CHAPTER 3
A ROLE OF PRIMARY AGRICULTURAL CREDIT
CO-OPERATIVE SOCIETY
IN
AGRICULTURAL DEVELOPMENT
### INDEX

#### CHAPTER - 3

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Chapter</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0</td>
<td>A role of primary Agricultural Credit Co-operative society in Agricultural developments</td>
<td>143</td>
</tr>
<tr>
<td>3.1</td>
<td>Formation of primary Agricultural Credit Co-operative society</td>
<td>158</td>
</tr>
<tr>
<td>3.2</td>
<td>An objective of primary Agricultural Credit Co-operative society</td>
<td>166</td>
</tr>
<tr>
<td>3.3</td>
<td>Management of primary Agricultural Credit Co-operative society</td>
<td>171</td>
</tr>
<tr>
<td>3.4</td>
<td>Function of primary Agricultural Credit Co-operative society</td>
<td>175</td>
</tr>
<tr>
<td>3.5</td>
<td>Loans and Advance provided by Nanded District central co-operative Bank through primary Agricultural Credit Co-operative society</td>
<td>179</td>
</tr>
</tbody>
</table>
CHAPTERE - 3

3.00 A ROLE OF PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETY IN AGRICULTURAL DEVELOPMENT

Notion is celebrating 50 th anniversary of it independence. During these 50 years the co-operatives continued to achieve the national commitments that there would be decentralization of economic power and no exploitation of one group by another. The main focus was on sustainable economic growth with social justice. The co-operative have been playing a significant role for providing organizational and the financial support to give impetus to income generating activities for weaker section such as small and marginal farmers, artisans, weavers, land less agricultural labour, fishermen and urban poor etc. Co-operatives envisaged plans for integrated development of the community on sustainable basis covering all section of population irrespective of cast, creed, religion and sex.

The co-operative movement in Nanded District, which is one of the largest voluntary movement, has been contributing a lot to raise the socio-economic programs in this directions. In spite of its laudable achievements, the co-operative movement has for a long period, been facing serious problems which affect its smooth functioning and viability. In spite of assurance that the co-operatives will be allowed to function democratically. We see all round super session and day-to-day interference in the working of co-operatives. It is very strange and painful that except Marathwada none of the other co-operative Acts. has till now, been amended on the lines of model co-operatives law as recommended.

Faced with the new challenges emerging out of economic reform programs of the Government through greater liberalization of economy, a number of initiatives both at the level of the co-operative movement and Government have been taken to build up competitive strength of co-operative sector. View in the above perspective, there is a need for adopting a multi pronged strategy society that co-operatives are in a position to meet these transitional challenges and maintain their individuality, solidarity and ideology. Important components of this multi pronged strategy are sensitization of people, effecting the required structural adjustment / reformation, micro level / enterprise level action plan
covering different elements of co-operative composition namely members, leaders, employees, capital resources etc. reorienting the role of Nanded District level co-operative organization and Government in the changed context evolving ways and means for technology and other investment and its flow into the co-operative sector. And also exploring potentialities in the new areas for developing co-operative to co-operative trade.

Rural credit system is mainly agricultural oriented. This agriculture system has mainly financed directly or indirectly by Government. Apart from NABARD many financial institutions disburse credit to the agricultural activity.

In rural Nanded District there is unequal distribution of land holding. Small size of family holds large part of land and large size of family holds small size of land. The problem of small size of land holders is, fragmentation of their land holdings, on which they cannot survive their families. So they sell their land to the big land holders and become land less. The number of such type of land less labour, artisans, skilled or unskilled labourer are in big proportion in rural area.

For upliftment of these class are weaker section, many developmental schemes were implemented by the Government, but the lacunas in implementing Governmental schemes and target oriented approach made the program unsuccessful in rural area like IRDP [Integrated Rural Development Program.] The other formal financial institutions were also unable to reach the poor because of non-credit worthiness of the rural poor. There for the problem of upliftment of rural people remain same.

A role of voluntary organization in rural area voluntary agencies played an important role for the socio-economic development of the rural poor. Raising the credit worthiness of the rural people, voluntary agencies became an intermediates between formal financial institutions and rural poor. For making weaker section self-sufficient and self-reliance they brought people together in a group form.

In traditional rural societies self help takes in various form like exchange of labour during festivals, ceremonies, in form operations, in sharing implements, sharing irrigation water etc. joint purchase of inputs or sale of products indicate higher level of self help. Self help emanates when it is advantageous for indi-
viduals to come together. Self-help is a cooperative. With the advent and growth of cooperatives as a formal organization of group action. It is reduced in background as things or thrift groups where as the economic and gainful productive activities were taken over the cooperatives.

The idea of self-help group originate from two reasons. The credit needs of the poor are more consumptive than productive which can not be fulfilled by any formal financial institutions. Their emergent consumptive and productive needs were fulfilled by money lenders but the blood sucking tendency of the money lenders make the rural poor more. The above situations made people in forming a group for meeting their emergent credit needs.

Self-help group is a homogeneous group with maximum 20 members from weaker section and contribute some amount say Rs. 5/- or Rs. 10/- as per self-help group (SHG) norm. The collected funds mutually lent for different credit needs at lower interest rate to cater the needs of the rural poor.

Most of the groups have flexible systems of workings and managing their pooled resources in democratic with the participation of every member in decision making, request for consumption and the production loan were generally considered by group in their meeting. The loaning was done mainly on trust with minimum documentation. The amount loaned were small usually up to Rs. 500/- for short period 1 to 3 months such loans carried rate of interest of 2 to 3 % per month. Non-repayment of loans installment on the due dates entail fine whatever they decide.

NABARD conducted wider survey as a part of Nanded district. The objective was to understand the background of emergence of self-help groups, their composition methods of working and any linkage between self-help group and formal financial agencies. On the basis of the above study findings, a pilot project on linkage self-help group with formal financial institutions/bank were started by NABARD in 1992. One of the main objective of the linkage programme is the development of small micro non farm enterprises in the rural area.

The idea of linkage programme is originated because of the reluctance of formal financial institutions about rural credit. Normally, these financial institution shied away from lending to the poor because of high transaction cost and
perceived risk due to collateral security. From borrowers' side (rural poor)—the rural poor kept themselves away from financial institutions due to the cumbersome lending procedures, ignorance about banking operations, and their illiteracy.

To fill up the gap between formal financial institutions and weaker sections, NABARD launched a linkage program with the help of voluntary organizations for raising the credit worthiness of the weaker section and including the thrift among rural people. The present interest rate structure stipulated by NABARD at different levels under the SHG-Bank programme

(Reference: Linkage self Help Group with Bank, Regional office Pune)

[Sources from Nanded vision 2000 Page No 145]

If the non-farming activity will be planned in a collective manner or if the group of rural poor will be able to take any non-farm productive activity, they will uplift their family economically and socially. In the marketing of the non-farm product, the chain of middlemen was also retrained due to their collective action in the marketing. The problem of migration from rural to urban will also be solved in some way. If the weaker section or rural poor start any employment activity, the younger group will not migrate to the city.
AGRICULTURAL PLAN OBJECTIVES AND STRATEGY

Agriculture in developed or under developed is practiced by the farmer as an independent self-employed agent. Of production but with in the prevailing and often in equitable tendril system. The role of the district is generally restricted and varies from Taluka to Taluka. The picture gets radically changed when planning is introduced in a district and the Taluka assumes the dominate role in initiation and nurturing the process of development in this sector. Controlled direction of agricultural activity at all stages pre-production, production and post-production – becomes the mainspring of agricultural development.

The immediate objective of planned agricultural development is that of raising productivity, be it in respect of crop production, animal husbandry, fisheries, or forestry. The only way to do it is to employ the latest known agricultural technology with suitable adaptation to local conditions. Some of the problem to be solved may call for further research. In fact, today, modern agriculture calls for continuous research, for example, even the evolving of a new exotic variety is not a once for all piece of research work. Even after a new variety is evolved, it is equally essential to continue research, for evolving substitute varieties since the new varieties already under cultivation tend to lose their superior quality with the passage of time, and strangely enough, new diseases and pests tend to simultaneously emerge adversely affecting production.

It follows that the new scientific Know-how has to be acquired by the developing district and local people educative and trained in the new agricultural sciences and practices. A constant vigil has also to be exercised by the agricultural developments in locating any unforeseen and undesirable effects of the adoption of new agricultural techniques and practices and devise effectively and speedily corrective measures.

The application of science and technology has to be extended to all aspects of an agricultural activity-load improvement, soil management, water management, evolving of new varieties, seed multiplication, sowing and tilling, cropping pattern pest and disease, protection against natural hazards and transportation, marketing and storage etc. the same line of approach, followed in the case of animal husbandry, fisheries, and forestry.
In other words, a new base founded on science and technology has to be provided which would make agriculture and its associated activities more productive.

Other elements of the new objective and strategy would include the bringing about of ridicule institutional changes to provide the appropriate socio-economic and political climate for the new strategy to take firm root. Examples of these would be land reforms, co-operative agricultural production and distribution and of course districts role as provide of infra-structure services and inputs of different kinds and also as producer and distributor of agricultural and animal products.

Special measures will also have to be introduced in project design, in order to influence the farmer decision in the direction desired. To meet project objective, it may be necessary to introduce changes over the hole field of the agrarian structure agricultural administration, technical services, credit supply of inputs and marketing. Since many of these changes can be brought about only through Government action. It is imperative to maintain a channel of communication with the appropriate Government departments and agencies throughout the formulation and appraisal stages. Response to agricultural production projects depends not merely on project management but much more so on attitudes of the many small farmers affected.

Although agricultural planning in developing Nanded district is more challenging task than their industrial development. This very factor [in view of special features of agricultural production mentioned earlier] makes centrally directed / assisted / agricultural planning imperative. The decision to introduce 'Centrally dissected / assisted planning is however, a political one and is taken by the highest political an authority be it the high command of the ruling party or the Government in power, or the elected representatives in a parliamentary form of Government.' The actual task of planning is usually entrusted to a specially constituted planning body which plans for all sectors. To begin with the plan objectives and strategy may be set down by the political authorities but thereafter generally speaking. The thinking on these matters on a continuing basis is to be done by the specially constituted planning body. The seal of approval has however, to be given by the political authorities. The plan objectives and strategy has
not necessarily to be defined once and for all, some elements may continue and others may undergo changes.

The agricultural policy fanned by GOI [Government of India] towards increasing an agricultural production and the productivity has got immense importance in the overall economy of the Nanded District. As a result of this, the agro-based and allied co-operatives have got a challenging role in dismissing their functions. This will give a new boost to the co-operatives in the operational economic system of the district. In other words, the co-operatives have got bright changes for prospering themselves in the near future by continuing their services to the loyal members effectively.

Role of Agriculture in Nanded District, a flourishing agricultural sector is far more important for the development, since forming is less a business than a tradition in Nanded District. Even at this semi-industrialization stage about 80% of its population still live in the rural areas and directly or indirectly depends on agriculture for its livelihood. The mere existence of about 23,26,100 of persons which are further multiplying at a rate of 2.5% annually depends on a developed agricultural sector. Further, most of our traditional industries on whose products depend our bulk of trade and earning draw their raw material from this very sector. The role that agricultural sector is playing in Nanded at present can precisely be discussed under the following heads.

(i) Share of Agriculture income.

Share of agriculture income is a crucial indicator of the role that agriculture plays in economic development of a Nanded. As the Nanded rides on the wheels of progress, the relative contribution of agriculture in Nanded District income decline with the Nanded becoming more and more prosperous. The expanding non-agricultural sector diverts surplus manpower from agriculture to industry and the improvements in agriculture enable a smaller number of people to produce for a larger population. With advanced agricultural technology, agricultural products are produced. To the extent, therefore, progressive agricultural sector means a higher level of income and consequently of higher level of economic development.
(ii) **Agriculture as a source of livelihood**

Agriculture has a greater role in economic development in the less developed talukas as it provides livelihood to a vast majority of the people living in the district. The figure is not significant in terms of percentages only, but more so in terms of absolute members. The agricultural sector provides livelihood to about three-fourths of the Nanded district population, that is, seven out of every ten persons in Nanded district depends agriculture.

(iii) **Agriculture and provision of employment**

Indian agriculture is of considerable importance in so far as it can offer enormous scope of alternative employment. Past experience shows that the development of large industries has not helped significantly in absorbing unemployed labour force. It has been estimated that the labour force has increased. Thus, agricultural sector has absorbed bulk of additional labour force, through many must have got low intensity employment and consequently low incomes. Agro-industries and agro-processing industries hold a great promise for employment in our Nanded. Forestry, fishery and animal husbandry can also be developed on a large scale and considerable employment can be generated for the rural youth.

(iv) **Agriculture and industrial development**

The role of agriculture in industrial development can hardly be overlooked. In fact all growth models for surplus labour countries and district have underlined the importance of agriculture for the developing an industrial sector in the initial stages. Agriculture supplies manpower and raw materials to industries and provides a wide market for industrial products. In Nanded, most of our leading industries depend on agriculture for their raw materials. Cotton and juste textile industries, sugar vanaspati and plantation industries all depend on agriculture directly. There are a number of other industries whose dependence on agriculture is indirect. These may include hand pounding and husking of rice, the crushing of oil, the weaving of handloom and Khadi cloth etc. still other industries like paper, leather and tanning; matches, chemicals
etc. depend on allied activities of agriculture like forestry animal husbandry, fisheries etc. It has been estimated that the industries which draw their raw material from agriculture sector contribute nearly 50% of income generated in the manufacturing sector in Nanded district.

(v) Role of Agriculture in the field of Nanded District Trade

Nanded district agriculture has been a net earner of valuable exchange for the district. An agricultural goods like sugar, oil, seeds, tobacco, spices etc. constitute main item. The Percentage will in case are considerably of jute, cotton oil, seeds, manufactures and cotton textiles etc. This has great significance for Nanded economic development.

All this leads to the conclusion that agriculture is the backbone of the Nanded economy and development of this sector deserves to be accorded a very high priority in any scheme of resource-utilization for general economic development. General economic development will require agricultural development either to precede or to go hand in hand with it. Nanded planners have already learnt a lesson during the five year plan periods. It has been proved from the experience of Nanded planning that failure of an agricultural sector to deliver goods would spell disaster to the entire planning process.

Agricultural Co-operative Credit Society

In Nanded district an attempt has been made to develop institutional credit for agricultural Co-operative lines. The Co-operative form of organizations are considered best for providing credit to the farmers especially small and marginal on the unique role of co-operative in the provision of agricultural credit attention was drawn.

"The increase of agricultural production is intimately bound up with the organization of agricultural credit, which will place at the disposal of agriculturist for the necessary capital on favorable terms. The first condition for surmounting these difficulties, is the organization of credit institutions in those district. Where they do not exist and their development where they are already in exist-
ence The base from of institution appears to be the co-operative credit society operating by means of resources which the very fact of association enables it to procure and to increase which or without the assistance of the public authorities.

The statutory report of the reserve Bank of India stated, "An agency which satisfies the requisite conditions for agricultural finance is the co-operative society and it has been so recognized in almost all agricultural district. The rural credit survey committee started "Today more than ever before. There is every reason for an institutional system of rural credit to be based on a co-operative association in the village

Co-operative organization have been recognized as the best institutions for providing rural credit to the farm because they satisfy all the important criteria of sound agricultural credit. The co-operative organization satisfies the basic condition of proximity as the co-operative societies can have intimate knowledge of the character and abilities of their members. The societies can also supervise the use of credit so that it is invested in improving the productivity of land. Further the credit provided by co-operative societies is bound to be cheap due to their low administrative cost. The credit provided by these societies is neither too rigid nor too elastic. The credit provided by these societies is also safe as it assists and does not hamper the borrowers stability and productive capacity.

Governments have also came forward to meet the credit needs of the farmer. Governments mostly come forward to provide a cash or a kind loan to the farmers in the areas where the establishment or reactivation of the co-operative credit structure or promotion of supplementary credit arrangements by the institutional agencies is likely to take so long that the current agricultural programmes might suffer on account of the lack of credit support. But the experience of Government participation in supplying credit to the farmers has not been happy. Governments credit often tends to be governed more by political than economic consideration and is too rigid to take into account the requirements of individuals according to the production programmes they have in view. In most cases it tends to be come security rather than production oriented, so that officials at the lower level tend to give preference to medium and big farmers to the neglect of others. Further governmental agencies are generally very poor. In closely su-
pervising the end-use of credit and in providing any guidance to the farmer in putting the investment of loan in generally left to the good behavior of the borrowers, with the result that the recovery of agricultural loans advanced by the Government is generally the poorest.

In recent years, more emphasis is placed on Government financing agriculture indirectly through co-operative mainly in the following directions:

In order to enable co-operative societies to stand on their own feet, government may purchase their

(i) shares.

(ii) Government may provide guarantee to the relatively weak apex co-operative banks.

(iii) Government may incur expenses on the training of personal for co-operative society

Agricultural Technology

Agricultural technology refers to knowledge using production to improve the returns. Agricultural technology, there for refer to the knowledge used in improve agricultural productivity. It points to the inputs-mix and changes that occur in from time to time with a view to enhancing productivity at a reduced cost. Farm technology may be reflected in a given mix of men and machines, seeds and fertilizers, animal labour and management inputs. The degree of variation in this mix points to the dynamics of farm technology. It should be fairly easy to comprehend that the pace of change of agricultural technology must have been slower in the past compared to the pace of change at present. During the last few decades, farm technology has changed at a very rapid rate and fruits realized as a result of this change are not hidden.

Role Of Technology In Agriculture

Technology plays a pivotal role in any production enterprise. The nature of technology determines the magnitude of success in raising higher yields from
any production efforts. Technology is still more crucial in agriculture because of the fact that the basic resource in agricultural production viz; land is limited in supply. The efficiency of a given technology shall, therefore, determine, in general, the efficiency of farm enterprise. In any business enterprise the level of productivity may be raised without increasing the unit cost or the current level of output may be maintained at a lower unit cost. If a new technology succeeds in it, it results in increased economic progress. It is ultimately an increase in ends relative to means that leads to economic progress.

Technology plays a basic role in making production possible. If the input-mix is not selected properly, there either may be no production and low production. The selection of an appropriate technology is therefore, of utmost importance to ensure the continuance of an efficient production system in a society. Farming has always adopted a technology suited to its stage of development and the nature of requirements. With the march of man towards new social order, nature of agricultural technology has changed regularly from its traditional character to modern stages. All though this march, technology has played a significant role in strengthening the farmers hold on agricultural resources and enabling him to reap better harvests.

New farm technology tends to decrease the unit cost of inputs without decreasing the output. New mechanical-biological technology such as improved machines, seeds, fertilizers and pesticides etc. have resulted in enhanced production without increasing total inputs and have helped in an improving input-output relationship. By virtue of improving input-output relationship, new technology tends to reduce the cost of production and hence effects the level of agricultural prices. Increase in quantity and quality results in reduced unit cost and this in some situations leads to fall in prices. Technology, therefore, plays a double role. It benefits the farmer in terms of increased production and the consumer in the terms of reduced prices for the same quality of product or same price for the better quality of product. Prices of the product may decline not slowly due to new technology but due many other factors and on the other hand the prices may not decline at all not because new technology has not tended to do so but because many other factors have come in the way of reflecting effects of new technology.
Farm technology plays an equally important role in effecting the form income. Initially a marginal rise in the cost of production result in substantial gains in farm income owing to adoption of new technology. Naturally those who take the initiative early reap the rich harvest compared to those who failed to do so. As more and more farmers come forward to adopt new technology. Their comparative income gains become lower, through the society as a whole stands to benefit by enjoying more quantity and better quality.

Considering the nature of agricultural pursuits, it may be observed that new technology enters farm economy through large size holdings. For obvious reasons Large holdings have investment potential, capacity to bear risks an a reasonable size of holding to afford the use of mechanical power which is invariably an important component of any new farm technology. By virtue of these natural advantages, big farmers become the first and the main recipients of gains in terms of enhanced income. Smaller size farmers follow with a considerable lag and their income gains now here compare favorable with the large farms. This is one of the main reasons.

In the recent years, farm technology has played a more significant role enhancing the global food production and to cater to the growing food requirements owing to demographic explosion. In the absence of rapid technological advances in agriculture. According to the some times a new technology may be adopted. An improve technology can always lead to better of production resulting in saving of time and efforts

Acceptability and implementation of new farm technology usually depends upon the following factors.

(i) Responsiveness of the society to new ideas.
(ii) Extent and the type of education.
(iii) Extent of financial sound ness of the adopters and or possibilities of making adequate credit available to the adopters.
(iv) Present position of the existing technology.
3.1 FORMATION OF PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETY

The promoters who intend to form a primary agricultural credit co-operative society must apply to the registrar of co-operative societies under the Indian co-operative societies Act. 1912, or under the state/District co-operative societies Act. Which is in force in the district where the society is situated. For getting the society registered, the promoters should submit the following documents to the Registrar of co-operative societies

1. A joint application signed by a minimum of ten members. The law requires that a society must have minimum ten members to get it registered.
2. Two copies of the bye-laws of the society.
3. The application for registration should include the following information in particulars.
   a. The name of the proposed society.
   b. The aims of society and objects.
   c. The registered address and the area of operation.
   d. The names, addresses and occupations of members who have signed the application.
   e. The liability of members.
   f. The amount of nominal share capital and the face value of each share.
   g. The number of shares already subscribed by the members. Who have signed the application.

Such other information as is required under the law.

The bye-laws which the proposed co-operative society intends to adopt should give a clear picture regarding in the internal affairs of the society such as.

a. Terms and conditions on which members are to be admitted to the society
b. Classification of members.
(c) Rights, liabilities and duties of members.

(d) Mode of convening and conducting meetings.

(e) The different types of meetings.

(f) Appointments of office bearers and their duties and powers.

(g) Mode of investments of surplus savings

(h) Rules and regulations regarding general conduct of the business of the society

The promoters of the proposed co-operative society may be prepared their own bye-laws and submit the same for the approval of the registrar or may adopt the model bye-laws prepared under the co-operative societies Acts. Such model bye-laws are available with the Registrar of co-operative societies and can be had on request. The model bye-laws may be adopted as they are or they may be adopted with the proper modifications as required by the society. Out of the two copies of the bye-laws submitted to the registrar, one copy should be returned to the co-operative society duly signed and authenticated with the official seal of the registrar. After such authentication, the bye-laws acquire the legal force.

After scrutinizing the application and the bye-laws, if the registrar is satisfied in all respects, he will issue a certificate of registration by registering the society. After the issue of certificate of registration, the society is duly registered and legally comes into existence from the date of registration. It also becomes a legal entity and is entitled to operate from the date of registration. As well as it also becomes a legal evidence or proof. It is regarded as an incorporated organization with common seal and perpetual succession. It can after registration proceed to admit members, collect share capital and hold meetings. As a corporate body it requires powers to hold property, to enter into contract to institute legal proceedings, defend legal suits against it and to do all such things as are necessary to achieve its aims and objects.

Where consumers co-operative society is formed. The members as the consumers are enabled to get their requirements at reasonably low prices dispensing with the services of middlemen. Whatever commission that would have been otherwise paid to middlemen could be saved and the same is distributed among
the members of the society. In a co-operative store, there need not be speculative buying of different articles unlike in an independent retail store. In a retail store, the retailer will have to guess by experience the demands for different types of articles from customers at different intervals. If his judgement proves correct, he may earn profit otherwise whatever that has been brought by him will be added stock. There is no such risk in a co-operative store where the promoters are not only assured about their customers but also are informed about their requirements. Hence all purchases in a co-operative store are made as per needs and demands of its regular customers. Thus a co-operative store is saved from the losses that are common in retail trade.

As a primary agricultural credit co-operative society is formed on the principles of mutual help some of the members who realize and understand the importance of co-operation may voluntarily offer their free services. Even where it is decided to have a paid manager, he can be employed at a reasonably low salary. Such as voluntary services offered by both members and non-members help the organization to bring down the expenses of its management. A co-operative store like any other business house need not undertake a campaign for advertising the articles because the customers of a co-operative store are regular members and the store knows the exact total number of its customers for whom, and at whose initiative, the store is opened. A co-operative store, therefore, can save a substantial amount which other firms are required to spend on advertising and publicity. Because of the very principles of quality on which the co-operatives are based, the member will automatically develop a tendency to have equal distribution of wealth which will prove as one of the effective forces in an improving the lot of the under privileged community.

The very establishment of different types of co-operative societies with an object of providing all facilities to the masses is looked upon as a warning by the capitalists who are in that habit of exploiting the masses. It has acted as a strong check on malpractice practiced by other business houses and freed the common man from the clutches of capitalistic enterprises. There is no necessity to have surplus stock of goods at hand as the demand is constant and regular. The system of paying bonus or rebate on purchases from the society is an ingenious device to bind the customers to the society and this will attract them to make their purchases from the society only. The co-operative movement is something
more than Marilee getting certain goods at a cheaper price. The primary agricultural credit co-operative societies have intent and value of social importance. They provide an opportunity and are a device of self-government which the members of the society who generally come from economically weaker sections of the community will not get it else where. The co-operative movement has done a great service to the workers by co-operative movement has done a great service to the workers by offering them an opportunity to discard the capitalist hold on them.

A co-operative is a voluntary organization and it is easy to form it. Its registration is simple and requires only ten members to form it. Its management is based on democratic principle since voting is done on “One-man-one vote” basis. A small group of members cannot control the affairs of the society. As the co-operative society is regarded as a legal entity. It has perpetual succession and continuous existence. It is not effected by the death, insolvency or the conviction of a member. The co-operative movement is a means of improving the economic well-being of the members of the society the Government actively supports the movement. The district offers different types of assistance to co-operatives including tax concession and cheap loans.

The village primary agricultural credit societies has so far been concentrating mainly on the provision of cheap credit. But as the co-operation have rightly pointed out, the village credit society, if it is to be real benefit to the farmer, should provide the farmer not only cheep credit, but also with the means of re-payment by increasing his income. The agricultural problem can not be tackled and solved piecemeal. The village credit society ‘must take up each aspect of the problem and try to find out.’ In what manner it can assist the farmer by limiting his expenditure and increasing his income. This means that the society should under take a number of subsidiary functions besides the mere provision of credit and help its members. To achieve the triple ideal of better farming, better business and better living.

Promotion of better forming to enable its members to secure better yield of crops with less expenditure, the society should encourage improve and intensive methods of cultivation. It can take up the responsibility of supplying seeds and
manure of good quality and improved implements. It can be empowered to acquire common seed beds and to attempt joint co-operative farming and thus get over the evils of sub-division and fragmentation. It can help its members to improve the quality of their live-stock, negotiate with the Government for the reservation of proper pasture lands and arrange for their grazing in rotations. It can also undertake the supply of electrical and other mechanical power on a collective basis.

Promotion of better business the society can increase the income of its members by encouraging the co-operative sale of produce. It need not engage in marketing activities like the storing of produce and the holding of produce for better prices which require expert knowledge and are speculative. But where there is no co-operative sale society near by, the village credit society can profitably undertake selling in the village itself on a commission basis. Thus ensure the farmer a fair bargain or it can negotiate with big merchants for sale in bulk of the produce of its members. Such type of activity are not risky, as the society does not hold the produce and does not advance loans. When there is a co-operative sale society near by the village credit society can arrange with it for the sale of its members produce. When the credit society thus arranges for the sale of its members produce, besides ensuring a better price to its members it can secure a control over the sale proceeds and also sufficient volume of business for the marketing society thus facilitating co-operative marketing.

An encouragement of subsidiary industries, without some subsidiary industry to keep the farmer employed during his spare time. Small-scale farming is hardly economical. If our agricultural credit societies have failed so far to raise the income and the purchasing power of the rural population one of the reasons for their failure is their total indifference to this aspect of the problem. The village societies should. There fore, be utilized to a greater extent in the organization under proper direction and suitable safeguards, of subsidiary or cottage industries. Either the old cottage industries like hand spinning will have to be revived or new ones will have to be found out. The village credit society can encourage cottage industries like the processing of crop at home e.g. the hand-pounding of rice, hand-spinning, and the production and sale of milk, ghee, and butter. It can arrange for the sale of these products on a co-operative basis.
Promotion of better living the societies should in the future more determined attempts to eliminate
Extra-vagant expenditure by a member on social functions like marriage etc. by fixing a maximum limit for each member on each occasion. It must be given the power necessary to control the unproductive expenditure of its members and controlled credit for productive purposes must become a reality rather than a theoretical fiction.

Joint purchase of supplies the societies can do some supply work on an indent system. The requirements from members for such things as a cloth, domestic requirements etc. can be pooled and purchase in bulk at cheaper prices. They are thus many subsidiary functions which the village credit society can profitably under take without increasing its risks. The village credit societies can take up all these functions one by one and thus emerge as "Full-fledged multi-purpose societies". Such an enlargement of the functions of our village credit societies, so as to bring within their ambit the whole life of the farmer, has the decisive advantages.

It is likely in actual practice to increase the financial stability of the societies by increasing the incomes of their members and thus ensuring the prompt repayment of loans. The variety of services which the recognized society would provide would attract into the society the large-body of people who are at present outside the co-operative movement. Different people in the village need different services and "There should be people in the village credit society for all sections of the community. Each of which has definite economic and social needs." When the village credit society provides a variety of services, the big land lords, who required merely co-operative marketing and joint purchase of supplies. The poor farmer who needs cheap credit can combine in the same society, for their mutual benefit.

If outside-borrowing by members of the village credit societies is to be prevented every eligible family of the right types of character in their area of operation must be brought within their fold. The richer agricultural classes do not at present interest them selves in co-operative efforts as they either do not need credit or can raise it elsewhere. This has meant that the village credit societies have become mere associations of particularly solvent borrowers and they are
therefore, unable to command much credit. It has been suggested that they only solution is compulsory co-operations. The richer classes should be compelled by law to become members of the village credit societies and thus help to raise the credit of their poorer brethren. The essence of co-operation is voluntary efforts and compulsory co-operation. When the village credit societies perform a variety of useful functions and are well managed, the richer classes of agriculturists can be expected to join them voluntarily and with the co-operative conversion of the existing village credit societies into multipurpose societies the need for compulsory co-operation is likely to disappear.

A village credit society providing a number of service is likely to be in more continuous touch with its members than a mere credit society to which members resort only occasionally when they need loans. Such continuous contract is likely to create in a member's more lively interest in the working of the society. As the Bulletin on village banks issued by the Reserve Bank of India points out. The bank must never lose touch with the member. He must come to the bank for some thing or other throughout the year. Absence of such touch leads to indifference default and disloyalty, the bank should never be allowed to degenerate into a loan office.

But even granting that the whole life of the farmer must be brought within the sphere of co-operation why is argued, should the village credit society under take a number of function, can not the same end be achieved by having one society for each purpose. It is not unusual for a farmer to be a member of three or four co-operative societies each of which renders a distinct service. It is suggested by some that the village credit society, with its unlimited liability should have a simple organization and should not go on adding to its risks by undertaking new functions. They therefore, suggest there should be a separate society for each purpose for the encouragement of cottage industries.

But the farmer of Nanded district has been accustomed to borrowing from and selling to the same persons. Viz. the village baniya and he is too illiterate to join and take an active part in the management of a number of co-operative societies. In fact in Nanded, co-operation is likely to make a greater appeal to the farmer when the credit society provides him most of the services he needs. The
"One purpose; one society" Principle, therefore, does not appear to be suited to Nanded district.

There is nothing revolutionary in the village credit society undertaking a few subsidiary functions. In fact such an integration of the provision of credit with supply and sale, as pointed out by thinker has been forced upon the agricultural co-operative movements. The new emphasis is everywhere on co-operation not indeed on the undifferentiated society but on the association of finance with the trade supplies and marketing, on credit central which has the whole position of the borrower under review. This development is fast reaching down the old-time-honored barriers and is making. In fact it will make the Indian village credit society conform more closely to the Raiffeisen pattern. "The term multi-purpose is misleading, a better term would be integrated co-operation."
3.2 AN OBJECTIVE OF PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETY

We have in this country the picture of an overwhelming number of small farmers with merge resources engaged in precariously low levels of production. On the other hand, there are big landowners who lease out their lands to tenants content to produce what is adequate for their own sustenance and for the payment of rent on land. The result of this set-up is that the overall output is not significant. Individual possession and co-operative management appear to provide an effective means for increasing production.

The introduction of co-operative farming was strongly advocated by Mahatma Gandhi as early as 1942 writing in the Harijan (Feb 15 - 1942) Gandhiji observed "I firmly believed that we shall not derive the full benefits of agriculture until we take to co-operative farming. Does it not stand to reason on that it is far better for a hundred families in a village to cultivate their lands collectively and dived. That income there form than to divide the land any how into a hundred portions?"

Acharya Vinoba Bhave also favours co-operative farming, more especially in gramdan villages. He is strongly of the view that co-operative farming should be voluntary and that the size of co-operative farm should not be too large.

The Report of the agricultural labour enquiry committee revealed that 48% or about half of the agricultural families in the district, have land holding of less that five acres each, 31% families have less than 2½ acres each, while 19% are land less. That there is heavy concentration of ownership of land is clear from the fact that 4.5% of the agricultural families hold 34.4% of the land.

The problem of land is not merely a problem of food production. It is also a human problem. The pressure on land and the law of diminishing returns must be taken into account. More and more people are victimized by uneconomic holding due to the ever continuing process of fragmentation and the increasing population. As time progress, the problem of land less labour and uneconomic holdings will become more and more intensified and will seriously affect the supply of raw materials for industrial production. The land can not bear the burden of providing the raw materials for the growing industries. The
agriculturist has to be providing with adequate facilities to produce more.

For the last some years the suffering of our peasants have been unimaginable. The farmers have been subjected to injustice and exploitation. Where lands are concentrated in a few hands, the rents are high and the yields are low. A thorough overhauling of the land tenure system was therefore called for to remove the oppressive land lord-tenant nexus. Co-operative farming has therefore assumed great significance in the context fixing ceilings on individual holdings and the redistribution of surplus lands in favour of land less labour and of peasants with uneconomic holdings. Such a reform will eliminate the parasitic elements from the sector and evolve economically viable units.

In co-operative joint farming, farmers with uneconomic holdings pool their land together and entrust it to the administration of the society. Members work in accordance with the directions of the society. Every member receives wages for his daily labour, at the same time retaining the ownership of his holding. He gets the ownership dividend in proportion to the value of his share of the land in the pool.

The produce is raised and disposed of collectively. The proceeds after meeting the expenses of cultivation such as payments for the use of land, wages and the cost of management and providing for a reserve funds etc. are shared by members in proportion to the wages earned by them.

Co-operative farming is a new technique for tackling the problem of economic development and bringing about a social change. The aim is first to raise the economic viability of uneconomic small and medium forms through the establishment of service co-operatives. After gaining experience the peasants will be induced to come into the fold of joint co-operative farms.

Service co-operatives mobilize the internal and external resources in money and materials while joint farming mobilizes labour, which is the most abundant resource and thus reduces the cost. The pooling of land in joint cultivation is necessary for a minimum scale of efficient cultivation. Joint farming can absorb capital of all kinds and adopt new agricultural practices like polishing immediately after the harvesting and rationalizing the utilization of labour.
Co-operative farming will be an effective answer to the twin evils of sub-division and fragmentation. It will increase production with reduced working expenses. It will help the units of farming, whether operated individually or jointly to enjoy the benefits of centralized management with decentralized control. Agricultural experts can be employed by joint farming co-operatives to advise on the purchase of implements and materials required for farming and the marketing of produce. In the social sphere, co-operative farming tends to develop a group spirit and a social sense among farmers.

Increase in production will improve the general standard of living. This will result in improved housing conditions and improvement in communal services, such as recreational facilities, communications, electrification etc. better medical and educational facilities and other amenities of life will also follow the improvement in the general standard of living. Better working conditions will be created by bringing about reduction in working hours and making available more time for leisure and recreation. All these advantages will not only accrue to the farmer but also percolate down to the community as a whole.

Joint co-operative farming develops among its members a strong democratic spirit which may find out lets of expression in such activities as the constructions of school and hospitals and the setting up of other co-operatives. The group spirit create a feeling of security and self-reliance. It offers opportunities to the youth and the land less worker to settle on the land. Joint farming also offers scope for a fuller life to the community and at the same time for a fuller development of individual personality. Joint farming will also incidentally ensure closer co-operation among farmers in tackling common problems and between them and the Government in various spheres.

The Government can the joint farming society for demonstrating to the farmers the benefits of various researches. At present this cannot be done easily. The existing Government demonstration farms are very few in number and are located in distant places. In times of emergency the Government can carry on its policies in the field of agriculture, such as the regulation of crop production the procurement of food grains, etc. through joint farming societies. These societies can also facilitate the collection of agricultural statistics the lack of which is now a serious drawback in farming policies for this sector.
Experience has shown that co-operative farming has developed to a high degree where either special incentives existed among the sponsors or it development was actively encouraged by the district. If therefore co-operative farming is to take deep root in Nanded, a full measure of the peoples co-operation and deep and abiding interest on the part of the Taluka are essential.

In view of its great importance in our future agrarian pattern, in development of co-operative farming should be based on a definite plan. Joint farming societies should be assured of guidance by an expert staff possessing adequate knowledge of problems connected with their organization. Some of these problems are concerned with the consolidation of holdings. Land improvement, irrigation, crop production, the rotation of crops the development of cattle breeding and the development of rural area.

A programme of development should be drawn up for each society and there should be efficient supervision of the execution of the programme by the staff. This requires the farming of not only the society's own staff but also the training of other people in all branches relating to agriculture. Trained personal will have to be appointed as managers of joint farming societies till the latter are able to carry on by them selves.

Publicity is also essential in order to make people in rural areas aware of the benefits that can accrue to them through joint farming. This publicity can be carried on by means of leaflets in local languages, radio talks, cinema slides, and the exhibition of various aspects of joint farming activities at fairs. However the most effective method of popularizing co-operative farming would be to organize model societies and prove their efficiency in actual practice.

In the organization of model farms the following factors have to be taken into account the selection of land, the size of the land, rainfall, irrigation facilities, the types of the soil and the fertility of the soil. The farm should be large enough to facilitate large scale tilling and the use of improved implements and better methods of farming.

In order to obtain a balanced economy, it would be advantageous to adopt mixed farming, a portion of the land can be kept for cattle grazing and a good dairy can be developed. Another part of the land can be used to grow vegetables.
so that the income of the farms is further increased.

The objects our planner is to step up agricultural production rapidly in order to bridge the wide gap between rural and urban incomes. About 75 to 80% of the people living in rural areas get only about 48% of the national income. Unless, therefore efforts are made to achieve greater from output our economy will suffer from serious stresses and strains. Through the programme of dispersal of industries we have to persuade our people to turn towards an agro-industrial economy. Since our people are concentrated heavily in rural areas, an agro-industrial economy will bring about maximum production and maximum employment.

The target for agricultural production in the fourth plan 160 millions tons and that for the sixth plan 330 million tons. Our planners are strongly convinced that the village panchyats and the village multi-purpose co-operatives are the only agencies for increasing agricultural production in a democratic country and people doing hard efforts.
3.3 MANAGEMENT OF PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETY

A co-operative is owned by its member and management. It belong to them and exists to serve them. It should fulfil the aspiration of its member and management members should also know what they expect from their co-operatives. They elect amongst them selves a management committee who are accountable to members and have the responsibility to effectively manage the business of the co-operative. Both the elected and the professional segments in a co-operative need to function as a team. The interface between them between both the segments have to be very smooth.

The Management of primary Agricultural co-operative society
No. 9.

1. State Co-operative Bank
2. Central Co-operative Bank
3. Primary Credit Societies

1. Central land development banks
2. Primary land development banks

MEMBERS

Accountable

Elect

BOARD MEMBERS

Employ

CHIEF EXECUTIVE OR PROFESSIONALS

EXECUTES POLICIES

Supreme Authority

Formulate Policies
Three tier system: -

Three tier credit system is just like a pyramid. State co-operative Bank of apex bank is at state level; central co-operative banks are at districts levels and primary credit societies are at village level. Number of central co-operative banks depend upon number of district in the state of number of primary credit societies depend upon number of villages in the district. There is only one apex bank is a state, few central co-operative banks and many primary credit societies in a state.

Primary Agricultural credit societies

Primary credit societies from the base of co-operative movement. They are maximum in number as compared with other societies. Success of co-operative movements depends upon success of these societies. The main function of primary credit co-operative society is to provide short and medium term credit to members.

The society should supervise use of credit. Society should supply certain consumer goods also. Society should associate. It self with programmes of economic and social welfare for village. Saving habit should be developed. However, certain other function must be carried out by society and this leads to origin of multipurpose societies.

Management of society is democratic and honorary. It is based on the principle of one man one vote. General body consisted of members is a supreme authority. Managing committee of five to nine members chosen from general body. This management committee looks after day to day function of society. Secretary carries executive work. Management committee admits new members, supervise, credit, raises funds for the society. Accounts are maintained by secretary. The management is honorary and only secretary is paid small remuneration for clerical work. Most of members are not only illiterate but are indifferent and this leads to mismanagement when society functions unsatisfactorily. Registrar for co-operatives supersede management committee until society start normal functioning.
While policies are fanned by the elected management those are executed by
the professionals who are accountable to them. Education plays a very im-
portant role in increasing participation, empowerment and strengthening the link-
ages between members and the co-operatives. Use of co-operative by co-op-
erative leaders for personal benefits.

Agriculture is an important industry and like other industries it also requires
capital. Due to the peculiarities of agriculture, especially its uncertainties low
returns. High rate of rent and limited scope for employment. A large number
of cultivators cannot manage the needed finance without recourse to borrow-
ing. one of the most important lesson of universal agrarian history is that the
agriculturist must borrow, die to the fact that an agriculturist capital is locked
up in his lands and stocks for stimulating the temp of agricultural production.
It is necessary that the farmer must be provided with adequate and timely
credit.

Agricultural credit thus in a practical sense is a nucleus of the system of
farm operation. It provides flow to the system averting ruins which would
have occurred due to the lack of monetary capacity of a farmer, “Credit sup-
ports the farmer as the hangman rope supports the hanged.

Every farmer needs for types of credit viz. the development credit, produc-
tion credit, marketing credit and consumption credit, Development credit, is
required by the farmer to make investments on the farm which include.

(i) Purchase of land, implements farm machinery.

(ii) Development of irrigation through sinking of new wells renovation
of old wells, installation of pump sets, installation of lift irrigation system on
rivers.

(iii) Undertaking land reclamation and development works, soil and mois-
ture conservation works, land leveling, land shaping, laying out field chan-
nels, drainage.

(iv) Construction of farm structure such as cattle shed, silo-pits, farm-
godown, fencing, gobargas plants.
(iv) Developments of horticulture fruit gardens, plantation crops and nursery crops.

(vi) Development of poultry, dairy, fishery, agriculture, apiculture, etc. through construction of sheds, purchase of animals, birds, equipment etc.

Production credit is required by the farmers for crop production. This type of credit is needed by the farmer to purchase seeds, fertilizers, manure, pesticides, insecticides and other important variable inputs besides paying wages to the hired laborers.

In short, while "production credit helps the farmers it also lays sound foundations for modernizing his agriculture production credit helps him to purchase essential inputs of production without which he cannot increase output on the farm."

The major requirements of any agricultural credit is that it should be a "dynamic credit" which is identified as one where in at the end of the credit period, there is an improvement in output and income or in assets so that repayment of credit is made out of the income generated by the use of the credit.

In short the quantity of credit management, organization and conditions under which is granted should be such that it promotes development. The old proverb, credit is a hangman's rope is to be replaced by a new one "Credit serves as an elevator." Agricultural credit is no longer, viewed as an instrument for causing the extinction of the farmer.
3.4 FUNCTIONS OF PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETY

The main function of primary agricultural credit co-operative society is to provide short and medium term credit to members. The society should survive use of credit. society should supply certain consumer good also. Society should associate it self with programmes of economic and social welfare for village. Saving habit should be developed. However, certain other functions must be carried out by society and this leads to origin of the multipurpose societies.

To the finance co-operative societies in the district, to the participate in the share capital of primary credit and multipurpose or other co-operative societies registered under Maharashtra co-operative societies Act with the approval of the registrar co-operative societies. To arrange for supervision and inspection of affiliated co-operative societies and to asses their credit.

3.4.1 Management

Management of society is democratic and honorary. It is based on the principle of one man one vote. General body consisted of members is a supreme authority. Managing committee of five to nine members chosen from general body. This management committee looks after day to day functions of society. Secretary carries executive work. Management committee admits new members, supervises, credit raises funds for the society. Accounts are maintained by secretary. The management is honorary and only secretary is paid small remuneration for clerical work. Most of members are not only illiterate but are in different and this leads to mismanagement when society functions unsatisfactorily. Registrar for co-operatives supersede management committee until society start normal functioning.

3.4.2 Audit And Supervision

Auditing is very important for avoiding mismanagement and increasing efficiency of society. Audit work is carried out by a person of Registrar for co-operatives. Supervision and inspection is vested in one body. Practice varies
from state to state. In Maharashtra it is carried out by supervision union under the control of district central bank in the area.

3.4.3 Membership

Personal relation is essential in society and hence, membership must not be too large and hence area of operation should be compact. The Resolution of 9th November 1958, laid down the pattern of organization at primary level, viz society for each village. If villages are small two or more of them can join to form one society. Provided the population covered, does not exceed about 1000. Membership is open of agriculturists, artisans and small traders in villages. The minimum initial membership is Rs. 10.

3.4.4 Liability and Raising Fund

During early period of co-operative movement, liability of society was unlimited but shift has taken place from unlimited to limited liability. In 1994-95, 75% societies were with limited liability as against 70% before five years. There are two sources of fund.

(a) Internal sources:-

Share capital.
Entrance fees.
Reserve funds.
Deposits from members.

(b) External sources:-

Deposits from non members.
Loans from central financial bodies.
Government
Loans from commercial banks.

The working capital of all primary credit societies in Nanded District.
3.4.5 Deposits and Reserve funds

One of the objectives of society is to develop saving habit among member. Deposits of primary co-operative societies increased. The reserve fund, maintained by the society can be utilized for meeting unforeseen losses.

3.4.6 Borrowing

Major portion of the fund which society lend to member comes from district central co-operative bank. Criterion of giving loan to society by central bank varies from district. To district and state to state. In Maharashtra the borrowing limit is eight times the paid up share capital and accumulated losses.

3.4.7 Loan Advanced

Primary agricultural credit society grants short and medium term loan to members. Short term loan is given for the purchase of seeds, fertilizers pesticides manners, payment of wages to workers and for paying land revenue. Crop loans are most popular.

Medium term loans are given for purchasing of cattle, implements, equipment, construction of small irrigation facilities, repair of wells. Construction of bunds and improvement of land.

It is interesting to note that on an average only 38 percent members borrow from these societies. This is because delay in issue of loans inadequacy of loans, inconvenient repayment schedule. Societies have to bring out improvement in their functioning society that most of the members will borrow from them and they will serve the purpose in real sense.

3.4.8 Security

In most of the states fixed property is insisted upon for security. However loans are also given on the security of movable property and against personal security, Repaying capacity is also taken into consideration while granting loan to members.
3.4.9 Rate of Interest

As Co-operative societies initiated in Nanded district to save cultivators from exorbitant interest rates of the many lenders. Hence as far as possible the credit should be the credit should be cheap. The rate of interest charged by primary agricultural credit societies on advances to members varied from seven percent to ten percent per annum. State Government may subsidies the rate of interest to any extent depending upon type of cultivator.

3.4.10 Period of repayment

It is expected by the society that short terms loans will be repaid as soon as produce is bold. Normally 18 months is a maximum period for short terms loans and 5 to 7 years medium term loans.

Amount of loan becomes overdue if the loan amount is but repaid with prescribed time limit. Over due is a serious problem for these societies. The defaulters concern one of will full defaulters and seen is genuine defaulters. These willful defaulters do hot fallow principle of co-operation and do great harm to co-operative movement.

The objective of government is genuine one but borrower may take a view that we may get concession in repayment in future and it will lead towards non repayment of loans. Hence it will be worth white to set easy terms and conditions before granting the loan and not after granting the loan. Societies should supervise use of credit and a void misutilization of credit. problem of problem of over dues must be tackled tactfully society that it will not hamper growth of co-operative movement.
Immediately after independence there was a general tendency of the nation towards development as well as Nanded district people were, everywhere enthusiastic and full of new ideas about the methods of doing things in a more efficient and speedy way. This surge of aspiration manifested itself in the cooperative field as well. For many decades, the small sized primary credit society with unlimited liability, confining its agricultural area of operation to only one village and having a small membership and small turnover. But otherwise a very homogeneous unit of persons having mutual trust and confidence. It was, however, soon left that this system was incomplete in so far as it satisfied only one of the many needs of the farmers, viz. credit.

Other important needs of the farmers were to be supplied by these societies. New experiments were made on the multipurpose model of societies in Nanded district central co-operative bank and then on the recommendation of the Reserve Bank of India, in some parts rather very enthusiastically. Then followed the rural credit survey and a report based on it, in which the then existing rural credit structure was reported to be too inadequate to be able to shoulder the comparatively much bigger responsibilities of district-building they were expected to shoulder.

It is clear that what is of central importance is the result which these societies are required to produce namely an increase in agricultural production. The entrusted to co-operative societies were to a certain extent being performed by the earlier credit societies as well. They were supplying credit for short and medium terms. They were at places supplying farm and household requirement also and the encouragement of deposits from members had been one of their important objectives. The credit societies had a much simpler task to perform. The information of last three years loan through (PACS) primary agricultural credit co-operative society.
The Loans and advances provided by Nanded District Central Co-operative Bank (NDCCB)

Table No. 18

(Rs. In Lakh)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Short term loan</td>
<td>3410.54</td>
<td>2122.88</td>
<td>4481.04</td>
<td>1041.24</td>
<td>7007.35</td>
<td>---</td>
</tr>
<tr>
<td>2</td>
<td>Semi term loan</td>
<td>12.80</td>
<td>---</td>
<td>4.00</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>3</td>
<td>Semi term loan for tractor</td>
<td>50.52</td>
<td>---</td>
<td>59.97</td>
<td>---</td>
<td>48.22</td>
<td>---</td>
</tr>
<tr>
<td>4</td>
<td>Interest of semi term loan</td>
<td>2.27</td>
<td>---</td>
<td>2.27</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>5</td>
<td>Projects loan</td>
<td>154.93</td>
<td>---</td>
<td>133.67</td>
<td>---</td>
<td>117.41</td>
<td>---</td>
</tr>
<tr>
<td>6</td>
<td>Translated</td>
<td>657.54</td>
<td>---</td>
<td>361.60</td>
<td>101.07</td>
<td>551.96</td>
<td>---</td>
</tr>
<tr>
<td>7</td>
<td>Permanent planning</td>
<td>36.59</td>
<td>---</td>
<td>18.29</td>
<td>---</td>
<td>21.97</td>
<td>---</td>
</tr>
<tr>
<td>8</td>
<td>Shares purchasing</td>
<td>154.61</td>
<td>---</td>
<td>150.63</td>
<td>---</td>
<td>120.71</td>
<td>---</td>
</tr>
<tr>
<td>9</td>
<td>Automatic Re-finance</td>
<td>39.23</td>
<td>---</td>
<td>21.62</td>
<td>---</td>
<td>6.73</td>
<td>---</td>
</tr>
<tr>
<td>10</td>
<td>Replays sugar factory</td>
<td>1388.09</td>
<td>---</td>
<td>71.43</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>11</td>
<td>Loan for payment</td>
<td>2496.08</td>
<td>---</td>
<td>2736.38</td>
<td>---</td>
<td>2800.00</td>
<td>---</td>
</tr>
<tr>
<td>12</td>
<td>Loan for I.R.D P.</td>
<td>89.54</td>
<td>---</td>
<td>63.03</td>
<td>---</td>
<td>69.06</td>
<td>---</td>
</tr>
<tr>
<td>13</td>
<td>Composites loan</td>
<td>8.47</td>
<td>---</td>
<td>259.00</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>14</td>
<td>Vehicle loan</td>
<td>3.13</td>
<td>---</td>
<td>0.24</td>
<td>0</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>15</td>
<td>Overdraft</td>
<td>951.80</td>
<td>---</td>
<td>0.19</td>
<td>---</td>
<td>203.64</td>
<td>---</td>
</tr>
<tr>
<td>16</td>
<td>F.R.S.S.</td>
<td>72.87</td>
<td>---</td>
<td>37.04</td>
<td>---</td>
<td>1.43</td>
<td>---</td>
</tr>
<tr>
<td>17</td>
<td>A.R.S.</td>
<td>46.49</td>
<td>---</td>
<td>38.92</td>
<td>---</td>
<td>248.70</td>
<td>---</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>9575.30</strong></td>
<td><strong>2122.88</strong></td>
<td><strong>8182.91</strong></td>
<td><strong>1142.31</strong></td>
<td><strong>11197.58</strong></td>
<td>---</td>
</tr>
</tbody>
</table>

(Sources: Nanded District Annual report 1998-1999)

They mostly confined their activity to the grant of loans. If at all performed, received a secondary attention and seldom were the two credit and production. Programmes of the farmers linked together. In co-operative societies the center of gravity has shifted from the counter in the society’s office to the fields of the cultivators. Increase in production rather than the mere scrapping off the farmers accounts in the ledgers of the money lenders is the core of the problems to be solved by them. The objectives of co-operative societies are thus circumscribed by a more dynamic philosophy which revolves round the field of the cultivator and overall problem of low yields and farming inadequacies.
The societies should assess the farming needs and take measures to fulfil them. So far as possible, the societies should even create demands for better seeds, more fertilizers, better implements, etc., by educating the people about their advantages. Further, it is the duty of the society to propagate the best method of using the fertilizers and provide farm guidance services. An important object of rural credit societies is to create among the members the much-needed habit of thrift and to mobilize local saving. It also observed that unless the progress were substantial, an increase in deposits and loans, it will have to be confessed that co-operation has failed.

It is hoped that with the concerted large-scale effort of all concerned and with the Government participation financial, administrative, and technical conditions will be created in which the co-operative societies will begin to evince confidence and attract deposits. Observing that no agency, co-operative or other, can hope for success in this context unless it is one which inspires confidence and evokes local interest. The primary co-operative societies should be organized as large units which may have a sufficiently large business and office with a whole-time secretary. The co-operative society also recommended that apart from collecting deposits, local savings could be mobilized through:

(i) Chit funds

(ii) Collection of additional share capital.

(iii) Sale of debentures of land mortgage banks. The observed that in order make rural saving possible. It was important to render rural saving available. Availability of rural savings depended on the augmentation of the rural economic activities including enlarged production and better services in respect of marketing, processing and other forms of economic activity.

In almost all the districts have by now adopted the system of advancing production-oriented credit popularly known as 'crop-loan.' The system, broadly speaking, envisages that the credit needs of the cultivating members are to be determined with reference to the requirements of production in respect of different crops to be grown by them in the ensuing cropping season, individual credit limits being fixed subject to the repaying capacity. Cash require
for undertaking cultivation operations with traditional methods, involving a little or no outlay on fertilizers. This component is limited to \( \frac{1}{3} \) of the value of gross produce of the member. It may include for inputs like chemical fertilizers, insecticides, improved seed, oil seeds, and to be given in kind to the extent possible. Additional cash requirements not exceeding 50% of the value of the kind component to meet expenditure on account of the application of fertilizers, insecticides, etc.

The district agricultural officer provides a schedule indicating the average cost of cultivation per hectar, crop-wise and component-wise to the central co-operative bank. The recommended by the agricultural officer is then considered in the district field workers conference. Which is convened every year generally in the month of October and is attended by the directors of the central co-operative bank, chairman of zila parotid, district agricultural officer, Assistant Registrar co-operative societies and block development officer. The information of last three year loans through Nanded district central co-operative Bank.

The Distribution of crops loan

<table>
<thead>
<tr>
<th>Year</th>
<th>No. Society</th>
<th>No. of Members</th>
<th>Seasonable Loan Distribution</th>
<th>Loan Distribution to Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>969</td>
<td>84014</td>
<td>3257.46</td>
<td>682.26</td>
</tr>
<tr>
<td>1997-98</td>
<td>868</td>
<td>103279</td>
<td>4248.23</td>
<td>1082.03</td>
</tr>
<tr>
<td>1998-99</td>
<td>873</td>
<td>158039</td>
<td>9827.17</td>
<td>2049.80</td>
</tr>
</tbody>
</table>

(Sources: Nanded district reports 1998-99)

Co-operative Banks give loans to the farmer to buy good seeds, fertilizers. These Bank also help in consolidation of land holdings and removal of irrigation and transport constraints. As a result, agricultural production tends to increase.

The banks should advance loans on the basis of standing crops. This way small holders will also be able to get loans. Farmers can thereby meet their short period expenses easily.
The societies then fix the maximum credit limit (M. C. L.) of capacity of each member worked out on the basis to net value of produce expected per hectare. Farming requirements of each member worked out according to scale fixed by the field workers conference. The registrars have fixed the maximum upper limits up to which loan can be given. The maximum credit limit of a member would be the lowest.

The credit limit of the society is then determined it is generally equivalent to the total maximum credit limit (M.C.L.) of the members minus the own resources of the society. The figure is communicated to the central co-operative bank which fixes the credit limit of the society keeping in view its own resources plus its capacity to borrow.

Apart from giving short term loans. Co-operative societies provided medium term loans in addition to making the normal contribution to making the normal. Contribution to share capital of his primary credit society to extent of 10% of then low payments in such cases shall be made to the dealers from whom the machinery is purchased and the machinery shall be hypothecated in favor of the lending society and also got comprehensively insured. The Reserve Bank also insists that at-least 40% of medium term loan be advanced for one or more of the following productive purpose.

(i) Minor irrigation
(ii) Repairs to minor irrigation sources.
(iii) Purchase of machinery such as pump sets.
(iv) Purchase of agricultural implements.
(v) Purchase of dairy cattle and poultry

Loans is advanced to a member provided are as under.

He is not a defaulter holds shares of the society in the prescribed ration to his borrowings an executes a loan bond and signs an agreement to sell his produce through the co-operative marketing society. Generally co-operative so-
Societies execute a consolidated time promissory note in favor of the central co-operative bank to cover the total loan. The promote covers all with draws to be made during the next year.

The Reserve Bank of India now insists on the co-operative banks introducing seasonally in loaning, which means that disbursement of loan should coincide with harvesting and marketing and crops the component loan should thus be made at the time of its actual use in the field according to agricultural practices followed in the areas concerned for example Kharif is now given from 1st March on wards and for real from 1st October on wards. Seasonally is not to be strictly observed in the case of cash component which is in the nature of "ways and means advance" to the cultivator and should be allowed to him whenever he needs it during the year. As regards repayments due dates should be society fixed as to coincide with the harvesting and marketing crops.

Side by side the Reserve Bank now sanctions separate limits for Kharif and Rabbi crops infavour of central banks. The central co-operative banks are also expected to fix normal credit limits to the member societies both for Kharif and Rabbi separately every year in advance and on this basis the actual financing is to be regulated. Conforming to the seasonal cropping pattern society that they would automatically get reflected in the pattern of operations on the borrowing of banks.

Crop loan system has on the whole proved useful. It has helped increased the flow of credit and has linked it with the agricultural production programmes of the farmer members.