884.

Under the Agriculturists Loans Act, State Governments were empowered to make rules as to the loans to be given to farmers. Sir Stuart Baylay emphasised that the Land Improvement Act 1871 had been unsuccessful because it still made it necessary for the cultivator to resort to money-lenders. The Agricultural banks contemplated at the time of passing the Land Improvement Loans Act never came into existence and Agriculturists Loans Act had practically no effect other than that of extending the system of Taccavi. One of the reasons for the failure of Taccavi loans was that they were handled by the Revenue Department which was concerned with revenue collection. The famine commission in 1880 had recommended the administration of the land improvement loans through the agricultural department. The main reason for the introduction of the co-operative movement in India was the failure of Taccavi loans.12

The Land Improvement Act of 1883 and the Agriculturists Loans Act of 1884 as well as other relief measures were found to be highly incommensurate in coping with the stupendous and complex problem of rural indebtedness. The experience of the administration was that the relief measures tried upto that time were disappointing; they had done little substantial good as the Famine commission of 1901 has remarked. The officials of the Government of India, who had studied working of agriculture banks of Egypt, were strongly of the view that India must go in immediately for co-operative experiments on similar lines.13
Co-operative movement was launched in India, with the passing of Co-operative Societies Act in the year 1904. Under this Act, Co-operative thrift and credit societies were registered. Since the economy of India has been predominantly an agricultural economy, co-operative societies were established to ameliorate the economic condition of farmers by way of providing cheap and adequate finance to them and saving them from the clutches of moneylenders. The recommendations of Frederick Nicholson, Dupernox and Sir Edward Law provided the basis for the bill which was passed in 1904, as the Co-operative Credit Societies Act.

The co-operative movement in India came from the government. India is not unique in having had the original impetus to co-operation come from the government officials, or in having the movement receive government encouragement and even support, but there has been in India a degree of dependence upon official initiative, direction and control that is probably without parallel. A co-operative society was started in Punjab as early as 1891 for controlling the common land of the village for the benefit of the co-shares, and functioned until 1922, when the land was partitioned. Agricultural banks were introduced in Mysore in 1894, each ‘to be an association of landholders on strictly co-operative principles.

In Bombay presidency it was ruled in 1921 that, in villages where co-operative societies were situated, advances under the Land Improvement Loans Act might be made only through them. These provisions for loans to agriculturists not having met the situation, other plans were considered. A committee meeting in Calcutta in December 1900
considered the introduction of co-operative credit societies, reaching the conclusion that societies on Raiffeisen lines might prove suitable. The Madras presidency, even before the movement was officially launched, had organised co-operative undertakings in the form of the indigenous nidhis (or) mutual loan associations not unlike the provident fund and friendly societies of Europe.\textsuperscript{15}

The idea of co-operation received support from the Famine Commission of 1901. It has been strongly recommended the introduction of credit association. The result was the passing of the Indian Co-operative Credit Societies Acts, 1904.

The co-operative movement in India had passed through the following stages.

**The First Stage of the Movement (1904-1911)**

The Co-operative Credit Societies Act was passed on 25\textsuperscript{th} March 1904. The introduction of the Co-operative Credit Societies Act in 1904 marked the beginning of the co-operative movement in India. This laudable measure was hailed as, "a turning point in economic and social history" by Henry Wolff, the great co-operator and "the way from poverty to plenty" by Sir Daniel Hamilton. The object of this Act, as stated in the preamble, was to encourage thrift, self-help and co-operation amongst agriculturists, artisans and persons of limited means.\textsuperscript{16}
Second Stage (1912-1918) - Period of Hurried Expansion

The defects of the 1904 Act were remedied in 1912 when another Co-operative Societies Act was enacted. With the passing of this Act, the movement entered on the second stage of its progress.

The essential features of this Act are the following:

(a) Under this Act any society, credit (or) otherwise may be registered which has as its object the promotion of the economic interests of its members in accordance with the co-operative principles.

(b) A federal society like the central bank could be registered.

(c) Unless otherwise directed by state governments,
   (i) the liability of central societies shall be limited, and
   (ii) the liability of rural credit societies shall be unlimited.  

Third Stage (1919-1929)

Under the reform of 1919, co-operation became a transferred subject, under the charge of a minister, in each state. The total number of societies of all kinds in India in 1923 was nearly 56,136. Of these the agricultural co-operative credit societies alone numbered nearly 49,118. Thus it is clear that the movement has developed almost entirely in the direction of agricultural credit societies. At the time of the appointment of
the Royal Commission on Agriculture in 1926, the number of agricultural credit societies in India was about 65,101. The Royal Commission on Agriculture, with Mr. Calvert as Chairman, was set up during this period. The commission sounded a note of warning in its famous words, "If co-operation fails, there would fail the best hope of rural India". The Townsend Committee was appointed in Madras as early as 1927, the King Committee of the Central Provinces and Berar in 1922, the Oakden Committee of U.P. in 1925, the Calvert Committee of Burma in 1928.18

The Act of 1919 gave great stimulus to the movement. Its success was measured more by its quantity than by its quality. The number and membership of agricultural credit societies increased three times while their working capital increased four times between 1918-19 to 1928-29.

The rapid growth of movement between 1919 and 1930 is characterised by Mr. Ramdas Pantulu as the period of "Unplanned expansion".

Fourth Stage: (1929-1939)

In 1929 the world economic depression set in and gave the movement a rude shock. The main problem that faced by various committees was to find out a general method of re-examination of loans due to primary societies by individual members, with a view to scaling them down for repayment in easy instalments over a period of 20 years. The large acreage of land that had earlier come into the possession of primary societies and banks in lieu of debts had to be returned on a sort
of hire-purchase system. Some of the societies were advised to write off bad debts out of their owned funds, and if necessary, by resorting to the floatation of debentures. From 1935 to 1939, there were three main developments in the field of co-operation. Like,

(a) In 1935, the Reserve Bank of India, was established and its Agricultural Credit Department was charged with the duty of studying various problems relating to agricultural credit.

(b) In 1936, an All India Conference of Registrars of Co-operative Societies stressed the need for development of long-term credit through co-operative land mortgage banks.

(c) Finally, the concept of primary co-operatives came to be increasingly accepted.\textsuperscript{19}

In 1919, the responsibility for co-operative legislation was shifted to states/provinces which gave adequate stimulus to provincial states to enact independent co-operative legislation.

(a) \textbf{Madras Co-operative Societies Act, 1934}
(b) \textbf{The Bombay Co-operative Societies Act, 1935}
(c) \textbf{Bihar & Orissa Co-operative Societies Act, 1935}
(d) \textbf{Bengal Co-operative Societies Act, 1940}
(e) \textbf{Assam Co-operative Societies Act, 1949}

These act paved the way for the formation and development of a wide variety of co-operative institutions across the country.
Fifth Stage (1939-1947)

During this period the co-operative movement made rapid progress as a result of the Second World War. The farmers gained heavily owing to an increase in the prices of agricultural commodities. A number of consumer co-operative stores were established. During this period the number of societies increased from 122000 in 1938-39 to 172000 in 1945-46. The membership and working capital during the same period rose from 53.7 lakhs to 91.6 lakhs and Rs.106.47 crores to 164 crores respectively. The Government of India appointed in 1944, a committee known as the policy committee on agriculture, forestry and fisheries to report about the indebtedness of agriculturists and suggest methods to reduce the same. The committee, with Prof.D.R.Gadgil as chairman, reported that co-operative developments were not uniform in the different provinces and hence they suggested the establishment of an agricultural credit corporation for each province except those where co-operation was thriving. The co-operative planning committee, with Sri.R.G.Saraiya as chairman, submitted its comprehensive recommendations on all aspects of co-operation in 1946. The 15th conference of Registrars of Co-operative Societies, which met in 1947, approved many of the recommendations of Co-operative planning committee. There were about 84,000 primary societies with a membership of 31.75 lakhs, paid up capital of Rs.14.43 crores, deposits of Rs.3.11 crores and a working loans to tune of about Rs.9.03 crores in 1947.20
The period 1904-1947, was nurtured by the British Government. People’s initiative was hardly forthcoming. The movement depended mainly on official guidance and support.

**Growth of Co-operative Sector : After Independence**

The **First Five-Year Plan** (1951-56) clearly expressed preference for the co-operative organisation of the economic activities of the people, especially in regard to agriculture, marketing, cottage and processing industries. The First-Plan emphasized that provision of sufficient and timely credit at fair rates of interest was to be considered as an integral part of the plan. The plan pointed out the need to evolve a comprehensive and integrated policy of agricultural credit. The history of agricultural development in all advanced countries show that such an integrated system of credit laid the foundation for agricultural development and prosperity.²¹

Under the **Second Five-Year Plan** (1956-61) : The role of co-operatives in the formation of capital and in the improvement of rural life in general has been emphasised by the planning commission. Reliance has been placed on the co-operative movement as one of the sources of financing agriculture. It was proposed that during the second five-year plan the active membership of primary agricultural credit societies should be raised from 5 to 15 million and the amount advanced through the co-operative movement in short-term loans should be raised from Rs.30 crores to Rs.150 crores, in medium-term loans from Rs.10 crores to Rs.50 crores and in long-term loans from Rs.3 crores to Rs.25 crores.²²
Third Five-Year Plan (1961-1966)

The third plan recognized co-operation as a vital factor for social stability and economic growth and visualised wider dimensions for it in the country. The third-plan pledged to the values of socialism and democracy, co-operation should become progressively the principal basis of organisation in many branches of economic life, notably in agriculture and minor irrigation, small industry and processing, marketing distribution, civil supplies, rural electrification, housing and construction, and the provision of essential amenities for local communities. Before set-up the fourth Five-year plan, Government of India had declare three annual plans (1966-67, 1967-68 and 1968-69). The major targets, for 1967-68 was to achieve a total membership of 40 million in PACBs by the end of June 1968. During the period 1966-68 an important development in India was the implementation of the New Agricultural Strategy, which aims at self-sufficiency in food by 1970-71. The All-India Rural Credit Review Committee, which was constituted by the Reserve Bank of India in 1966, was also active. It has recommended, among other things, the establishment of a Statutory Agricultural Credit Board in the RBI, the setting up of a Small Farmers Development Agency (SFDA) in selected districts, establishment of Rural Electrification Corporation and the expansion of the role of the Agricultural Refinance Corporation.23

The necessity to consolidate the movement and adopt measures to revitalise the same was felt at the conference of the state Chief Ministers and Ministers of co-operation held at Madras in 1968.
During the **Fourth Five-year Plan (1969-74)** it was stated that "It is important for planned development to bring about growth of co-operatives in all parts of the country to ensure the co-ordinated operation of various types of co-operative organisations". During the Fourth-Plan, it was decided:

(i) to reorganise the primary credit societies by making them viable units;
(ii) to rehabilitate and reorganise weak district central co-operative banks;
(iii) to finance primary societies directly by the concerned Apex Co-operative Banks;
(iv) to reduce overdues;
(v) to strengthen the agricultural credit stabilisation funds;
(vi) to provide trained and competent staff for the supervision of primary societies;
(vii) to encourage deposits, co-operative banks were required to open more branches in the rural areas.

The major objective of the **Fifth Five-Year Plan (1974-1979)** was to build up a strong and viable co-operative sector with special emphasis on the needs of cultivators, workers and consumers.²⁴

In March 1979, the RBI appointed a committee to suggest improvements in the existing arrangements for institutional credit for agriculture and rural development (CRAFICARD). The committee noted that problems of agricultural credit had not only grown in complexity and
size but had also merged with the larger tasks of rural development, and recommended the setting up of a new apex bank - the National Bank for Agriculture and Rural Development (NABARD). NABARD was to take over from the RBI the over issuing of the entire rural credit system including credit for rural artisans and village industries.

The Sixth Five-Year Plan (1980-85) has been assigned an important role in the rural development, especially agricultural sector. A clearly conceived action programme has been drawn up for strengthening of primary societies, so that they are able to effectively act as multi-purpose units catering to diverse needs of their members. There are some special programmes of rural development like IRDP, DPAP national grid of rural godowns in which co-operatives have been assigned an active role, other programmes like co-operative credit, marketing, processing and storage, consumer co-operatives, co-operative training as education etc, are directly concerned with the co-operative sector. The Sixth Five-Year Plan (1980-85) endorsed the setting up of NABARD which was established by an Act of Parliament in July 1982, for providing credit for the promotion of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas. At the end of June 1985, the percentage of overdues to demand at the PACBs level was around 40 percent, while at the level of LDBs it was around 42 percent. It was worse in the case of RRBs and commercial banks at around 50 percent. The health of agricultural credit institutions, both co-operatives and commercial banks, was in a very poor state in many parts of the country. Wilful default and overdues were
mounting even in co-operatively progressive states like Gujarat and Maharashtra.

According to the **Seventh Five-Year Plan** (1985-90) if this trend was not reversed and if banks were reduced to institutions providing grants rather than recycling credit, the banking system would not be able to meet the credit needs of agriculture in future. **The Eighth Five-Year Plan** (1992-97) confirmed these apprehensions: The debt relief scheme announced in 1990-91, affected the recovery climate resulting in a lower volume of credit flow. The need for a strong base was recognised. In June 1991, the Government of India announced a New Economic Policy effecting major changes designed to correct the macro economic imbalance and effect structural adjustment so as to bring about a competitive system and promote efficiency in the real sectors of the economy. Hence, in August 1991, the Ministry of Finance appointed a committee on financial systems. The committee suggested, that the entire co-operative credit structure has been built on a weak base, namely the primary credit societies at the village level. Now, if are wishes to take seriously the suggestion of the committee on financial systems (1991), that the concessional credit to the non-viable sector should be gradually phased out, it will amount to gradually winding up co-operative credit institutions at all levels as privileged institutions and brings such of them as will survive at par with the commercial banks.²⁵

In the context of lower capability of the co-operative institutions for recycling funds for promoting faster agricultural growth and reduced
eligibility for availing of refinance facility from NABARD due to mounting overdues, the Narasimham Committee on Banking sector reforms (1988) suggested de-layering of the co-operative credit system. This is with a view to reducing the intermediation costs and providing the benefit of cheaper NABARD credit to the ultimate borrowers. This will improve the credit delivery system in two ways. First, there will be reduction in the interest rate for the ultimate borrower due to reduction in the level of intermediation. Second, it will enhance flow of refinance in cases where one tier of the structure is not able to borrow on account of their ineligibility due to high percentage of overdues. With the Green Revolution and commercialisation in Indian agriculture, demand for credit in rural areas has increased manifold. Multi-agency approach to rural credit was felt essential to meet the demand and was introduced. Co-operatives, however, remained weak partners not with standing their significant share in credit disbursement. A few initiatives have been taken changing the co-operative structure in the country. Of late, Self-Help Groups (SHGs) are thought to be the answer to the twin problem of restricted availability of credit to weaker sections and non-viability of institutions because of numerous but tiny accounts. SHGs are being linked to the formal system of credit and the linkage programme is very actively pursued by all concerned. These groups are small and homogeneous and are run on principles of co-operation. The SHGs are nothing but limiting cases of PACBs. A few success stories of SHGs reported reassure us that co-operation can succeed even when co-operatives failed. This gives hope that co-operatives can be revived. The rural credit co-operative institutions (RCCIs), one of the strong arms of rural financial institutions (RFIs), have
made significant strides in delivering credit for agriculture and rural development. The co-operative movement has taken deep-roots and culminated in a massive rural co-operative institutional structure. Still, co-operatives form the major component of the rural credit system in India. Of the total credit (including short-term, medium-term and long-term) disbursed during the year 1996-97, the share of co-operatives was 49 per cent, about half of the total credit disbursed. The share of the commercial banks and Regional Rural Banks (RRBs), the other two institutional players in the rural credit market, together was 51 percent. In other words, Co-operatives still constitute a dominant segment of the rural credit market.26

During the period 1993-94 to 1996-97, while the share of Co-operatives and state governments in direct institutional credit disbursed for agriculture and allied activities declined, that of scheduled commercial banks and RRBs increased. The share of co-operatives in direct institutional credit disbursed for agriculture and allied activities declined steadily from 56.5 per cent in 1993-94 to 49.1 per cent in 1996-97. In accordance with the government's decision to double the flow of credit to agriculture and allied sectors by the end of Ninth Five-Year Plan (1997-2002), the NABARD has been striving towards achieving this target.27

The primary agricultural co-operative banks are grass-root level co-operative credit institutions playing a pivotal role in the disbursement of short term rural credit. As at end-March 1998, there were around 92,000 PACBs with a total membership aggregating 997.1 lakhs, of which
borrowing membership constituted 41.3 per cent. PACB continued to depend mainly on borrowings from higher financing agencies to fund their operations. At the end of March 1997 the deposits of PACB amounted to Rs.5,255 crores, while the borrowings stood at Rs.13,299 crores. The loans issued amounted to Rs.12,594 crores, while the loans outstanding amounted to Rs.15,323 crores.28

Table No.3.2: Primary agricultural co-operative banks - at a glance at India level

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>1994-95 (Rs. in Crores)</th>
<th>1995-96 (Rs. in Crores)</th>
<th>1997-98 (Rs. in Crores)</th>
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<tbody>
<tr>
<td>1.</td>
<td>Total number of PACBs</td>
<td>95,946</td>
<td>93,314</td>
<td>92,000</td>
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<td>2.</td>
<td>Membership (000's)</td>
<td>1,21,802</td>
<td>94,420</td>
<td>99,710</td>
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<td>3.</td>
<td>Owned funds</td>
<td>6,279</td>
<td>3,720</td>
<td>NA</td>
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<td>4.</td>
<td>Deposits</td>
<td>19,825</td>
<td>3,594</td>
<td>NA</td>
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<td>5.</td>
<td>Working capital</td>
<td>40,967</td>
<td>20,846</td>
<td>NA</td>
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<tr>
<td>6.</td>
<td>Loan advances</td>
<td>26,420</td>
<td>10,883</td>
<td>16,081</td>
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<td>7.</td>
<td>Outstanding</td>
<td>24,559</td>
<td>12,979</td>
<td>18,175</td>
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<td>8.</td>
<td>Overdues</td>
<td>5,357</td>
<td>4,560</td>
<td>NA</td>
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</tbody>
</table>

Source: Statistical Statement Relating to the Co-operative Movement in India, 1995-96, Part-I Credit Societies NABARD.p.15

There were around 90,245 Primary Agricultural Co-operative Banks (PACB) operating in the country as of end-March 1999, with the total membership of these PACB aggregating 1,016 lakhs, and borrowing members at 440 lakhs constituting around 43 per cent. The high level of overdues in many states has made a large number of members ineligible for fresh borrowings. As at end-March 1998, deposits of PACS amounted
to Rs.6,518 crores representing a growth of 15 per cent over the previous year. The outstanding amount of borrowings of all PACB stood at Rs.17,073 crores as at the end of March 1998. The loans issued amounted to Rs.16,081 crores, while the loans outstanding amounted to Rs.18,175 crores at the end of March 1998.29

The discussion reveals that the co-operative movement has been brought to India from other countries. Though pre-independence era seen the co-operative credit movement, the independence and five-year plans made the movement to grow faster and diversify its activities in many sectors.
END NOTES

1. MATHUR, B.S. Co-operation in India, Sahitya Bhawan, Agra, 1988, p.44.


19. Ibid. p.28,29.

20. Ibid. p.29,30.


